



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

May 26, 1987

Ms. Anna F. Mead, Chair
New York Public Service Commission
3 Empire State Plaza
Albany, NY 12223

Dear Ms. Mead:

I am pleased to provide the Nuclear Regulatory Commission's (NRC) comments on the New York Public Service Commission's (PSC) proposal to create a financial incentive mechanism aimed at enhancing nuclear power plant performance. The NRC has no objection in principle to establishing financial incentives for utilities to improve the management, operation and performance of nuclear power plants. Your objectives for enhanced economic performance by utilities and NRC objectives for safe operation of nuclear power plants can be generally compatible.

However, we have little basis in experience to suggest whether this general concept represents an effective method of improving performance or enhancing safety. In addition, we have some specific concerns about your proposal.

The use of the Systematic Assessment of Licensee Performance (SALP) index or NRC enforcement history as the basis for an incentive program is one concern. The SALP program was developed primarily to assist NRC in identifying plants and program areas where inspection resources may best be allocated based on our perception of licensee performance. The NRC staff focuses on the facts in the SALP report, the issues identified, and the apparent root causes of problems. It is not our intention to focus on the numerical ratings themselves, and the staff has been generally successful in focusing the SALP meetings on the issues most relevant to plant operation. By design, SALP program implementation varies from site to site. Additional areas may be added for SALP evaluation or others may be deleted based on site-specific considerations or on increased NRC attention to specific program areas. We are concerned that the prospect of financial rewards for utilities, based on SALP ratings, might change the focus of the SALP process to the numerical ratings rather than on the underlying issues giving rise to the rating. Thus, the NRC does not support use of SALP numbers or enforcement history to arrive at financial awards and penalties.

The NRC is also concerned about the potential effects of the proposed PSC program on our interaction with licensee staff. Our effectiveness in inspecting plants depends, to a fair degree, on having an open relationship with plant operating staff and managers at the plant. Plant operating staff frequently tell NRC inspectors of problems that might not be revealed

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in the course of NRC's routine inspection program. We want to encourage this openness and are careful to see that plant staff are not punished for disclosing problems of possible safety significance to the NRC. The prospect that, for example, an individual's cash bonus might be adversely affected as a result of disclosing safety significant information to the NRC is a concern.

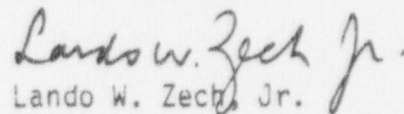
As currently written, the draft PSC proposal may be understood to focus on nuclear safety rather than economic operation of nuclear plants, and thus may interfere improperly with exclusive Federal regulatory authority over nuclear safety matters. Some shift in the focus of the proposal, or some clarifying changes in the documents describing it, appear warranted. Enclosed are the views of our Office of the General Counsel on this matter (Enclosure 1).

Finally, we are concerned that the program would specifically impose a large penalty on a licensee for minimally satisfactory performance. In such cases the NRC may have determined that nuclear safety performance needs to be improved, but substantial economic penalties could reduce resources that might otherwise be spent to improve weak performance areas.

I am also enclosing our answers to your specific questions (Enclosure 2). I hope you find these comments and suggestions helpful. Please let me know if the Commission can be of further assistance.

Commissioner Roberts did not participate in this response.

Sincerely,


Lando W. Zech Jr.

Enclosures: As stated