

1 UNITED STATES OF AMERICA
2 NUCLEAR REGULATORY COMMISSION
3 OFFICE OF THE SECRETARY
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5 COMMISSION BRIEFING ON
6 STATUS OF REGIONAL PROGRAMS, PERFORMANCE, AND PLANS
7
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10 Nuclear Regulatory Commission
11 One White Flint North
12 Commissioners Hearing Room
13 11555 Rockville Pike
14 Rockville, Maryland
15

16 Thursday, May 25, 2000
17

18 The Commission met in open session, pursuant to
19 notice, at 10:05 a.m., the Honorable RICHARD A. MESERVE,
20 Chairman of the Commission, presiding.

21 COMMISSIONERS PRESENT:

22 RICHARD A. MESERVE, CHAIRMAN
23 NILS J. DIAZ, Member of the Commission
24 EDWARD McGAFFIGAN, JR., Member of the Commission
25 JEFFREY S. MERRIFIELD, Member of the Commission

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1 STAFF AND PRESENTERS SEATED AT THE COMMISSION TABLE:

2 WILLIAM TRAVERS, Executive Director for Operations

3 ELLIS MERSCHOFF, Region IV Administrator

4 HUB MILLER, Region I Administrator

5 FRANK MIRAGLIA, Deputy EDO

6 JIM DYER, Region III Administrator

7 LUIS REYES, Region II Administrator

8 ANNETTE L. VIETTI-COOK, Secretary

9 KAREN D. CYR, General Counsel

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P R O C E E D I N G S

[10:05 a.m.]

CHAIRMAN MESERVE: Why don't we get underway?
Good morning again. There are many of the same people at
the table.

This session is to deal with the programs,
performance, and plans of the Regional Administrators. This
is a followon to a whole series of meetings we've had with
the various Program Offices here at Headquarters, with the
Chief Information Office and Chief Financial Officer.

And our focus today is on the Regions, because as
Dr. Travers indicated at the outset of the previous meeting,
that you are, the Regional Administrators, are the field
commanders for the NRC; that you have the challenge of
dealing with a full range of activities with which we
concern ourselves as an Agency, each of you.

And I think, to a greater extent in your
operations than in ours, it's really where the rubber hits
the road in the sense of seeing how the policies that are
established really work in the real world, and in dealing
with real-world issues for our licensees.

We're particularly interested in learning how
you're coping in a time of enormous change among our
licensees and in policies that the Agency is establishing;
what lessons you've learned from dealing with a variety of

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1 these new issues.

2 In particular, I think we're interested in hearing
3 how you're faring in trying to achieve a consistency across
4 the Agency in how each of the Regions performs.

5 Let me turn to my colleagues and see if they have
6 any comments.

7 COMMISSIONER DIAZ: I do have a small comment. I
8 am very pleased to be able to sit across from the Regional
9 Administrators to deal specifically with the broad issues of
10 the Regions, as the Chairman mentioned.

11 But I did want to point out that through all of
12 these years, Region II and IV had an easy time because they
13 didn't have any of the other problems.

14 The Commission intends to inflict pain on the
15 Regional Administrators of II and IV.

16 [Laughter.]

17 COMMISSIONER DIAZ: So they can feel treated as
18 equally as Regions I and III, and, therefore, I am looking
19 forward to it.

20 MR. MIRAGLIA: That was discussed at yesterday's
21 pre-briefing.

22 MR. MERSCHOFF: I suggest you start with II.

23 [Laughter.]

24 COMMISSIONER MERRIFIELD: I was going to say,
25 Commissioner Diaz, in my drive up from Lynchberg yesterday,
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1 Regional Administrator Reyes had to spend three hours in the
2 car with me, and I think that was sufficient torture.

3 [Laughter.]

4 COMMISSIONER MERRIFIELD: You may want to start
5 with Mr. Merschoff.

6 COMMISSIONER McGAFFIGAN: Mr. Chairman, I tend to
7 think of the Resident Inspectors as fighter pilots. I think
8 they're actually Wing Commanders.

9 [Laughter.]

10 MR. MIRAGLIA: We got demoted.

11 COMMISSIONER MERRIFIELD: How about Air Marshals?

12 COMMISSIONER McGAFFIGAN: Okay, we'll make you an
13 Air Marshall.

14 CHAIRMAN MESERVE: All right, Dr. Travers, you may
15 proceed.

16 DR. TRAVERS: Thank you, Mr. Chairman. I'm glad
17 to be here with maybe what I should describe as the out of
18 towners. We're glad to have this opportunity to take
19 advantage of the Regional Administrators being here in town
20 to give you a sense, from their perspective, of the
21 implementation of Regional programs.

22 As you pointed out, Mr. Chairman, the significance
23 of what these gentlemen and the Staff in the Regions do is
24 not lost on any of us.

25 They are what we very often describe as the

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1 regulatory interface with our licensees, and with the
2 public, in the main. And so the significance of their jobs
3 and how they do their jobs is certainly one that we
4 appreciate.

5 I'd like to mention that Frank Miraglia is here,
6 and Frank is going to give a few introductory remarks. The
7 Regional Administrators report through Frank, I guess, to
8 me.

9 And Frank, why don't I turn the meeting over to
10 you?

11 MR. MIRAGLIA: Thank you, Bill. Good morning, Mr.
12 Chairman and Commissioners.

13 As Bud indicated, the Regional Offices provide and
14 implement programs through all the strategic arenas of the
15 Agency, not only reactors, but materials, waste. And they
16 also manage the corporate activities in terms of managing
17 the Staff in the Regions.

18 What we have provided for for today is a
19 coordinated briefing by the RAs to address four broad areas:
20 Hub Miller will discuss a broad overview of the Regional
21 activities.

22 Jim Dyer will talk about the assessment, how do we
23 assess Regional performance and address the question of
24 consistency between Regions?

25 Ellis Merschoff will talk to the challenge of

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1 communications and changed management that was an issue that
2 was raised by the Chairman in his opening remarks of how we
3 are dealing with all of these changes.

4 And then Luis Reyes will talk in terms of the
5 broader management strategies and challenges that we have in
6 terms of the recruitment and the staffing within the field,
7 and the challenges to manage an office and an extended staff
8 away from headquarters.

9 With that, we'll start with Hub Miller.

10 MR. MILLER: Okay, thank you. I intend to
11 describe the spectrum of Regional functions. I will move
12 briskly through several slides, and in the short time,
13 hopefully give you a sense of the scope and the level of
14 activity associated with these functions; touch on some of
15 the more important accomplishments and challenges that we
16 face.

17 If I could have the second slide, this lists, in
18 very broad terms, the basic functions of the Region. I will
19 be addressing the first four regarding reactor, materials,
20 safety, instant response, enforcement, and allegations.

21 Regions are in some respects, self-contained with
22 respect to infrastructure and administrative support and the
23 like. That's a function that Luis will speak more to.

24 Being on the front lines, so to speak, we do -- we
25 are heavily engaged with the public and working with the

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1 representatives of the Office of Public Affairs who have --
2 which has people assigned to the Regions. We are very much
3 involved in that, and Ellis will speak more to that.

4 If I can go to the next slide, Slide 3, the
5 reactor oversight function involves a variety of inspection
6 and assessment activities. It's the largest functional
7 area, budget and staffing-wise, in the Region.

8 It constitutes about 80 percent of Regional
9 operations. Of course, we just reviewed the results of the
10 last year's cycle of reactor oversight activities.

11 That all begins with the inspections that are done
12 in the Regions. This includes the core and Regional
13 initiative inspections, as we called them in the past,
14 baseline and supplemental inspections that will be done
15 following the detailed procedures of the new program.

16 It also includes event followup inspections on a
17 very selected basis, with a graded approach, as I discussed
18 earlier. We are constantly screening events, and for those
19 that because of their risk significance, the complexity, the
20 potential for generic issues and the like, we from time to
21 time initiate augmented and special team inspections to,
22 among other things, quickly establish facts surrounding
23 events; determine potential risk and safety implications,
24 and, importantly, confirm the adequacy of licensee actions.

25 We conducted three AITs in the past year; one at
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1 Hatch, following an event involving an overfill of reactor
2 vessel, and the two vents that I talked this morning about
3 at Indian Point.

4 We conducted some additional nine so-called
5 special team inspections of events of lower significance,
6 but still events that we felt were important to take a
7 special look at.

8 Another area of special inspection activity
9 involves the situations where there are broad performance
10 problems at issue. And the most prominent of these and the
11 most recent are, of course, the activities involved in the
12 inspections at D.C. Cook, at Clinton and Millstone, which
13 were plants involved in long shutdowns addressing
14 performance problems.

15 I think that the thing to point out here is that
16 these are typically massive inspection efforts. On
17 Millstone, on the restart of Unit II, Regional inspections
18 alone encompassed 10,000 hours of inspections.

19 And that's not counting the extensive inspections
20 performed from the Headquarters office.

21 This is an area where there is a great deal of
22 sharing the load among the Regions. I mean, it's clear that
23 a Region by itself cannot do the job alone, especially
24 during peak periods before restart.

25 In Region I, we got enormous support from the

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1 other Regions on Millstone. We have been and are continuing
2 to provide support, all of the Regions, to Jim Dyer in
3 Region III as they deal with the issues at D.C. Cook.

4 An area, an emerging area, an area that is
5 increasing in activity is the area of license renewal
6 inspections. We have completed inspections at Calvert
7 Cliffs, and, I believe, completed them on Oconee in
8 connection with the license renewal activities on those
9 plants.

10 We believe we have established a solid pattern for
11 the many additional inspections that we will do as more
12 plants approach the NRC with their requests for license
13 extension.

14 We have had quite a bit of activity over the past
15 several years in the area of spent fuel storage, as
16 licensees have sought to cope and to deal with the problem
17 of spent fuel.

18 So, an important function had been the inspection
19 of dry cask installations, and we expect that to be an area
20 of continuing activity.

21 Another very important, and, I believe, critical
22 function in the Region is the examination and licensing of
23 licensed operators.

24 We conduct these activities following very
25 detailed guidelines that are prescribed in our examination

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1 standards, and we administered some 430 exams last year.
2 It's not a large part of our budget; it's about six percent
3 of the reactor budget, but while it's not large,
4 budget-wise, it's an area of intense activity. The stakes
5 are high, making decisions on who is qualified and not to
6 operate the controls of the reactor.

7 So it's an area that gains -- it gets a lot of --
8 appropriately, a lot of Regional management attention.

9 We're in transition somewhat in this area,
10 encouraging licensees to prepare initial examinations for
11 our approval. The pilot activity in this area has been
12 mostly positive, but this is an area that we will continue
13 to have to focus on. It remains a bit of a challenge, and
14 it's just an important area.

15 Then lastly, while we have been doing the various
16 things that I have talked about, the inspections and
17 continued oversight of the plants, we have provided
18 significant support to the Program Office as the new
19 oversight program has been developed.

20 And this includes everything from the development
21 of the framework and the conceptual models, the cornerstones
22 and the like, to development of the procedures.

23 Of course, we recently completed the pilot program
24 at the nine sites that were engaged in that program.

25 Moving next to the area of materials safety, which

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1 is the other large area of Region activities, this
2 encompasses about 20 percent of our budget and operations.

3 I think that the first point to make here is that
4 there is tremendous diversity in the types, the sizes, and
5 the complexities of the materials licensees and facilities
6 that are under license in this area.

7 The spectrum includes the simple gauge user; it
8 includes the broad scope licensee, such as the NIH, which is
9 doing a lot of research in a large facility.

10 It extends to the fuel cycle facilities, the fuel
11 fabrication plants, the gaseous diffusion plants and the
12 like.

13 Likewise, there is diversity in the programs among
14 the Regions. In Region I, we have a large number of
15 materials licenses, have some significant irradiators and
16 some large broad-scopes, but we have no fuel cycle
17 facilities.

18 Region II has a smaller number of licenses, but
19 they have the bulk of the fuel cycle -- fuel fabrication
20 plants.

21 Region III has a fuel fabrication plant and a
22 gaseous diffusion plant. And Ellis in Region IV is
23 responsible for the uranium recovery operations.

24 So there is variability among the Regions; there's
25 a mix. But generally speaking, we're talking in this area

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1 about a high volume activity.

2 This is one area where the Region do not only
3 inspection, but we do licensing as well. We completed some
4 3400 licensing actions last year; 1700 inspections.

5 The Regions all are meeting the production
6 timeliness and backlog goals that are set out in our
7 operating plan. I think that's significant.

8 I have mentioned the Fuel Cycle Program
9 oversight, the 130 inspections performed last year, and more
10 than half were performed in the Regions. There are certain
11 specialty types of inspections that are done in
12 Headquarters, but the significant activity in the Regions is
13 the inspection activities on fuel cycle facilities, and this
14 includes the gaseous diffusion plants, as I mentioned, the
15 UF-6 conversion plant, fuel fab plants, and uranium mills.

16 The area of decommissioning is an area that is
17 important, and of growing importance, you might say, as
18 there is an increase in the number of, certainly power
19 reactors that are undergoing decommissioning.

20 But there are really two facets to this activity:
21 First, there is the activity that is associated with various
22 fuel cycle facilities that have presented, over time,
23 particularly complex and nettlesome issues, the so-called
24 SDMP list.

25 In that list, I think there are about 30

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1 facilities and sites, and then about ten of those are the
2 responsibility of the Regions. In the last two years, we've
3 closed out four of those sites, and I think that's
4 significant.

5 There are some 15 reactor, nonpower reactors in
6 various states of decommissioning. This is an area that's
7 somewhat challenging to the staff, because the industry is
8 understandably pursuing new methods and techniques and
9 technology.

10 I think, however, that we are doing an effective
11 job of keeping up with the emerging technology and the
12 increase in activity that has occurred in that area.

13 And then, lastly, I would just mention that
14 similar to NRR and the development of the reactor oversight
15 program, there has been extensive support provided to NMSS
16 as they have sought to improve, and as they have undertaken
17 various initiatives, the general license oversight activity,
18 for example.

19 There has been a great deal of inspector support
20 to developments such as the new medical inspection or the
21 new medical regulation rule, for example.

22 Going to the next page, page 5, or slide 5,
23 maintaining readiness of personnel and facilities associated
24 with incident response is one of the most important things
25 we do. Again, it's very small, budget-wise, but there is

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1 not much more important in the Region than this function.

2 Agency credibility and public confidence often
3 hangs in the balance as we do a good job or not in incident
4 response. A number of things that we do, each Region, once
5 a year, engages in a full participation exercise.

6 There is a great deal of training and other
7 smaller exercises that go on throughout the year.

8 One of the most significant things, though, that
9 we do that helps us learn and stay sharp is really the
10 response to the events that do occur. And I've listed here,
11 a number of instances where our incident response
12 facilities, centers, have been staffed and activated.

13 I think that overall we're doing an effective job.
14 That's an area that takes continuous management attention.

15 There is a great deal of coordination with the
16 headquarters offices, but this is a very critical Regional
17 function.

18 Next, if I move to enforcement and allegations, I
19 think that the thing to point out here again is that in this
20 area our activities are guided again by very detailed
21 procedures that are contained in the management directives
22 and the policies of the Agency.

23 It's an also an area of great -- where there is a
24 great deal of coordination with the Office of Enforcement,
25 the Agency Allegations Coordinator.

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1 There is a lot at stake here, and as a
2 consequence, a lot of the management attention is given to
3 our activities in this area, typically to exact a discipline
4 on the process.

5 In addition to the procedures, we utilize
6 allegation review boards, enforcement boards, to assure that
7 there is a systematic and very thorough, coordinated
8 assessment of our activities and guidance of our activities.

9 A little bit on trends: In the allegation area,
10 from 1997 when there were about 1200 allegations received in
11 the Agency, we have decreased a bit. It tends to go up and
12 down a bit over time, but this year, I think we project to,
13 if the trend continues, to have about 900 allegations.

14 And so while there was some decrease, it appears
15 to be leveling off. I think the thing to say here, though,
16 is that I think we have to expect a continuing important
17 workload with respect to allegations.

18 Enforcement trends, there are several things here:
19 There's a very clear trend in terms of the number of cited
20 violations and escalated enforcement civil penalties
21 actions.

22 There has been a significant decrease in those
23 areas as the Agency has appropriately focused more on
24 licensee corrective action programs, has placed the burden
25 on those programs, and as we have increased our focus on

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1 risk.

2 I think at the same time, though, it is important
3 to indicate that when you analyze the data and the number of
4 issues that are being raised in our inspections, there is no
5 indication that our inspections are any less probing, any
6 less rigorous than they have been in the past.

7 I think what we see here really is a freeing up of
8 our attention and the attention of licensees from things of
9 less significance to things of greater significance. And so
10 I know there may be some who would look at the trends and
11 wonder if this is somehow a lessening of effect. We like to
12 think of this as really improving overall effectiveness of
13 our regulatory regime.

14 Now, lastly, the last point to make in this area
15 is that there continues to be a significant workload with
16 respect to wrongdoing and potential wrongdoing, and
17 employment discrimination cases. We work very closely with
18 the Office of Investigations, and there is a cadre of
19 people, Staff, stationed in each Region from that Office.

20 I think all of us enjoy a very good working
21 relationship with them. This is an area of great challenge
22 to us. These are often very difficult cases to make calls
23 on, and I think we're doing an effective job there.

24 Lastly, and in summary, really, the Slide 7, if I
25 could have that slide, lists the challenges as we move to

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1 the new approaches in the reactor and materials area.

2 We, of course, face challenges there in making
3 change. We face challenges, as all Offices in the
4 Commission do, with respect to the changes that are afoot
5 with respect to the new information management systems that
6 are coming into play.

7 And this leads to a final two challenges, which my
8 colleagues will elaborate more on in a moment, and they have
9 to do with really leading and developing staff as we go
10 through these program changes that we're making.

11 That ends my remarks.

12 MR. MIRAGLIA: We'll go to Jim Dyer, who will talk
13 about Regional consistency via our assessment of the
14 processes.

15 DR. DYER: Thank you, Frank. Good morning. A
16 challenge that all the Regions have is to implement the
17 diverse set of programs and activities described by Mr.
18 Miller, in a consistent manner.

19 And I mean consistent, not identical, because
20 although we have the same responsibilities, we do have
21 different licensees, stakeholder expectations, and operating
22 environments.

23 To achieve this consistency, we rely on three
24 principle mechanisms: Direction and oversight from the
25 Program Offices and the EDO; assessments of Regional

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1 activities; and shared resources among the Regions and
2 Headquarters.

3 Could I have Slide 1, please? The first area I'd
4 like to discuss is the area of program oversight and
5 direction. Each Region views their operating plan as a
6 contract with the Headquarters Program Offices that provide
7 the resources for our existence.

8 We now have consistent metrics and periodic
9 reports that are reviewed with the Regional Administrators
10 by the EDO and the Office Directors. Out of standard
11 performance in any area monitored, such as inspection report
12 timeliness, licensing backlogs, or inspection or licensing
13 quality, is pursued by the responsible organization to
14 resolve any problems.

15 Similarly, NRC process controls and technical
16 direction provide for a standardized approach to our
17 activities. task interface agreements, or TIAs, from NRR
18 and technical action requests, or TARs, from NMSS, provide
19 for consistent interpretation and application of license
20 requirements.

21 Communication with Headquarters Offices through
22 counterpart meetings and participation on daily status
23 calls, further ensure consistent interpretation of
24 Headquarters guidance.

25 When significant events occur, a coordinated

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1 Agency response is facilitated through discussions by
2 Regional and Headquarters senior managers through the
3 Headquarters Duty Officer and the Incident Response Center.

4 May I have Slide 2, please? A second mechanism
5 for achieving Regional consistency are the audits and
6 assessments. NMSS, NRR, Office of Enforcement, and Incident
7 Response organizations all audit Regional performance
8 through either Program reviews, integrated assessments,
9 inline reviews, or exercises.

10 Regions also do their own self-assessments. The
11 results of these assessments, both good and bad, are passed
12 on to the other Regions to improve their performance.

13 We also look for opportunities to share lessons
14 learned. Recently, we shared Region II lessons learned from
15 years of dealing with hurricanes, to other Regions, to
16 improve our incident response for a natural disaster.

17 Lessons learned from agreement state transfers
18 were also passed on from Region I in the Massachusetts state
19 transfer, to Region III, which performed the Ohio agreement
20 state transfer, and finally to Region IV which is in the
21 process of performing the Oklahoma review and transfer.

22 Additionally, lessons learned from Regions I and
23 II on the initial license renewal inspections are being
24 passed on to Region IV.

25 Lastly, we received feedback on performance

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1 through the Regulatory Impact Surveys conducted by Regional
2 Managers during periodic site visits.

3 This program is described formally in the
4 inspection manual, and summary reports are provided to the
5 Office of NRR and the Commission on the results of any of
6 the findings.

7 May I have Slide 3, please? The third mechanism
8 used by Regions to improve consistency in performance is
9 shared resources.

10 Each Regional Administrator has been the manager
11 in two Regions. And some of us have been managers at
12 Headquarters.

13 We know the environment that exists in each
14 Region, and share its strengths and weaknesses with each
15 other. This also facilitates the selection of managers
16 within the Region in arranging for rotational assignments
17 for future managers and staff.

18 Regional benchmarking has increased, not only from
19 the point of our operating plan metrics, but also through
20 our efforts to optimize efficiencies in the Regions.

21 Region III benchmark, the Manual C
22 Chapter 0350 process, which it implemented for the D.C. Cook
23 plant, with the previous efforts in Region I for the Salem
24 facility, and the Region II for the Crystal River Facility,
25 as well as our own experience with the shutdown facilities

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1 at the ConEd and within Region III.

2 Lastly, our support of the Office task force and
3 working groups such as ongoing efforts to revise the Reactor
4 Oversight Program, and the Fuel Facility Oversight Program,
5 as well as materials licensing efforts, also provide for
6 improved consistency and performance.

7 In conclusion, the Regions have several controls
8 to help us improve our consistency and allow us to pioneer
9 new approaches and share experiences. These mechanisms
10 provide effective checks and balances on the Regions.

11 We recognize that we implement the same programs
12 at different facilities in different environments, and that
13 these conditions are changing. Our continuing efforts to
14 optimize performance remains the driving force to
15 effectively implement the best practices in each Region,
16 consistent with our environments.

17 That concludes my presentation.

18 MR. MIRAGLIA: Well move to Ellis to talk about
19 changed management and communications.

20 MR. MERSCHOFF: Good morning. First slide,
21 please.

22 Within the area of communications and changed
23 management, the challenge we face is plain: During times of
24 fundamental change, success in communication and changed
25 management is critical to the overall successful

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1 implementation of our safety mission.

2 The Regional challenge is geographical, as well as
3 intellectual. A Region has on the order of 200 people
4 spread over a considerable geographic area, with some
5 employees located as much as 3,000 miles and three time
6 zones away from the Program Office.

7 We're staffed with experienced, dedicated
8 regulators selected for their skepticism and questioning
9 attitude, who face on a daily basis, both the public and
10 utility stakeholders.

11 That and the questioning attitude tends to make
12 the job harder in terms of leading change and managing
13 change.

14 The solution is centered on redundant paths and
15 opportunities to convey a consistent message, a message
16 that's aligned among the Regions and among the Program
17 Offices.

18 Specifically, I'll touch on examples of activities
19 conducted by one or more of the Regions in four general
20 areas. The four areas are: Internal Communication;
21 organizational alignment; external communications; and
22 change management.

23 Second slide, please. Internal communication for
24 each Region includes aspects such as monthly all-hands
25 meetings with the Regional Administrator to discuss the

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1 changes, the challenges we face, to acknowledge
2 accomplishments. Additionally, there are quarterly meetings
3 at a Division level with the Regional Administrators to
4 answer questions and discuss issues of concern.

5 There are monthly Division meetings, there are
6 monthly or more often Branch meetings. There are periodic,
7 one-on-one telephone discussions between the Regional
8 Administrator and the Senior Resident Inspector to assure
9 that the communication to the sites works unimpeded.
10 Inspectors debrief the management team following significant
11 inspections.

12 We have many other things as well: Divisions have
13 their own performance measures that are posted and available
14 to the Staff. There are Regional web pages, Regional
15 newsletters, daily Divisional planning meetings; inspector
16 counterpart meetings; site secretary counterpart meetings,
17 all of which are participated in by the Program Offices.

18 These are the types of examples that lead us to
19 consistent internal communications.

20 Next Slide, please? Examples of activities in the
21 second area, achieving organizational alignment, include
22 such things as daily working-level contacts with the Program
23 Office, including daily coordination calls. In most of the
24 Regions, a call with NRR sets the priorities and the issue
25 of concern for the day, for example.

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1 Division Director counterpart meetings, sponsored
2 by the Program Office, do assure alignment with the
3 technical intent and the philosophy of program changes.

4 Task force membership by one or more Regions for
5 important areas are valuable means of assuring alignment
6 between Program Office and the Regions, as well as
7 opportunities to concur on policy issues.

8 Each Friday, we have an EDO staff meeting,
9 participated in by the Regional Administrators by
10 videconference, and that allows the Regional Administrators
11 to keep in front of the senior management team, issues of
12 interest or concern to the Regions.

13 We have periodic Branch and Program Office
14 counterpart calls; the Office of Enforcement sponsors a
15 coordination call; the Operating Licensing Branch, Emergency
16 Preparedness, Safeguards, Material Licensing, each of the
17 distinct areas typically have conference calls down at the
18 working levels to assure alignment.

19 Third slide, please -- fourth slide, rather. This
20 area is external communications with the stakeholders, and
21 probably addresses most closely, the question that
22 Commissioner Diaz asked earlier in terms of how are we
23 keeping people informed of what does it mean, what does
24 green mean?

25 We do a lot in this area. Periodic performance
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1 review, public meetings, those periodic meetings to discuss
2 performance are held both with fuel cycle facilities, as
3 well as licensees.

4 This is not to be confused with a second set of
5 public meetings that each of the Regions has undertaken with
6 each of the plants, similar to the meeting we had with the
7 pilot plants to explain the new program, to attempt to
8 engage the public stakeholders on what green means and what
9 yellow means, and how this whole program works and how it's
10 available and visible to the interested citizens through the
11 web page.

12 We have in terms of external communications,
13 regulatory user groups. These are extremely valuable groups
14 within a discipline. One Region may have all the plant
15 managers meet, for example, or all the engineering managers,
16 or all the security managers or HP managers.

17 They have an opportunity to share among
18 themselves, invite the Region and allow the Region to share
19 with them as a group, issues of concern or new changes or
20 address questions to assure alignment of expectations.

21 We have periodic press conferences to educate and
22 to assure that our message is consistent and understood.

23 In addition to the periodic performance meetings,
24 we also have meetings that are precipitated by performance

25 -- a pre-decisional enforcement conference, for example, or
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1 the new Revised Reactor Oversight Process, where the matrix,
2 the action matrix would indicate that a meeting with the
3 Division Director or the Regional Administrator or the EDO
4 was required, is a meeting that's precipitated by
5 performance other than the routine periodic meetings.

6 We have site visits of the Regional Managers to
7 the reactors, to materials sites, to the states. We have
8 exercise participation with FEMA, with DOE, with EPA.

9 We have public meetings involving specific issues
10 such as licensing, decommissioning, spent fuel. And we have
11 industry/NRC workshops. ANS sponsored workshops to bring
12 the industry and NRC together to discuss issues of interest.

13 We have NRC-sponsored workshops such as the
14 Revised Reactor Oversight Process, and CRCPD meetings.

15 The final area -- fifth slide, please -- the final
16 area, Change Management, is a part of almost everything we
17 do as we implement this fundamental change to our approach
18 to regulation.

19 In particular, specific change management
20 initiatives have been implemented in the Regions such as
21 managing change training for the management team; engaging
22 in effective and a motivated labor/management partnership
23 process.

24 In terms of the Revised Reactor Oversight Process,
25 we have an opportunity to lead or to champion that change

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1 through the formation of the Change Coalition, a coalition
2 of the formal and informal leaders within the Region to
3 champion the change.

4 We implement that change with our Transition Task
5 Force to assure consistency, and we oversee that change with
6 the Executive Forum of the Deputy Regional Administrators to
7 assure consistency.

8 We have stakeholder roundtable discussions,
9 quarterly PBPM meetings to assure management alignment,
10 Regional, Division, and Branch discussions of the GAO and
11 the OIG audit findings, and visible response and effective
12 correction action to identify weaknesses.

13 We had facilitated meetings with the management
14 team and the Staff to discuss, understand, and embrace the
15 change, and a skills inventory to formulate the training and
16 the recruiting strategies we need to move ahead.

17 The challenge of leading change is substantial.
18 The scope of the change at the Regional level is very large,
19 touching virtually everything we do.

20 We've gotten off to an aggressive start in
21 recognizing the need to continue working to lead and to
22 manage the change in the Regions as we move towards full
23 implementation of the Revised Reactor Oversight Process,
24 improving the materials inspection program, and introducing
25 StarFire and Adams into our work processes.

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1 This completes my presentation.

2 MR. MIRAGLIA: Now we'll go to Luis Reyes to talk
3 about the management challenges and strategy.

4 MR. REYES: Good morning. I'm going to be
5 addressing the management strategies we use in the Regions.
6 Can I have Slide 1, please?

7 And the approach that we'll take is, I'm going to
8 discuss the corporate management strategies in our strategic
9 plan. There are four of those, but Mr. Merschhoff covered
10 the strategy area of communications, so I'm going to
11 concentrate on our efforts in employing sound business
12 practices, sustaining high performance, diverse workforce,
13 and providing information management and information
14 technology services.

15 I'll try to highlight some of the challenges that
16 my colleagues have mentioned before, but they're related to
17 the management strategies.

18 Can I have Slide 2, please? In terms of business
19 practices, we do have with the support of the EDO, twice a
20 year, the Regions go to what we call a Management Retreat.
21 It's an offsite meeting with the management team from the
22 Region with observation from the EDO Office, where we review
23 or operating plan performance, make strategic decisions on
24 where we're heading in the future.

25 It includes not only the program performance in

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1 the operating plan, but the human resources issues that
2 impact the Region. We are very active in the budget
3 deliberations.

4 Regional Administrators are members of the review
5 process. The Division Director and Director of Management
6 participate with the Program Office in the formulation of
7 the budget.

8 We measure our performance through operating
9 plans. It was mentioned earlier today that the operating
10 plan is a contract between the Regional Administrators and
11 the Program Office.

12 We do self-assessment against those operating plan
13 goals, and we implement corrective actions when necessary to
14 assure that the Agency plan is being properly implemented.

15 We manage our costs. The Regions are in a unique
16 position that as a Regional Administrator, you get your
17 budget allocations for such things as administrative costs,
18 rent, telephone, travel. So we are an island in terms of
19 how we manage our monetary costs.

20 We review expenditures frequently. We have a
21 unique situation where we can monitor of the expenditures of
22 money to make sure that the program gets implemented from
23 October 1st through September 30th of the next year.

24 You have to understand how you're spending your
25 monetary resources to be successful throughout the year.

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1 We do have some challenges in this area. We do
2 get unanticipated costs. A good example is rent. GSA may
3 surprise us with a rent increase that was not included in
4 our budget preparations and deliberations, and such an event
5 occurred this year, a rather sizeable increase in costs. We
6 have to work with Headquarters to make changes in the budget
7 as necessary.

8 Control of property is a challenge for the
9 Regions. As you know, we are geographically separate from
10 White Flint, but in addition to that, we have field offices
11 where the Resident Inspectors are located in the reactor and
12 fuel facilities.

13 In addition, we have a traveling workforce. So
14 all the government property is not only located in 20 or 30
15 locations, but it's traveling across the country in rental
16 cars, airplanes, et cetera. So we do have to manage and
17 control the government property.

18 In implementing multiple program changes, we have
19 the unique opportunity to be able to implement the changes
20 in the reactor programs and material programs, information
21 technology and administrative processes changes such as
22 procurement.

23 Can I have Slide Number 3, please? Perhaps one of
24 the biggest challenges we have and opportunities is
25 sustaining a high-performing, diverse workforce.

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1 We have efforts in recruiting and developing
2 staff. All the Regions have strategies in terms of
3 contacting universities and technical groups to not only
4 explain what we do, as Ellis mentioned earlier, but to try
5 to explain what the NRC is as an employer and the
6 opportunities that we can provide.

7 We do provide a lot of training for our managers
8 in terms of managing human resources. A good example is
9 courses in change management, problem-solving, and
10 interest-based bargaining.

11 We do have skills inventories of the staff we have
12 in hand. That's a mechanism we use to identify where skills
13 will be lost in the future to attrition, or where we may
14 have a particular need.

15 We do hold technical training seminars within the
16 Region, and when individuals go to a particular training
17 course, we try to multiply the effect of those, and we have
18 them present that training to their peers.

19 Challenges: There are certain skills that we have
20 difficulty with. Fire Protection is perhaps one of that's
21 come to all the Regions to keep up a good supply of those
22 skills.

23 And effective use of staff resources: As always,
24 we get a lot of demands. Some of them are planned and some
25 of them are unplanned. And it was mentioned earlier that

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1 the effort in some of the facilities across the country is a
2 multiregional effort, such as D.C. Cook, Clinton, Indian
3 Point, and we all provide resources for those, so it is a
4 challenge for us to continue to implement the program and
5 still supply resources for high, visible issues for the
6 Agency.

7 Lastly, I'd like to talk about our information
8 management and information technology services. We have
9 provided capabilities for the Inspectors.

10 Examples are, we have the Resident Inspectors
11 hard-wired to the LAN, and that has improved their
12 communications with the Agency. We have portable computers.
13 One of the Regions proposed, and it is accepted by the Chief
14 Information Officer, that in the refresh process, to replace
15 the desk computers for the Inspectors, that we're going to
16 transition to a portable computer arrangement.

17 And that has a big impact for effectiveness and
18 efficiency. The Inspectors will be able to take the unit
19 with them during travel, take their e-mail with them, be
20 able to do work while in transition, and bring back the
21 information.

22 With this approach, once you get to anyplace where
23 you have a connection, whether it's a hotel, whether it's an
24 office, where you're going, you can be in communications
25 with the Agency. This is critical as we go into an

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1 electronic media for all our information.

2 Uses of the web page: It was mentioned earlier,
3 but we're using that as a communications tool with the staff
4 to provide instructions, reference material, to ease their
5 inspections.

6 We are heavily involved with the Chief Information
7 Officer. We have a permanent membership in the IT Business
8 Council, and the Regional representative is a permanent
9 member of the IT Business Council, and we do have periodic
10 phone calls at different levels with the Chief Information
11 Officer to make sure all issues are being highlighted if we
12 need help.

13 There are specialized staff resources: We have in
14 the Regions, programmers, LAN Administrators, software
15 specialists, and our skills are varied and in-depth to
16 support this program.

17 We do have challenges. It was mentioned that
18 ADAMS and STARFIRE that we are implementing that in the
19 field. We are learning as we come along, and resolving the
20 issues.

21 Effective use of our overhead resources as we
22 encounter vacancies, and we take a hard look at the
23 organizational structure as technology changes, as the work
24 of the administrative staff changes, we take a hard look.
25 We are trying to use our overhead as effectively as we can.

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1 We continue to reduce that area in the budget and
2 become more efficient. In the cost-effective use of
3 equipment, technology has given us a lot of opportunity to
4 improve our effectiveness and efficiency there.

5 We are reviewing our contract for communication
6 services such as pager and cellular phones to try to get
7 better service at a lower cost.

8 In terms of reproduction equipment, as you may
9 know, the Resident Inspectors' offices have communication
10 through faxing and telephone, et cetera, et cetera, and now
11 we're getting units that are multipurpose and more efficient
12 in cost.

13 That concludes my remarks.

14 MR. MIRAGLIA: Thank you. I think that by the
15 briefing there's a wide range of programs and challenges in
16 the Regions. I think we've given you a general idea of
17 that.

18 I think the other thing that comes through in the
19 sense of this briefing is that it is a team. It's a good
20 team between the Regional Administrators and the Program
21 Office, and there is effective communications at multiple
22 levels in the organization, and I think it's working very
23 well.

24 That completes the Staff's presentation.

25 CHAIRMAN MESERVE: Thank you very much to all of

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1 you for a very helpful briefing. Let me turn to my
2 colleagues for comments or questions. First, Commissioner
3 McGaffigan?

4 COMMISSIONER MCGAFFIGAN: One issue that came up a
5 couple of months ago -- when we budget so many inspection
6 hours per plant in the budget, how is that followed in terms
7 of execution?

8 When we -- I forget what number we're at at the
9 moment for Fiscal Year 2000's requests, but it's something
10 like 2050 or 2100 hours or something like that.

11 Do those hours entirely end up in the Region? And
12 then when you execute, if you don't need all 2100 hours,
13 whatever the budget guesstimate was 18 months previously
14 when we put the budget together, how do you then re-allocate
15 those funds? Or if you need more, where do those funds come
16 from?

17 MR. MIRAGLIA: As Jim indicated, there are many
18 assessments and oversight processes. This year there was
19 assessments and looking at how are the inspection hours
20 being spent?

21 And on the allocation of that, there was a review
22 done, and each of the Regions have looked at how they did
23 expend their hours. Some of the issues that were raised --
24 and I'll let each of the Administrators talk, because some
25 of their issues were similar, but they also have some

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1 differences.

2 Some are because of how time is coded. Budget
3 processes are becoming more and more disciplined, and we've
4 been taking closer and closer oversight. Sam Collins
5 identified an issue to the Regional Administrators and each
6 of those Administrators have gone back and looked at that.

7 I think we've done accounting for most of the
8 resources in an appropriate way, but it also identified some
9 issues that we need to deal with in terms of how we report
10 the data, how we code the data, and for improvements in that
11 area. Perhaps each of the Administrators might want to make
12 a comment relative to that.

13 MR. MERSCHOFF: If I could just say one thing, you
14 know, going forward, we know that we're going to have to
15 have a very intense oversight of resource inspection efforts
16 and hours.

17 We have an idea of what it's going to take under
18 the new program, but I think that, as the Commission
19 cautioned us, we need to implement the program and determine
20 through the implementation of it, what it will ultimately
21 take.

22 But this is an area where I think each of the
23 Regions is very intensely focused.

24 MR. REYES: Let me add to that. I think you have
25 two issues here. One is allocation of resources and the

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1 other one is use. Intentionally, allocation of resources,
2 the baseline inspection is very well defined, very precise.
3 Now, we have guesstimates of what it will take to do each
4 inspection. We haven't done this procedure for a long, long
5 time, so we have estimates on what it will take. So the
6 region will do a schedule of all the inspections we expect
7 to conduct at a plant and have an idea of the resources that
8 it will take.

9 Now, on the use. When we use them, we need to
10 make sure we are being effective in using our resources.
11 Whether it takes more or less to do a particular inspection,
12 time will tell, and we are doing that right now. We are
13 actually implementing the procedures, feeding back
14 information to the program office and adjusting. The
15 numbers are coming kind of close to the estimates. Feeding
16 that back, our budget models are basically using the old
17 process. We don't have a budget model for the future. We
18 have an estimate for the future, but we don't have a budget
19 model for the future.

20 There are such things as reactive situations where
21 we have to implement the Action Matrix, where we didn't have
22 it in the past. So there are some things that are unknowns.
23 The key thing for us, and it was what Frank talked about,
24 is, on the use of resources, how do you do the accounting so
25 you have a feedback mechanism to the model? And that is

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1 where we have to watch all our employees to make sure that,
2 as they use the resources, they properly categorize the
3 activity and the activity level we are doing, whether it is
4 allegation, a routine inspection, based on inspection, a
5 team inspection, so we can feed that back to the model and
6 do better resource allocation.

7 But in this transition year, the budget is -- we
8 are satisfied with the budget allocations we have got, but
9 there is a lot of unknowns, because we don't have a lot of
10 data to help us have a good budget model.

11 MR. MIRAGLIA: And as Luis indicated, consistent
12 with the Commission's direction, we have not built in
13 efficiencies for the new process because they are yet to be
14 demonstrated. And so --

15 COMMISSIONER MCGAFFIGAN: I don't want to cut
16 anybody short, but I am using up all my time with one
17 question. The heart of it was, we had a question, I think,
18 from a member of Congress asking how much your inspection
19 hours had gone down over recent years. And, you know, at
20 initial blush, I sort of, you know, thought, well, the way
21 to answer that question is to go to our budget estimate
22 documents and say, well, it was 2400 hours in year X and it
23 is 2300 in year Y. And I assumed that the execution of
24 those 2400 hours in year X, it might have been fiscal '95,
25 was 2400 and the execution in '98 -- this is just sort of

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1 looking to the past.

2 The question, if we get a question next year from
3 a member of the public, a member of the Congress, saying,
4 what has been the actual effect of the new oversight process
5 on inspection hours, will we be able to answer that on an
6 apples to apples comparison?

7 MR. MIRAGLIA: Yeah. And I think that is the
8 realignment that Luis talked about. The issue that you
9 talked about, Commissioner, goes back from, in terms of a
10 retrospective look, in terms of what is planned and what is
11 executed. And there was flexibility in the models as to how
12 much regional oversight and how much inspection activities
13 would be done.

14 In addition, there are emerging issues that come
15 down that result in reallocation of resources. For example,
16 we put a substantial amount of resources into the
17 development of the oversight process.

18 COMMISSIONER McGAFFIGAN: Right.

19 MR. MIRAGLIA: That came from what was budgeted
20 for the implementation of the SALP process, plus other
21 inspection resources. So there is those combinations of
22 things. But I think in terms of the oversight process,
23 because of the concern of getting a good answer as to what
24 is it going to take to implement, what efficiencies are we
25 getting, and to have that feedback mechanism in, is we have

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1 got the reporting items more clearly identified and we will
2 have a better answer. And the June assessment of 2001 will
3 be based on data that is being consistently gathered by each
4 of the regions, and supported to the program.

5 COMMISSIONER McGAFFIGAN: And it will be
6 consistent retroactively back to the past? I mean you will
7 be able to compare what is happening in fiscal 2000 with --

8 MR. MIRAGLIA: At the end of every fiscal year, we
9 have data as to what we have spent on inspection. Some of
10 that data has some uncertainty in it, because perhaps the
11 reporting things were miscoded and that kind of thing. So
12 we have to recognize the past for what it is. I think going
13 forward we have much confidence in that level.

14 MR. REYES: There is a component that is not
15 controlled by us. Allegations and plants that will be in
16 the regulatory Action Matrix to the extreme right. So if
17 you see a reduction in inspection hours, it may be because
18 we have a more efficient and effective program, but if the
19 performance in the industry is also improved, by definition,
20 how the program works, you also may see a reduction in the
21 number of allegations we get or the number of hours to
22 expend on reacting to events. So I just want to make sure
23 that the improvement in the industry performance is an
24 element. You just can't take the number of hours and say it
25 is only because of the program changes.

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1 COMMISSIONER McGAFFIGAN: Okay. Just one other
2 question, I won't -- that turned out to be a longer question
3 than I thought. The public -- you had one chart, I think it
4 was chart 4, whoever was talking on external communication
5 practices.

6 MR. MERSCHOFF: It was me.

7 COMMISSIONER McGAFFIGAN: I think it was Ellis.
8 You have these lists of things we try to do to engage in
9 external communication. And I was yesterday talking by
10 teleconference with your region, and I asked the question,
11 are regional -- are resident inspectors, senior residents
12 encouraged to meet routinely with the local press? Not just
13 a formal press conference, but, say, go in and, you know,
14 talk to the newspaper editorial board. I am here, this is
15 what I do. I am the person to call if there is ever a
16 problem. Just so that it isn't always, you know,
17 event-driven or whatever.

18 And I got the sense that senior residents aren't
19 doing that. But in the current, in the new process for all
20 the plants that are in action matrix column 1, they are
21 probably the ones that are going to be conducting the annual
22 meeting, so they are going to be -- although I think we
23 allow the branch chief might come in. So they are going to
24 be a figure in that community. They are the person
25 conducting the annual meeting, saying here is what the

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1 assessment is.

2 And it strikes me, and these are generally small
3 communities, most, not Indian Point, but most of the places,
4 the New York Times Editorial Board will not meet with
5 probably the senior resident inspector at Indian Point, but
6 for many of these communities, you might get these folks to
7 see us and to know we are there, and to have some greater
8 knowledge of NRC and its practices if we were to encourage
9 that. So I just wonder what the thought is about how we
10 encourage folks, you know, our fighter pilots or whatever.

11 MR. MIRAGLIA: There is multiple parts to
12 question, Commissioner.

13 COMMISSIONER McGAFFIGAN: Right.

14 MR. MIRAGLIA: In terms of the oversight process,
15 I think the routines would be, basically, the branch. But
16 in terms of the inspectors, they are known in the community.
17 They have participated in Kiwanis meetings and they get
18 invited to that. Their names are known. They do respond to
19 inquiries from the press and those kinds of issues. And we
20 have to make sure that they are trained to react in that
21 kind of media area.

22 COMMISSIONER McGAFFIGAN: Right. That was going
23 to be the second part of my question, are they trained?

24 MR. MERSCHOFF: Can I add something on that? We
25 recognize that that is important. As a matter of fact, on
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1 Tuesday of this week, Bill Beecher came down to address the
2 resident counterpart meeting on this very issue. We
3 encouraged, during that time, the residents to reach out to
4 the community and talk to the Kiwanis and to the Rotary. We
5 did not stress the media. We prefer to control that at a
6 little bit higher level for consistency, at the branch chief
7 level, or the division director level if there is problems,
8 but we always involve the senior resident.

9 For example, I was at Diablo Canyon last week and
10 had a press conference, and I had the senior resident
11 inspector with me to help with questions and to hear what I
12 said, and to assure consistency.

13 We are working on training for consistent
14 communication, but we are trying, when it comes to the
15 media, to keep it at a branch chief level or higher.

16 MR. REYES: But we do offer opportunities, through
17 the public affairs officers in the region, to the local
18 papers to either meet the resident inspector or follow them
19 around in the day of a resident inspector at a nuclear power
20 plant. And we have occasions where the newspaper has asked
21 to do that, and we just coordinate. We talk to the utility,
22 make sure they don't have an objection to it at their
23 facility. And the reporter will come, spend some time with
24 the resident inspector and kind of follow what they do on a
25 daily basis.

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1 Now, it is not in every community that the
2 reporters want to do that. But we use the public affairs
3 officers as a key contact, and we offer it, but we haven't
4 instructed the senior resident inspectors to try to make
5 that --

6 DR. TRAVERS: I want to make sure we are not sort
7 of raising expectations for what senior residents are doing
8 or what we are asking them to do. Certainly, on occasion
9 they attend public meetings, but there is a variability to
10 it, and it is not part of their job elements, standards, or
11 anything, I can tell you. Should we consider that? It is
12 certainly something to consider. Is there a cost? Yes,
13 there is.

14 COMMISSIONER MCGAFFIGAN: The reason I am confused
15 is --

16 DR. TRAVERS: But I just want to make sure that
17 what we are setting out is not an unrealistic expectation of
18 what we have in place today.

19 COMMISSIONER MCGAFFIGAN: Well, you just have a
20 confused Commissioner, because Action Matrix column 1, it
21 says SRI or branch chief. I think one of you have just said
22 you probably would send the branch chief for the column 1
23 plants, but it does say senior resident inspector or BC.
24 And then for column 2, it is branch chief or division
25 director. And then column 3 was regional administrator.

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1 I, thinking, you know, use of resources and
2 letting the lowest person on the totem pole who can handle
3 the thing, handle it, I was assuming that column 1 were
4 probably mostly going to be SRIs, column 2 were probably
5 mostly going to be branch chiefs, and column 3 was going to
6 be mostly regional -- well, it says regional administrator.
7 So I probably was misinterpreting the Action Matrix.

8 But the ability to handle a public meeting, and if
9 they can handle that, then they can handle informal
10 meetings, is something that is in their expectations for
11 doing the job or isn't. And you are saying that it isn't.

12 MR. MILLER: It is as much a matter of time and
13 the resources and the attention really.

14 MR. MERSCHOFF: But that is a different question
15 than the one I answered. The question I was answering dealt
16 with seeking out the press.

17 COMMISSIONER McGAFFIGAN: Right.

18 MR. MERSCHOFF: This is a public meeting to deal
19 with performance. The senior resident inspector --

20 COMMISSIONER McGAFFIGAN: The press will be there
21 probably.

22 MR. MERSCHOFF: They may.

23 COMMISSIONER McGAFFIGAN: Right.

24 MR. MERSCHOFF: Typically, -- well, they may. The
25 senior resident inspectors would hold some of those

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1 meetings. It depends on the gradation of performance within
2 that first one, whether there is a good reason for the
3 branch chief to go or the senior resident to conduct that
4 meeting. But there is training, it is something that is
5 discussed at the counterpart meetings, and I would expect
6 some seniors at those meetings.

7 DR. TRAVERS: I am just saying that that is part
8 of the program and that beyond that, in a proactive sense,
9 we don't, we have not raised, in a formal sense, across
10 regions, this expectation.

11 CHAIRMAN MESERVE: Commissioner Merrifield.

12 DR. TRAVERS: Maybe we should, maybe we could, but
13 we haven't.

14 CHAIRMAN MESERVE: Commissioner Merrifield.

15 COMMISSIONER MERRIFIELD: Thank you, Mr. Chairman.
16 The first comment I wanted to make, you know, we talk a lot
17 here about training of our staff. I know in meetings I know
18 I have spoken about my support for the self-help initiative
19 where employees, our employees try to improve their own
20 skills. I would want to recognize Ellis Merschoff for doing
21 something which I think is quite meritorious in terms of
22 seeking to improve his own skills by pursuing a doctorate
23 program. Having been a night law student, I understand the
24 time and effort that it takes to do that, and I certainly
25 want to recognize I think a strong effort on his part.

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1 MR. MERSCHOFF: Thank you.

2 COMMISSIONER MERRIFIELD: The other thing I would
3 mention, and this goes to the line of questions that
4 Commissioner McGaffigan just completed. We talk a lot about
5 communications in our agency, and I know I, as well as
6 others, may have made comparisons as being sort of the
7 Maytag repairmen of agencies. We sit quietly until we are
8 called on and then rush into the breach. As we overview,
9 EDO overviews how we interact and make recommendations of
10 how we interact with the public, another one that we may
11 wish to consider are the local offices of our Senators and
12 Congressmen who also receive significant contacts by
13 constituents and perhaps don't have the level of information
14 about the activities of our resident inspectors. I think we
15 should think, in a big picture sense, of different
16 opportunities for us to let people know that we are out
17 there and we are doing our job to protect public health and
18 safety.

19 Mr. Reyes, I want to just briefly ask you, you
20 mentioned an initiative underway to provide resident
21 inspectors with portable computers. That strikes me as a
22 rather clever and innovative concept. Is that something
23 that the region came up with or was it something that was
24 suggested to you by our chief information officer?

25 MR. REYES: No, in looking into the future, as you

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1 probably know, the Refresh program called for a periodic
2 process where the desk units are to be replaced. And Region
3 IV and Region II proposed to the chief information officer
4 that, rather than refresh the units with desk units, going
5 to a portable unit with a docking station, at a slightly
6 increased cost per unit, but providing a rather efficient
7 and effective way of the future workforce. And the CIO
8 agreed with that approach and we are now in the process of
9 field testing some units, defining the specs, so we can go
10 and procure a large quantity.

11 COMMISSIONER MERRIFIELD: That is a very good
12 initiative. In our discussion yesterday, where I had you
13 trapped in my vehicle, we talked a little bit about --

14 MR. REYES: It was a long ride.

15 COMMISSIONER MERRIFIELD: We talked a little bit
16 about some of your recruitment efforts where you are trying
17 to reach out to universities within the region. You talked
18 a little bit about visits you have been making to Puerto
19 Rico, and you made the initiating efforts there to attract
20 some students from local universities there to the region.
21 Are there some other, if you could briefly explain any other
22 initiatives like that that you have underway to try to
23 increase our staffing levels?

24 MR. REYES: Yes. The strategies, and it is
25 similar in other regions, so I will talk in general, and I
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1 will ask my counterparts to chime in. Our goal is for the
2 long-term development of human resources. So our first
3 level strategy is geared to a geographical area. I will
4 give myself as an example. I like to bring the people into
5 Atlanta, and, hopefully, they will stay with us for a long
6 period of time, making a career out of the NRC. And if you
7 have a certain affinity to the geographical area, it is
8 proven that you are going to be successful in that area, or
9 you have a better chance in that area. So you will see the
10 strategies from Region II to concentrate on universities in
11 the Southeast and individuals that have an interest of
12 staying in that geographical area. That is kind of at the
13 high level.

14 The next level, as I mentioned, we have an
15 inventory of skills that we need to do the work, and we all
16 have the intelligence of the age profile and the impending
17 retirement. So, I will give myself as an example. I have
18 an outstanding group of non-destructive example individuals,
19 but they all are the same age and they will be retiring in
20 the very, very near future at the same time. So, in my
21 strategy, I have the skills I need, I know I need that
22 skill. I know when the impending retirements are. So a
23 counter-measure is to start recruiting now so I have a
24 mechanism to develop the resources when they come in, get
25 some of the corporate memory, on-the-job training, and go

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1 out to do inspections with this more experienced group.

2 Those strategies, the area may be different, but
3 those strategies are being undergone in each region. We do
4 want to have a diverse workforce, and we target groups such
5 as the Society of Hispanic Engineers student chapters in the
6 university, the Society of Black Engineers, et cetera, et
7 cetera. And early results are very promising. We are
8 starting to get very qualified applicants, and I actually
9 have some job acceptance from entry level engineers that are
10 minority.

11 COMMISSIONER MERRIFIELD: Okay. Was that, similar
12 to my last question, was that, these initiatives that you
13 are undertaking, were these suggested to you by our
14 headquarters Human Personnel office or was that -- these
15 some ideas you have on your own that you have been
16 developing?

17 MR. REYES: The skills inventory and the
18 strategies for recruiting are local ideas. We do have a
19 goal from the EDO's office regarding entry level engineers,
20 and that is trying to help, as a team, the issue with the
21 agency of the age profile. As you know, our average age is
22 48 years old, so it is a team effort to try to get entry
23 level engineers to the agency.

24 COMMISSIONER MERRIFIELD: The reason I ask these
25 question like this is the following, when I used to work up
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1 in the Senate, we found very frequently that some of the
2 innovative, some of the new innovations and ideas came from
3 the states. Congress followed the lead of the states in
4 some new areas. Similarly, it strikes me that there may be
5 some ideas out there that you all are coming up with out in
6 the regions that would be useful for us to embrace here at
7 headquarters. And so I guess my follow-up question to Dr.
8 Travers is, do we have a mechanism in place where we can
9 appropriately harvest these ideas and apply them
10 agency-wide, whether it is consistently through the regions,
11 or, more importantly, here at the headquarters to utilize
12 those good ideas.

13 DR. TRAVERS: You are absolutely, I mean I
14 certainly agree with your notion of taking the best ideas
15 from wherever you can get them. In this case, we have a
16 variety of people who have good ideas, and we do have a
17 mechanism, in fact, Executive Resources membership, I think
18 all of the regional administrators participate in that.
19 Paul Bird, our Human Resources director is in the audience
20 today. I think we do have the mechanism and, in fact,
21 interest and are implementing some of these ideas.

22 Certainly in the area of adversity, we have played
23 off of what is going on in Region II and some of the
24 strategies that Paul Bird and his HR office are looking to
25 do.

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1 MR. REYES: Yes. I didn't mean to say that the
2 program offices are not doing similar counter-measures. We
3 are, the regional administrators are members of the
4 Executive Resources Board. I just recently participated on
5 a brainstorming session with the deputy EDO and office
6 directors on recruiting of Hispanics. So we working
7 together on those strategies. We have multiple mechanisms
8 to make it an agency effort. It is not -- we are not out
9 there on our own.

10 COMMISSIONER MERRIFIELD: Right. No, no, no. Nor
11 would I want to leave the impression I don't think we have a
12 lot of good ideas coming out of the headquarters, because we
13 do. I mean it is just a matter of making sure we do use
14 those good ideas wherever they come from.

15 But my last question, and just I want sort of a
16 brief answer, we have gone -- the Commission made a decision
17 to eliminate the N Plus One program. I know in my visits to
18 various sites, this was an issue of some concern over the
19 past year by a number of residents. What is the general
20 feeling right now in terms of how that transition is going?
21 And do we have -- what is the level of comfort among our
22 residents in that regard?

23 MR. MIRAGLIA: Yes. The Commission also indicated
24 that we could implement that with time, and we have been
25 doing that. And some of the sites are there, there's plans

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1 for others and each of the regional administrators can tell
2 you where they are at with respect to that.

3 To the extent that we don't have -- we have the
4 inputs when we talked about this at the earlier meeting,
5 that it is a challenge then for the regional administrators
6 to use the inspection resources consistent with performance,
7 which means those residents would have to be managed from a
8 distance to provide inspection assistance elsewhere.

9 MR. MILLER: I think it is going well. I mean it
10 is, indeed, an area of concern to inspectors. But I think
11 the approach that the Commission took, which was that we
12 would not -- the purpose is only of achieving, you know, and
13 move individuals from the site where there time wouldn't
14 otherwise be up, and I think it is just the sort of thing
15 that you manage. And a lot of communication with the staff,
16 and my sense is that, you know, while there are questions,
17 that there isn't a great deal of concern, at least in our
18 region, regarding this.

19 MR. MERSCHOFF: I am probably, well, I will
20 achieve at all of my sites by the end of this year, and the
21 new program allows us to put in place the resources we need
22 to deal with any problems that come up. So, from the
23 managing the amount of effort on site point of view, I think
24 it is a real success and it was the right thing to do.

25 There is some concern among the residents within

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1 the region, but I think that is a function of the ownership
2 that the senior resident feels for completion of the
3 inspection program at his or her site. It is a big program
4 and a big challenge under the risk-informed baseline. And
5 as more experience is gained from the help from the
6 region-based inspectors and the ability to do all this work,
7 I think the comfort level will increase.

8 MR. DYER: I think also in my case, I am down all
9 but one site right now, is that -- and with the exception of
10 D.C. Cook, but I only have one site right now that has two
11 residents, at Dresden. And what we have found, I believe,
12 is that the programs can be implemented now. There is
13 tighter constraints, there is less flexibilities and what we
14 have to do is, where the resources have been transferred to
15 the region, we haven't built up the bench step yet to
16 provide the flexibility. So we are still in a transition
17 phase. We are getting the inspection program done, but, as
18 Ellis said, it has put some tighter constraints right now on
19 the multi-unit sites.

20 MR. REYES: I am the one who has the most N Plus
21 One, so I have a challenge in front of me. We have seven
22 individuals. If we were to accomplish the N policy, there
23 are seven individuals that will have to be assigned to other
24 duties. In my case, they all are past the three-and-a-half
25 year mark, if you are talking about seven year rotation. So

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1 there is a natural event that is coming up in the seven year
2 rotation, so that is a perspective. The anxiety is not
3 high, but the individuals do have a question, where will I
4 be going to? What will be the career opportunities? And we
5 are working on that. I don't see that as a major problem,
6 but it is a concern from some of the individuals.

7 When we get to N, I just want to share what the
8 other regional administrators said, the issue is
9 flexibility. And you have two reasons, one is in training
10 or on vacation and then another something comes up and then
11 you find yourself with no flexibility in terms of coverage.
12 You have to cover the site. And because we have a rather
13 strict schedule for the baseline inspection, it is a
14 challenge to the managers to cover the site and still
15 accomplish this rather large baseline inspection program
16 that has been scheduled. So we have some lessons to learn
17 on how to do that, and it is probably the most significant
18 issue we have in terms of the resident inspectors versus the
19 inspection schedule.

20 CHAIRMAN MESERVE: Thank you very much for a
21 briefing I have found very informative. I have just a few
22 questions for you on some of them.

23 Mr. Miller, on your slide 6 you have some
24 information about enforcement trends, and you note that
25 there is decreased use of non-cited violations rather than

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1 notice of violations. And I know that is because, in part
2 because of the way we have changed the way we are dealing
3 with reactors and that Level IV violations is non-willful,
4 it is corrective action program, it is adequate to deal with
5 these and are going to non-cited violations as a way of
6 being able to handle those problems.

7 It occurs to me that we have -- we may be creating
8 somewhat of an imbalance between our reactors and our
9 materials licensees on enforcement actions because of the
10 fact that most of them are not facilities that would have
11 any kind of a formal corrective action program. I am
12 curious as to how this is working, enforcement issues are
13 working at the materials licensees and whether there is a
14 danger that we are going to be citing disproportionately
15 more materials licensees than reactor licensees than we have
16 in the past and maybe creating some misimpressions about
17 performance.

18 MR. MIRAGLIA: I think in terms of enforcement,
19 that is an issue that our Office of Enforcement is working
20 with NMSS. You correctly point out, Mr. Chairman, they
21 don't have the robust corrective action programs. The
22 number of violations, I don't think are increasing in terms
23 of that, but I think they handle --

24 CHAIRMAN MESERVE: It would be allocation.

25 MR. MIRAGLIA: In terms of numbers, the

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1 percentages might perceive to go up, but in terms of the
2 numbers of allegations and the significance of the
3 allegations, and the consistency in the process, I don't
4 think it is --

5 MR. MILLER: Yeah, I don't recall the numbers
6 myself. Bill Borchardt is here, maybe Bill could help us.

7 MR. BORCHARDT: Yeah, Bill Borchardt from the
8 staff. The point I would make is we use non-cited
9 violations for materials licensees as well. The criteria is
10 different, and the main difference is that for materials
11 licensees, to be a non-cited violation, it has to be
12 licensee-identified. So we use different criteria in
13 recognition that materials licensees, for the most part,
14 especially the smaller ones, don't have that same robust
15 corrective action program. But there has been an increase
16 in the proportion of non-cited violations to cited
17 violations for Level IVs for material licensees as well.

18 CHAIRMAN MESERVE: There has. Okay.

19 MR. BORCHARDT: Yes.

20 DR. TRAVERS: Did we also, Bill, use the fact that
21 we don't get out to these materials licensees as often as
22 one criteria for not going -- for making the thing hang on
23 self-identification versus NRC-identified?

24 MR. BORCHARDT: That is certainly a factor for the
25 NCB criteria.

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1 CHAIRMAN MESERVE: Mr. Dyer just spent, obviously
2 discussed consistency issues, which have been important
3 ones, and, as I understand, although I wasn't here, was a
4 factor that was important in the Commission's thinking about
5 the revised reactor oversight program. I think it is
6 probably too early to be able to see whether that concern
7 has been diminished, although I know an enormous effort has
8 been placed on that.

9 But I am curious as to whether you have been
10 getting any feedback on this issue, and whether this is an
11 area that -- where our licensees are perceiving that the
12 agency is, in fact, achieving greater consistency. Now you
13 are most likely, in dealing with licensees, to be hearing,
14 well, gee, if I were in, you know, Region III, this wouldn't
15 have happened, or Region II or what-have-you. And in your
16 case, it wouldn't be Region III, of course. But I just
17 wonder whether you are -- I mean, you know, no doubt get
18 arguments on your assertions that are made on consistency.
19 I am curious as to whether you are seeing this diminish.
20 Are we doing better in the perception of our licensees in
21 this area?

22 MR. DYER: I think it is still too early to really
23 tell. I don't know, you know, since we have implemented,
24 gone to full implementation of the revised -- or initial
25 implementation of the revised reactor oversight process, I

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1 think that there hasn't been enough feeling out yet of the
2 new process to compare and contrast for most of the
3 utilities in that.

4 In outlining the new program, the one feedback
5 that I have received is some of our licensees, in the past,
6 with the discretion that the regions had, within Region III,
7 we had, of course, the Cooks and the Clintons that were one
8 end of the spectrum receiving almost all of our inspection
9 effort, and then we had some other licensees, the
10 Davis-Besses, the Monticellos and that, that were receiving
11 -- we really significantly curtailed the inspection at those
12 sites, extended the SALP cycle and gave them just the core
13 program, and to offset the resources we were diverting to
14 Cook and Clinton.

15 Now, that they have seen what the risk-informed,
16 proposed risk-informed baseline program is going forward,
17 and there is, you know, just the risk-informed program, it
18 is substantially higher than they have been receiving, and
19 they are raising questions about that. And, of course, the
20 answer is a consistent program for all licensees. And so
21 that is really the only feedback that I have had on it.

22 MR. MILLER: In fact, my comment was going to be
23 that there has been, over time, as much concern among
24 licensees regarding consistently across plants in our
25 region, almost as much as there has been, you know, across
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1 regions. And, obviously, with Entergy now entering Region I
2 and the large merger of ConEd and PECO straddling the three
3 in one sites, first Entergy, three in one sites, we have an
4 additional opportunity to get feedback. I think it is
5 probably too early to tell.

6 CHAIRMAN MESERVE: Okay.

7 MR. MIRAGLIA: And those opportunities were there
8 in the past. We had the two SNUPPs plants, one was in
9 Region III, one was in Region IV, we finally realigned.
10 Entergy had plants in II and IV, and that was realigned.
11 And so there is many -- and there were other many
12 initiatives, Mr. Chairman, in terms of a lot of the
13 communications initiatives that you heard were in response
14 to some of those concerns and some of the oversight that the
15 region has in terms of consistency. I think that will still
16 be out there, and we need to be sensitive to those kinds of
17 concerns.

18 We have the outreach of going out with the
19 management to get that feedback, to try to understand that
20 and the oversight process. But I think in terms of the new
21 program, it remains to be seen.

22 MR. REYES: Yes. I think the new program provides
23 a very precise way of doing business in terms of the
24 inspection effort and it does provide a great tool for
25 consistency. So, in terms of looking into the future, my

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1 comment would be we now have a road map that is very precise
2 in terms of how we are going to do the inspections. If we
3 do supplemental inspections, special team inspections or
4 AITs, the program defines them and uses the risk value to
5 hit that threshold. So a lot of the subjectivity on those
6 decisions have been formalized into very objective measures.
7 So we now have an infrastructure that is geared towards
8 reducing that inconsistency, whether real or perceived, the
9 program is going to help us on that, but we will have to
10 implement it.

11 CHAIRMAN MESERVE: I understood that was the
12 objective. I was trying to see whether you were starting to
13 hear anything about that.

14 Let me turn to another matter. Mr. Merschhoff
15 spoke a great deal about -- very helpfully about the
16 challenges of dealing with all the changes occurring, which
17 is, in my view, probably as remarkable here as it has been
18 for many, many years, and all of that is changing your
19 lives. In this, you discussed a wide range of things that
20 are going on. And the question I have, is there anything
21 that the Commission itself should be doing that would help
22 you in that process? Is there something that we are not
23 doing that we should be, that would help the staff on
24 helping to manage and deal with change?

25 MR. MERSCHOFF: The budget comes to mind.

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1 CHAIRMAN MESERVE: Let's be realistic.

2 [Laughter.]

3 MR. MIRAGLIA: I think that, you know, in terms of
4 the change, I think it is obvious from the discussion here,
5 just from the regional perspective, and that is reflective
6 of what is going on programmatically, I mean there is many
7 programs that are changing. We are changing the people, we
8 are changing the program, and we are changing the processes,
9 all the same time. And while we are doing that, we are
10 implementing the old programs. Until you have the new
11 program, you have to implement the old, and so that is a
12 resource demand.

13 I have talked about it in terms of an expectations
14 gap. If one looks at what we accomplished in 1999, we
15 accomplished a large amount of activities. It was
16 prodigious, and I think it is something to be proud of, but
17 a lot of that work had investment and imitation prior to
18 some of those kinds of activities. We had a budget of a
19 certain size. If you look at the budget, the budget numbers
20 in terms of FTE programs, it is downward. And so now we
21 have the expectations with this continuing to ride the horse
22 at a high rate of speed and have the same kinds of
23 expectations.

24 I think it needs to be tempered. We have done a
25 lot, but in order to do that, we need the support. In order
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1 to get this change, you have to invest resources to get the
2 realization in the out years. And the constant pressure to
3 reduce and reduce and reduce is not realistic if you really
4 want to manifest that kind of change in an organization.

5 In terms of the budget process, we have talked
6 about a lot of new initiatives that we said, gee, these are
7 all good ideas, but we can't afford to do them all. And so
8 I think the Commission will be hearing more about our budget
9 process over the next weeks and months, and I think it will
10 be indicative of the challenge we have to make all of these
11 changes in the environment.

12 COMMISSIONER McGAFFIGAN: Mr. Chairman, I would
13 pipe up, I really do think that Ellis is onto something,
14 that, you know, we do have to look at our top line, and it
15 may well, despite some of the comment we get on fee roll and
16 whatever, it may well have to go up if we are going to
17 maintain the amount of services. And I think we are doing a
18 great job for the public and for the industry that pays the
19 fees at the moments. And as Frank just said, we can't
20 continue to process everything at the rate and meet all
21 these operating plan goals that are very rigid without
22 adequate resources.

23 MR. MILLER: Mr. Chairman, can I add just one
24 thing? In addition to resources, I think you have to
25 consider management attention and focus, because I have been

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1 often asked about the burden that we carry in Region I, and
2 other regions the same, with a lot of plants with
3 performance issues and the like, and what is the most
4 difficult and challenging thing? And I always come back
5 with management of change, the development of staff,
6 recruitment and hiring.

7 I think that we have tried to maintain a premium
8 as we have maintained the oversight of the plants, a premium
9 within the management ranks, of the need to put high
10 priority on the staff development and staff recruitment and
11 other issues. And because I think a lot of it, our success
12 depends upon this creativity and initiative that occurs when
13 you put a high manager premium on that. And it is very easy
14 to get sidetracked with the press of business on to only
15 working programs and only working technical issues. And so
16 I am not sure if this is helpful, but I think in addition to
17 resources, it is just understanding on the Commission's part
18 of the span of attention that we have. And we are
19 attempting to put proper focus.

20 Our biggest issue in many respects is on
21 development of the staff. And I think we are making
22 progress in that area, but that is a whole lot of it.

23 CHAIRMAN MESERVE: Let me just say, I am sure on
24 behalf of all of my colleagues that we recognize that there
25 is a huge -- in light of the fact, there is a huge number of
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1 different things that are going forward, that this is a time
2 that is particular stressful for the staff, and that there
3 are lots of burdens that are placed upon them, and
4 particularly in a time of transition. And that I am sure
5 that we are all mindful of the fact that this is a time that
6 is a challenge.

7 And if there are things that we can do to help,
8 and I was flippant referring to resources. It is obviously
9 something we are going to be confronting and dealing with
10 the budget. But suggestions like Ellis' to make sure we are
11 -- excuse me, Ellis' on budgets and Hub's with regard to
12 staff development and recruitment, that those kinds of
13 things that you think ought to receive more elevated
14 attention than they have from the Commission, I am sure that
15 we would be receptive to receiving those suggestions. That
16 we recognize this is a challenging period and we would like
17 to be helpful.

18 COMMISSIONER MERRIFIELD: Mr. Chairman, I would
19 like chip in personally in that regard. I think there has
20 been some -- I think there has been a misunderstanding among
21 some staff about the sensitivity that the Commission has to
22 these issues. I think we, at least for my part, I recognize
23 the inordinate amount of work that has gone into the
24 achievements that we as an agency have accomplished over the
25 last year, and the human cost that goes along with that. I

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1 am very sensitive to that issue.

2 I think there is some -- you know, we don't stand
3 up in our ivory tower without listening and hearing what is
4 going on. And, obviously, we pass a lot of judgments on a
5 lot of things. I think there is an obligation on the part
6 of the EDO and his staff, as he does, to provide us with
7 recommendations of areas that, perhaps, given the resource
8 constraints, we need to rethink a decision that we may have
9 made or an instruction that we may have given in order to
10 appropriately balance what are the priorities of the
11 Commission. That is a tension that I think we need to have.
12 Where there are concerns raised by the EDO and his staff, I
13 think we need to hear those so we can appropriately make the
14 decisions to make our accomplishments continue along the way
15 that we have been able to achieve them over the last few
16 years.

17 CHAIRMAN MESERVE: Luis, on the management
18 strategies issues, you have talked some about the skills
19 development as an area, and you mentioned that you saw fire
20 protection as one area where we have demand that maybe we
21 don't have the adequate staff resources. I gather that is
22 an agency-wide issue, not just a region issue. Are there
23 other areas that are similar, that you perceive that we may
24 not have made the recruitment efforts in certain disciplines
25 that we should have made?

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1 MR. REYES: Fire protection. Just looking at the
2 other regional administrators was that one that came across
3 on all four regions. And I will just turn it over to Ellis.

4 MR. MERSCHOFF: Nuclear engineers are getting
5 harder and harder to come by, as well as there are less
6 schools that have nuclear engineering departments and our
7 ability to compete. When I look around at my region, I am
8 liable to lose that talent through retirement and not be
9 able to replace it promptly.

10 MR. MIRAGLIA: Another challenge that was
11 identified by the new program is the inspections in the
12 design area, that requires a certain kind. And that has
13 been, in the short term has been provided by contract
14 assistance. Overall, the human resources, there is the
15 development of a human resource strategic plan where we are
16 going to have these skills surveys done, and to identify the
17 shortfalls. As Luis indicated, the regions have done it,
18 the offices have done it, and HR will be pulling an
19 integrated plan together to identify these kinds of areas.

20 The fire protection is being driven, in terms of
21 the cornerstone and the new program, and having triennial
22 fire protection inspection, and that demands a certain
23 expertise over a certain period of time. So, we are
24 sensitive and we have identified a number of areas that we
25 are looking at.

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1 CHAIRMAN MESERVE: Let me just mention, on the
2 nuclear engineering point, that I had the benefit, as did I
3 think some of my colleagues, of some of the non-power
4 reactor people from universities came by the other day. And
5 I asked them about their enrollments. And they are
6 observing an increase in the size of the enrollments as
7 undergraduates in nuclear engineering, and this is, they
8 believe, a recognition that now that there are going to be
9 jobs that may exist in the nuclear industry for an extended
10 period and this is now more attractive than it might have
11 been seen three or four years ago. So that it is the
12 beginning of a pipeline, and, obviously, there will be a lot
13 of demand for these people once they graduate. But there
14 may be some relief in sight, at least in that, for
15 undergraduate trained nuclear engineers. Not yet seen in
16 the graduate ranks, but you have the growth.
17 Let me just close and turn to Commissioner Diaz
18 for his comments and questions. You did mention ADAMS, and
19 several of you have mentioned ADAMS, and I did want to make
20 sure that you are aware that we have started a program
21 across the Commission to, first of all, evaluate the nature
22 of the problems and get them arrayed so that we have a sense
23 of what difficulties people are encountering with this
24 program.

25 And then, secondly, we will be developing an
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1 action plan to address those problems. The action plan will
2 be due in the middle of July, and with the idea that we will
3 get a timeline for whether and when these particular issues
4 can be addressed. And I know that there always are problems
5 with the implementation of a new software system, and we
6 want to make sure at this stage that we get our arms around
7 those problems and, in a systematic way, have addressed
8 them, because I know this affects all of our operations.

9 Let me turn to Commissioner Diaz for his comments.

10 COMMISSIONER DIAZ: Thank you, Mr. Chairman. I
11 think I am following on the same path. Let me try to get
12 back to the issue of development which is an issue that is
13 very, very critical to us. We, you know, claim to be highly
14 technical agents in the development of skills that are
15 fundamental to our mission.

16 In this area, I believe, but you can correct me,
17 that the regions really have more focus critical skill areas
18 than sometimes headquarters does, where headquarters
19 sometimes tend to deal with more variety of issues. I don't
20 mean that, you know, the materials issue doesn't pose that.
21 But I think you can practically, you know, narrow down what
22 the critical skills areas are going to be next year, though
23 they are changing, and how those critical skill areas
24 development fit our mission areas, you know, are an
25 important issue.

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1 And I just heard Frank talking about an integrated
2 web. Let's see, Luis, will you try to tackle that, critical
3 skill areas tied into what our missions are and how they fit
4 into a human development plan? Is that being addressed at a
5 level that the Commission, like the Chairman said, is going
6 to be able to assess it and take actions on those issues?

7 MR. REYES: Yeah, I think what Frank mentioned is
8 where we are going to be able to do that. When we started
9 in the regions it was more a matter of survival. I get a
10 budget to run the office with 200 and some employees, I make
11 an assessment and I said I need three mechanical engineers
12 with a lot of knowledge on valves. And then if those
13 individuals are retiring I need to back off and hire. So I
14 am doing it in a sphere that is through the region, and this
15 region is doing that.

16 What Frank is talking about, we already have these
17 conversations with the EDO and the other program office, and
18 the Office of Human Resources is going to take that and put
19 it together. And then if we all are short on fire
20 protection engineers, then there may be an agency strategy
21 to try to do that, rather than me trying to find one and Jim
22 trying to find one, and all that, to have the agency's
23 mission be successful, and that is where we just barely
24 started.

25 MR. MILLER: I think increasingly over time, also,
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1 I mentioned sharing of resources when I talked about
2 supporting activities like Millstone and D.C. Cook, restart
3 and the line. I think that we have to increasingly look at
4 sharing among regions for highly specialized skills. I
5 think every region is going to have different kinds of
6 success with respect to attracting people with a high degree
7 of talent. We have the luxury in Region I of having some
8 really outstanding people in the design area. And I just
9 think this is something we are going to have to continue to
10 look at, so that each region doesn't have to have fairly --
11 really, all of the skills necessarily, but, rather, be able
12 to share.

13 COMMISSIONER DIAZ: But to identify the skills
14 necessary and make them an integral part of what the agency
15 needs to have, I consider that a critical issue that needs
16 to come, you know, from the regions systematically as you
17 identify it in this challenging new environment. What are
18 those critical skills? That becomes an issue that needs to
19 be considered, and it is an agency-wide issue. But, you
20 know, your input is significant.

21 I know you have a list. My issue is the next step
22 is how that list matches.

23 MR. MIRAGLIA: I think they have shared their list
24 and I think we are trying to get everybody's list together.

25 COMMISSIONER DIAZ: All right. Now, Mr.

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1 Merschhoff, I told you that I wasn't going to let you get
2 away that easy, so I am going to use some of your words and
3 some of my pet peeves. You said that as you are looking at
4 how do you meet the challenges, and I quote you about those,
5 that, you know, you need to be really having people with
6 skepticism and a questioning attitude.

7 Let me just first tell you that I always had a
8 problem with the questioning attitude part. I have no
9 problem with the questioning attitude, where you actually
10 act on an issue of posing questions. A questioning attitude
11 seems to me more like, well, I have this problem. How do
12 you balance the importance of having this element, let me
13 call it skepticism, you know, not taking everything at face
14 value, but, you know, like Ronald Reagan said, you know, let
15 me go to the next step, and having a questioning attitude to
16 act, you know, in a matter that is questioning, with all the
17 other requirements that are necessary skills?

18 MR. MERSCHOFF: It is probably a fundamental part
19 of our 18 month training and qualification program for
20 inspectors. I believe that that skepticism and questioning
21 attitude is what keeps us out of trouble and makes our
22 inspection program as strong as it is.

23 You are right, that can easily become a problem
24 and become too extreme. But we have an 18 month
25 qualification program with new inspectors accompanying old

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1 inspections. They have discussion points, they have reading
2 points. They have boards to pass. And so that process
3 allows, on an on-the-job training program, as well as more
4 formal means, to train to get it right. And it is something
5 that isn't done at the end of qualification. We have
6 requalification and discussion and meeting with managers.
7 So it constantly being tuned to assure that we are asking
8 the right questions and spending our time in the areas that
9 matter from a risk sense, and not in the areas that don't.

10 COMMISSIONER DIAZ: Okay.

11 MR. MILLER: I think risk-informing our inspection
12 program is a big part of this.

13 MR. MERSCHOFF: Yes.

14 COMMISSIONER DIAZ: And, so, and that is really
15 the bottom line of the question, this is obviously an
16 ongoing process of maintaining balance between that and not
17 following after something just to create a question?

18 MR. MERSCHOFF: All the way to the point where you
19 are a regional administrator and Frank continues to assure
20 that our questioning attitude is at the right level and not
21 too lax or not too severe.

22 COMMISSIONER DIAZ: And since I have developed
23 some skepticism and a questioning attitude through my years
24 in here, we have now spent an hour-and-a-half and to quote
25 Commissioner McGaffigan -- I like to quote other people

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1 because it gets me out of trouble -- you know, this has been
2 a lovefest and we like lovefests, you know, it makes life
3 easy.

4 But in a very simple manner, and for the benefit
5 of the Commission, and since we are going to be looking at
6 budgets and things, would each one of you, in a very simple
7 manner, tell me what do you see as the most serious problem
8 that you face in this coming year that you need to resolve?
9 Starting with --

10 MR. MERSCHOFF: For me, it is implementation and
11 transition of the revised reactor oversight process. There
12 is an awful lot, as I said in my presentation, that remains
13 to be done to assure that we bring the staff on board with
14 this change and implement it efficiently and effectively
15 while we maintain safety.

16 COMMISSIONER DIAZ: Okay. Mr. Miller.

17 MR. MILLER: The last item on my slide, I believe,
18 which is the coupled challenge of the change management and
19 staff development. It is very easy to underestimate,
20 especially when you are pressed for business, how much it
21 really takes to make progress and to maintain a diverse
22 staff. And the progress we have made really has been by
23 just keeping that very much top of our priority and we will
24 keep it there.

25 COMMISSIONER DIAZ: Okay. Thank you. Jim.

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1 MR. DYER: I think in my case, and unique probably
2 to Region III, is develop the infrastructure, the management
3 team to go forward. For years, in Region III, we have been
4 in a reactive mode with the number of problem plants we have
5 received, we have had, plus the gaseous diffusion plants on
6 the material side, and we have been in a reactive. We have
7 to get more in a proactive mode so that we are doing some of
8 the things that Luis has started. We lag some of the other
9 regions in those areas. And, so, to catch up, use what they
10 have -- use their lessons learned to get up on the step.

11 COMMISSIONER DIAZ: Thank you. Luis.

12 MR. REYES: Managing the Human Resources skills to
13 implement the programs. In Region II, 10 percent of the
14 workforce is eligible for optional retirement. What that
15 means is they can walk out any time. And if you take the
16 next fiscal year, fiscal year -- at the end of fiscal year
17 2001, if we were to give an early out, and this is just to
18 explain a point, half of the workforce will be eligible to
19 leave the office.

20 What that tells you is that we have a very
21 experienced workforce, but that workforce will be moving on.
22 So, anticipating those changes, recruiting and developing to
23 have a bumpless transfer through this period is probably my
24 biggest challenge.

25 COMMISSIONER DIAZ: Thank you, sir. Thank you,

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1 Mr. Chairman.

2 CHAIRMAN MESERVE: I would like to thank you all
3 very much. This has been an extraordinarily helpful
4 briefing. It is obvious to me that we are very well served
5 by our field commanders and I would like to thank --

6 COMMISSIONER MERRIFIELD: I would second that one.

7 CHAIRMAN MESERVE: With that, we are adjourned.

8 [Whereupon, at 11:48 a.m., the briefing was
9 concluded.]

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