



CHAIRMAN

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

March 31, 1994

The Honorable Max Baucus, Chairman
Committee on Environment and Public Works
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In response to your February 25, 1994 letter, I am enclosing the Nuclear Regulatory Commission's written statement on its Fiscal Year 1995 budget. The budget estimates described in our written statement are consistent with the NRC's budget justification material (NUREG-1100, Volume 10) previously submitted to the Committee.

The Commission appreciates the Committee's continued support for the NRC's programs and resources. Please contact me if I may be of further assistance.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ivan Selin".

Ivan Selin

Enclosure:
Statement on the Nuclear Regulatory
Commission's FY 1995 Budget

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CORRESPONDENCE PDR

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NUCLEAR REGULATORY COMMISSION
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March 31, 1994

The Honorable John H. Chafee
Committee on Environment and Public Works
United States Senate
Washington, D.C. 20510

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STATEMENT SUBMITTED BY
UNITED STATES NUCLEAR REGULATORY COMMISSION

TO THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE

CONCERNING

THE FISCAL YEAR 1995 AUTHORIZATION FOR THE
NUCLEAR REGULATORY COMMISSION

SUBMITTED: MARCH 24, 1994

U.S. NUCLEAR REGULATORY COMMISSION

Mr. Chairman and members of the Subcommittee, the Nuclear Regulatory Commission is pleased to submit its budget request for fiscal year 1995.

Two years ago we provided an overview of NRC's principal programs and explained how we are using our resources to fulfill our statutory mission. At that time, we addressed the need for NRC to focus resources on seven key issues -- improving overall safety performance at operating reactors, renewing operating licenses, certifying standard designs, safely using and transporting nuclear materials, safely disposing of nuclear waste, cleaning up contaminated sites, and, to a more limited extent, providing nuclear safety assistance to other countries. These areas continue to be the major focus. We would like to summarize the progress that has been made in these areas and give you an understanding of where we are going for the future.

1. Overall Safety Performance at Operating Reactors

We are pleased to report the overall safety performance for the 109 nuclear power reactors licensed to operate in the U.S. has improved, their reliability and availability have improved, their average plant operating and maintenance costs have decreased, and more plants are on the NRC's good performer list than at any time in the past. The overall safety performance is demonstrated by the key operational safety indicators monitored by the NRC, which include forced outage rates, automatic scrams while critical, and significant events. These indicators are depicted in the first 3 charts in the appendix to our testimony.

We are focusing more of our regulatory effort on plants that lag the industry's mean, rather than spreading our efforts uniformly across all plants, both strong and weak. At the same time, we can safely streamline our regulatory process without diminishing protection of public health and safety. To this end, we are proceeding to implement the generic recommendations of the NRC's Regulatory Review Group that we told you we had established last year; we have started to review specific requests from licensees to reduce costly regulatory requirements which will not affect operational safety; and we have also implemented a major change to the Systematic Assessment of License Performance process. These changes enable NRC to focus its attention on safety significant findings, especially where poor performance is identified, and will improve our ability to communicate the results of our assessments to the licensee and the public.

2. Renewing Operating Licenses

While continuing our focus on ensuring the safety of existing operating reactors, we have been putting in place the license renewal mechanisms to help the nation reap the full benefit of existing nuclear plants. We have succeeded in the past year in getting the reactor operating license renewal process on track. The staff held a workshop last September to bring together all interested parties and solicit their views on license renewal. As a

result of the workshop and subsequent comments, the staff is now preparing a much more straightforward license renewal rule. This rule is expected to streamline license renewal by shifting the focus of the license renewal process away from the identification and evaluation of aging mechanisms, and towards the practices which will allow licensees to manage potential age-related challenges. These practices will depend heavily on ongoing plant maintenance programs. We would also note that after many years of intensive efforts by the NRC and nuclear industry, no insurmountable industry-wide safety challenges related to aging of nuclear power reactors have been identified. However, since we do not have much experience with plants more than 25 years old, the effects on operating life of some aging issues have yet to be fully determined. Thus, we will need to continue our ongoing research activities.

We are now working to implement the license renewal regulatory framework. Industry efforts are largely focused on a more generic approach to license renewal. Thus, the Nuclear Energy Institute is currently coordinating industry activities related to the development of the generic license renewal processes that industry will submit for NRC review and approval. Once approved, these processes can be used by the owners groups and individual utilities to develop specific license renewal programs and submittals. The Babcock and Wilcox, Westinghouse, and Boiling Water Reactor Owners Groups have all started discussions with us on generic license renewal programs for their designed facilities. Under these programs, the owners groups would submit reports on license renewal topics that cover systems and components common to their reactors. We are also beginning to have discussions with two utilities -- Baltimore Gas and Electric Company and Virginia Power Company -- regarding license renewal programs for their plants. Virginia Power Company is looking at a 5 year license renewal for its four operating reactors. They estimate that renewing these licenses for 5 years will result in a net present value savings, in 1994 dollars, exceeding \$500 million.

3. Certification of Standard Designs

With respect to our program aimed at future standard reactor designs, significant progress has been made. We are pleased to report that after several years of effort by industry and the NRC, the staff is about to issue the design approvals for both evolutionary standard reactor designs -- the General Electric Advanced Boiling Water Reactor and the ABB-Combustion Engineering System 80+. We expect to complete rulemaking certifications of these designs in the next 18-24 months.

We also have two additional standard design applications under review for novel light water reactor designs which employ passive safety features and modular construction. The review of both applications has begun. The proposed budget provides adequate resources to develop the independent information and analyses necessary to support our safety decisions on these new and unique designs. However, recent delays on the part of the vendors in implementing their own test programs for both passive designs will certainly affect the certification schedules.

4. Nuclear Materials

We would like to turn now to the use, transport, and disposal of nuclear materials. Two important areas where improvements are underway involve our Agreement State program, which covers approximately two-thirds of the nuclear materials licensees in the U.S., and our medical regulatory program.

During the past year, valid questions have been raised about certain aspects of NRC's Agreement State program. We believe we have the necessary corrective actions underway. Working closely with the States, licensees, and citizens groups, we are developing a policy statement on agreement state adequacy and compatibility with the NRC regulatory programs. We are also developing a pilot program, in consultation with the Agreement States, incorporating improved data collection and the use of common performance indicators for reviewing Agreement State programs and the NRC-operated materials regulatory programs. These data and indicators will enable NRC and Agreement State management to take a more systematic and integrated approach to evaluate the strengths and weaknesses of the Agreement States material licensing and inspection programs. The pilot program will be implemented during the next 12 months.

For the NRC's medical regulatory program, we developed and have begun to implement a medical management plan to guide our licensing, inspections, and rulemaking improvements. Our objective is to ensure that the patients receive adequate radiation protection during medical procedures without undue interference by us in the practice of medicine. To help achieve this objective we have drawn on the expertise and experience of many groups -- our Advisory Committee on the Medical Uses of Isotopes, Agreement States, professional organizations, other regulatory agencies, and the medical community--to identify and resolve key issues in our plan. We are also having the National Academy of Sciences conduct an independent review of our regulation of the medical use of byproduct material.

We have also been given new responsibilities, in the past year, to oversee the operations of the U.S. Enrichment Corporation. We have issued the proposed regulations required by the Energy Policy Act for these uranium enrichment facilities and expect to meet the October 1994 deadline to finalize them.

5. Nuclear Waste Disposal

In the area of nuclear waste disposal, the NRC is providing the regulatory framework that will assist the states to regulate disposal of low-level radioactive waste. NRC is also responsible for licensing a high-level waste geologic repository. We have been participating in a wide range of activities including public meetings; meetings with State and local government representatives; review of site characterization plans, site selection criteria, conceptual designs, and quality assurance plans; and monitoring the work of the DOE to facilitate the study and characterization of Yucca Mountain.

NRC is also working with States and the Compacts toward further development of low-level waste disposal facilities. NRC's role has been one of reviewing

plans and designs and issuing guidance on a variety of topics, including highly engineered facilities. States are still having difficulty siting and licensing low-level waste facilities, but measurable progress in Texas and in the Southeast Compact has been made in the last year.

6. Cleaning Up Contaminated Sites

Our Site Decommissioning Management Program has allowed us to increase our oversight of previously contaminated sites to ensure satisfactory cleanup. We have been able to release for unrestricted use three of the 48 sites in the program and expect to release two more in the near future. The staff expects future decommissioning activities at the remaining sites to accelerate as they become more routine. NRC has also undertaken an enhanced participatory rulemaking to establish cleanup criteria in regulation rather than in guidance.

7. International Safety Assistance

In the area of international nuclear safety we are continuing our active participation in a number of safeguards, waste management, and environmental protection activities. Because of our unique expertise, we have been actively involved in the past few years in implementing nuclear safety initiatives in Russia, Ukraine, and Eastern European countries. While some progress has been made, much remains to be done. We are continuing a variety of cooperative activities with our Western allies which allows us to learn from each other. We are also opening communication channels with the nuclear regulatory organizations of several Asian nations so that they have the means to create a regulatory environment similar to ours as they start to expand their nuclear power programs.

COMMUNICATING WITH INTERESTED PARTIES AND THE GENERAL PUBLIC

Ensuring that openness and candor is incorporated in how we do business throughout the NRC, we are holding workshops around the country in a more structured and systematic way with the public, the industry, and licensees. These are fostering open discussions, and contributing to better communications about what we are doing and why, and about successes and shortcomings. We believe the enhanced participatory rulemaking on radiological decommissioning standards is a prime example of the importance we place on public participation in a very controversial and critical area. We have held a series of workshops around the country with EPA, with interested parties, and with the public, which fostered open discussions and the airing of differing views. The result will be that the public will have had a chance to put their opinions on the record and provide early input into a rulemaking which will establish criteria for residual levels of contamination after remediation of licensed facilities in their communities.

LICENSE FEES

We have continued to meet the requirement of the Omnibus Budget Reconciliation Act of 1990 (OBRA-90) to recover approximately 100 percent of the budget authority, less the amount appropriated from the Nuclear Waste Fund. For fiscal year 1993, we recovered 98 percent of the budget through fees.

The Energy Policy Act of 1992 directed the NRC to review its policy for assessment of annual charges under OBRA-90, solicit public comment on the need for changes to this policy, and recommend to the Congress any changes needed in existing law to prevent placing an unfair burden on NRC licensees. The report on the fee policy review was provided to Congress on February 23, 1994. The report concluded that to minimize the major concerns about fairness and equity, OBRA-90 should be modified to change the requirement to collect 100 percent by deleting the cost of selected activities from the fee base. First, beneficiaries of some NRC activities are not NRC licensees and therefore are not assessed their fair share of fees. These are for certain international activities and oversight of and generic regulatory support to the Agreement State program. Second, some licensees bear the cost of NRC regulatory activities for other licensees who are exempted from fees by law or Commission policy. These are the legislative fee exemption for Federal agencies, the Commission fee exemption for nonprofit educational institutions, and the Commission fee reduction for small entities. For this reason, the legislative requirement to collect 100 percent of the budget authority through fees inherently places an unfair burden on licensees. The budgetary changes that would result from implementing the study recommendations are not included in the President's budget. The Commission is now considering what next steps are appropriate.

Modifying the 100 percent requirement would resolve the fee issue associated with international activities that the Senate Appropriations Energy and Water Development Subcommittee raised in its report on the FY 1994 appropriations. We are also pleased to be able to note that we have resolved the issue associated with fees for university licensees, noted in the same report, without additional legislation. Specifically, the Commission approved a final rule on March 1, 1994, reinstating the exemption from fees for non-profit educational institutions.

NATIONAL PERFORMANCE REVIEW

Our budget also reflects NRC's initial efforts to meet the goal of the National Performance Review -- that is, a more effective government. The NRC already had underway a number of the recommendations contained in the Vice President's report and is in the process of implementing most of them. We believe we are doing rather well in implementing the four fundamental principles of the report.

The Report's first chapter, *Cutting Red Tape*, deals mainly with streamlining the budget, procurement, and personnel processes, reorienting the inspector general function, eliminating regulatory overkill, and empowering State and local governments. The staff has been working to improve financial and procurement management over the past two years including closing old

contracts, obtaining a better automated accounting system, and reinventing our procurement process. This effort allowed us to rescind \$12.7 million from our fiscal year 1994 appropriations. It will take another year or so to get to where we want to be on these improvements. However, we will be reviewing internal personnel policies and directives to determine what further modifications may be needed. We have already asked the IG for, and received, several reviews and audits to improve management oversight and control.

Over the past several years the NRC has done a great deal to eliminate unnecessary regulatory requirements. For example, we have adopted a one-step licensing process and developed a technical specification improvement program. As I mentioned earlier, we are examining ways to give licensees more flexibility in plant operation and reduce operating costs while maintaining a comparable level of safety. Additionally, we have taken steps with the Environmental Protection Agency and the Food and Drug Administration to improve interagency coordination of regulations.

Although many of the topics in Chapter Two, *Putting the Customer First*, are not specifically related to a regulatory agency, we believe we are in tune with the spirit of the Chapter. The Commission has repeatedly stressed how critical it is to the future of nuclear energy that we act and make our decisions in an open atmosphere that will engender public confidence in our actions. The NRC has conducted a Regulatory Impact Survey of reactor licensees to determine utility views on the effect of the large number of NRC regulatory requirements imposed after the accident at Three Mile Island. As a result of this comprehensive survey the NRC made a number of changes in its organization and regulatory practice. We intend to extend this survey to the materials side. We have also been taking steps to ensure that we are responsive to the public at large by conducting several workshops in a wide variety of regulatory areas.

Chapter 3, *Empowering Employees to Get Results*, is the area in which we see our progress as mixed. We have had programs for quite some time which allow for compressed/flexible time, part-time, and job-sharing schedules, help pay for commuting costs for those who use mass transit, and will soon have exemplary child development and physical fitness/wellness centers on site. We also do very well with making training available to our personnel. On the other hand, we need to do more to eliminate unnecessary layers of management, to consolidate small subunits throughout the agency that are inefficient and too narrowly focused, and to hold employees and top management more accountable for results. We believe plans to make progress in this area are off to a good start.

We have also taken steps over the past few years to address issues which relate to the final Chapter, *Cutting Back to Basics*, such as the aforementioned actions to combine Regions IV and V, close the Uranium Field Recovery Office in Denver, and centralize certain functions at Headquarters that now are the responsibility of the Regions. We have worked in partnership with the National Treasury Employees Union in restructuring Regions IV and V and in doing so, the management/union cooperation called for in the President's Executive Order has worked very well.

LEGISLATIVE PROPOSALS

The NRC has submitted legislative proposals to Congress which the Subcommittee for Clean Air and Nuclear Regulation has incorporated into S. 1162, the NRC's authorization bill for fiscal years 1994 and 1995. We encourage the Committee to complete its markup of that legislation at an early date. We are considering what legislation, if any, should be forwarded in support of the recommendations in the NRC's fee study.

FISCAL YEARS 1994 AND 1995 AUTHORIZATION

We have been able to hold the line on our fiscal year 1995 budget at less than the rate of inflation. Our fiscal year 1995 budget request is \$546.5 million -- \$1.2 million less than our fiscal year 1994 appropriations. We have budgeted increased resources for our new responsibilities for regulating the United States Enrichment Corporation's facilities and to make essential improvements to the way we regulate nuclear medicine. We have also reduced current operations and reactor research without compromising our safety responsibilities. Furthermore, we have tightened our financial operations by increasing the effectiveness and efficiency of our program financing, thereby allowing us to make a \$12.7 million rescission to our fiscal year 1994 appropriation. These savings will be passed along to NRC licensees in the form of reduced fees. We are continuing to assess opportunities to tighten financial operations further while ensuring that our vital health and safety mission is not compromised.

The details of our budget request for fiscal year 1995 have been provided to your Committee. That request is included as an appendix to this testimony and is summarized in two charts: Chart 4 summarizes our budget request in terms of NRC's principal program objectives and illustrates changes to our program requirements; and Chart 5 depicts a gross allocation of resources to our two principal programs.

CONCLUSION

In conclusion, the NRC is committed to meeting its responsibilities for the safety of today's operating reactors and other NRC-licensed activities. We are trying to stay a step ahead of events; by so doing, we have been able to undertake additional responsibilities and invest in those programs which affect the future -- streamlining the regulatory process, renewing reactor licenses, certifying standard reactor designs, and regulating waste disposal, while slightly reducing our budget in real terms. We will continue to do all of this in a transparent manner that facilitates public understanding of our regulatory process.

We greatly appreciate the support which you have afforded to NRC's programs in the past; we hope to continue to earn and enjoy this support. In the Commission's view, these programs are necessary to ensure effective regulation of an industry which touches virtually every facet of American life.

APPENDIX