

1 UNITED STATES OF AMERICA
2 NUCLEAR REGULATORY COMMISSION

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4 BRIEFING ON
5 PLANNING, BUDGETING, AND PERFORMANCE MANAGEMENT PROCESS
6 AND INSTITUTIONALIZING CHANGE

7 ***

8 PUBLIC MEETING

9
10 Nuclear Regulatory Commission
11 One White Flint North
12 Rockville, Maryland
13 Tuesday, May 4, 1999

14
15 The Commission met in open session, pursuant to
16 notice, at 2:07 p.m., Shirley A. Jackson, Chairman,
17 presiding.

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19 COMMISSIONERS PRESENT:

- 20 SHIRLEY A. JACKSON, Chairman of the Commission
- 21 NILS J. DIAZ, Commissioner
- 22 GRETA J. DICUS, Commissioner
- 23 EDWARD McGAFFIGAN, JR., Commissioner
- 24 JEFFREY S. MERRIFIELD, Commissioner

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STAFF AND PRESENTERS SEATED AT THE COMMISSION TABLE:

- 2 WILLIAM TRAVERS, EDO
- 3 JESSE FUNCHES, CFO
- 4 ANTHONY GALANTE, CIO
- 5 ROY ZIMMERMAN, Deputy Director, NRR
- 6 JACKIE SILBER, Director, Program Management Policy
7 Development and Analysis Staff
- 8 MARTIN VIRGILIO, Deputy Director, NMSS
- 9 MARGARET FEDERLINE, Deputy Director, Research
- 10 LOUIE ALLENBACH, Arthur Andersen
- 11 NATALIE ELLERTSON, Arthur Andersen
- 12 ANNETTE L. VIETTI-COOK, Secretary of the Commission
- 13 KAREN D. CYR, General Counsel

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P R O C E E D I N G S

[2:07 p.m.]

3 CHAIRMAN JACKSON: Good afternoon, ladies and
4 gentlemen. I'm pleased to welcome members of the NRC staff
5 and Arthur Andersen to brief the Commission on the NRC
6 planning, budgeting, and performance management process.

7 From the beginning of my tenure as Chairman of the
8 NRC, I believed that it is vitally important to create a

9 disciplined process for effectively planning, budgeting and
10 assessing performance with the goal of ensuring that the
11 agency is focused on its mission and is both effective and
12 efficient. This belief was the underpinning for the
13 strategic assessment and rebaselining, which led to the
14 initial NRC strategic plan.

15 In the fall of 1997, the Commission commitment to
16 achieve a sound integrated planning process consistent with
17 the requirement of the Government Performance and Results
18 Act led to the establishment of the planning, budgeting, and
19 performance management process.

20 The NRC FY-2000 budget and first performance plan,
21 which is currently under review by the Congress, was in part
22 developed using aspects of this process.

23 As I mentioned in the stakeholder meeting earlier
24 today, the PBPM process is the means by which the NRC
25 intends to achieve its goal of becoming an outcomes oriented

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1 performance-based organization.

2 The process has four phases:

3 Planning, which means setting the strategic
4 direction.

5 Budgeting. Determining the resources required for
6 the plan of work.

7 Performance measurement. Measuring and monitoring
8 performance.

9 And performance assessment. Namely, assessing
10 progress toward and identifying ways to improve outcome.

11 The NRC staff will discuss its efforts to apply
12 and enhance the PBPM process as well as the next steps
13 needed to improve our ability to manage the outcomes.

14 The staff presentation will be followed by a
15 presentation by Arthur Andersen on recommendations for
16 process improvements to further our goal to become a
17 performance-based, outcomes oriented organization.

18 The Arthur Andersen recommendations were used to
19 reevaluate programs in the nuclear reactor safety arena as
20 well as in the high level waste program. The Commission is
21 interested in hearing about the progress in these areas, and
22 in particular, we would like to know, first, the staff views
23 on the five major Arthur Andersen recommendations, and
24 second, the remaining challenges in becoming a
25 performance-based organization as you talk through the PBPM

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1 process.

2 Unless my colleagues have any opening comments,
3 I'm taking that the individual sitting across from me is
4 going to lead off, Dr. Travers.

5 COMMISSIONER MERRIFIELD: Madam Chairman. Just a
6 parliamentary inquiry how you want us to conduct ourselves
7 in terms of whether we should keep our questions to the end
8 or at certain time periods you prescribe.

9 CHAIRMAN JACKSON: Why don't we try to maybe let
10 each speaker get through his presentation. That way we
11 won't lose the thread of what they are saying. If a
12 question is asked that you feel will be more appropriately
13 addressed by a later speaker or later in your presentation,
14 whoever is speaking, so indicate, and then we will hold up
15 so as not to rehash things.

16 Dr. Travers.

17 DR. TRAVERS: Good afternoon, Chairman and
18 Commissioners. This afternoon I'm here with the other

19 members of the Executive Council, Jesse Funches, the Chief
20 Financial Officer, Tony Galante, the Chief Information
21 Officer, to provide the Commission with the briefing status
22 on our ongoing efforts to enhance our planning, budgeting,
23 and performance management processes.~

24 Also joining us today are representatives from
25 NRR, Roy Zimmerman and Jackie Silber; and from NMSS, Marty

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1 Virgilio; and from Research, Margaret Federline. Later in
2 this briefing representatives from Arthur Andersen, as you
3 indicated, those being Louie Allenbach and Natalie
4 Ellertson, will also be making a presentation.

5 The Executive Council believes that we have made
6 some significant progress in advancing the PBPM model at
7 NRC, particularly in the work carried out by NRR and the
8 more recent efforts by Research and NMSS.

9 I am encouraged about some of the results you will
10 hear about today and I believe that they can be viewed as
11 reinforcing the direction the Commission has set over the
12 past few years to change our regulatory programs.

13 However, we recognize that the type of change we
14 are initiating takes time, perhaps three to five years to
15 complete. Right now we are only a couple of years into the
16 PBPM process in general and have less than one year of
17 experience with the new approach facilitated by Arthur
18 Andersen.

19 What we will be discussing today is the status of
20 a work in progress. As the Executive Council works to
21 better define the agency level processes for the PBPM model,
22 we will continue to interact with the Commission.

23 As part of today's briefing, Roy will discuss
24 NRR's experience over the past year in implementing this new
25 approach to outcome-based planning, budgeting, and

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1 performance management. As you know, the NRR work was
2 facilitated by consultant assistance from Arthur Andersen.
3 Margaret and Marty have only recently initiated a similar
4 approach in their offices, and they will briefly discuss
5 their efforts.

6 CHAIRMAN JACKSON: Excuse me. I didn't adequately
7 recognize the fact that in fact the PBPM process has begun
8 within Research also. When I mentioned high level waste, I
9 knew Marty was there, but I also always think of Margaret in
10 that way. So I apologize to you. Thank you.

11 DR. TRAVERS: In the second part of our briefing
12 Louie Allenbach and Natalie Ellertson, representing Arthur
13 Andersen, who assisted NRR and led an assessment of the
14 agency's planning, budgeting, and performance management
15 process, will give an overview of the results of that
16 review. I know the Commission has received copies of the
17 Arthur Andersen reports, and those reports have also been
18 publicly available.

19 I want to emphasize that many of the changes
20 recommended by Arthur Andersen are concepts that have not
21 played out fully with specific examples, particularly at the
22 agency level. Nevertheless, the NRR work has given us some
23 encouraging insights for some aspects of the process.

24 In that regard, the EC believes that it is
25 important to take the NRR experience and translate it into

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1 an agency-wide model. We will be further developing a
2 revised PBPM process, including a better delineation of how
3 the process would work, the products involved, and the roles
4 of various management levels. These details will be
5 necessary before we are ready to endorse a specific process.

6 Although we recognize we have more work ahead, I
7 think you will be surprised and hopefully pleasantly
8 surprised by the level of enthusiasm you will see from the
9 office who have begun applying the new approach.

10 The Executive Council is also enthusiastic about
11 using the new PBPM process. One reason for this enthusiasm,
12 as I noted at this morning's stakeholder meeting, is our
13 view that PBPM can help us to institutionalize the
14 comprehensive change initiatives that are currently under
15 way within the agency.

16 Effecting change has been an important focus at
17 NRC over the past year. Our stakeholders have reasonably
18 questioned whether the NRC change in activities will extend
19 beyond the current list of specific initiatives. I believe
20 the answer to that is that change must be an ongoing
21 process; it must be part of how we do business every day;
22 and I see the PBPM process as a critical factor in making
23 that happen.

24 A key factor in the PBPM process is assessing how
25 well we are meeting our established goals. To do this, we

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1 have to critically and honestly assess our effectiveness and
2 efficiency, and when we don't measure up, initiate change.
3 I see at least three primary sources of such an assessment:
4 self-assessment, independent third-party assessment, and
5 stakeholder feedback.

6 In addition to self-assessment and occasional
7 third-party assessments, we will need to continue, as we did
8 this morning, to listen to our stakeholders. The results of
9 such assessments will influence the PBPM planning step,
10 which includes the development of strategic goals and
11 outcomes that reflect the changes we want to see.

12 I believe the performance goals that NRR and
13 Research have produced illustrate how by setting clear
14 outcome goals we can perpetuate the change that is currently
15 under way.

16 Now I would like to turn the discussion over to
17 Jesse Funches, who is going to provide us with some
18 background and overview of the PBPM process.

19 MR. FUNCHES: Chairman Jackson, Commission, what I
20 would like to do is give you a brief overview and some
21 background of the agency planning and budgeting process so
22 as to be able to put in context the activities that have
23 been going on for the past year.

24 First chart, please.

25 [Slides shown.]

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1 MR. FUNCHES: As the Chairman mentioned, we
2 embarked upon the PBPM process with the strategic assessment
3 and rebaselining effort. That effort started us on a
4 journey to use planning, including developing concrete goals
5 to drive the agency activities and resources. That document
6 served as the basis for the first agency strategic plan
7 which we issued in 1997.

8 The Government Performance and Results Act also
9 provided additional underpinning for the activities that we
10 have undertaken with regard to PBPM. Our efforts have been

11 aimed at meeting the requirements of the GPRA, including our
12 strategic plan, our performance plan, and our performance
13 report.

14 Lastly, as Bill talked about earlier, a
15 performance-based approach using outcome goals makes sense
16 for the agency in moving forward to better position the
17 agency to be more effective in utilizing its resources and
18 in justifying its programs and activity both to Congress and
19 OMB.

20 We established the planning, budgeting, and
21 performance management process, PBPM, in 1997. The primary
22 goal was to transition the agency to an outcome-oriented
23 performance-based organization. In doing so, we wanted to
24 make sure that our internal process linked the work to the
25 outcomes.

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1 We wanted to reflect a concept that planning
2 should drive budgeting. We wanted to make sure that we put
3 the emphasis on planning such that the budget followed the
4 planning activities.

5 We wanted to make sure that our process included
6 elements to move the agency towards a performance-based
7 organization.

8 We also wanted to make sure that we met all of the
9 requirements of the Government Performance and Results Act.
10 As Bill mentioned, if we put in the right process, we would
11 have a means to institutionalize change for long-term
12 organization effectiveness.

13 Last year we implemented the first concepts of
14 PBPM in the fiscal year 2000 planning and budget process.
15 Based on what we had learned from the strategic assessment
16 process, working with OMB and Congress and GAO, we produced
17 a more integrated performance plan and budget.

18 We consolidated agency programs into strategic
19 arenas, which covers multiple organizations.

20 We improved the linkage between the strategic
21 goals, our performance goals, strategies, and the outputs
22 that the agency produced.

23 The chart that is on page 5 depicts the process as
24 we have it defined today. As the Chairman mentioned, the
25 process has four key components.

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1 Also shown on the chart are the key documents that
2 we have defined, some of which may change as we institute
3 the lessons learned from the recent efforts that we have had
4 with Arthur Andersen.

5 The first key piece in the process is setting the
6 strategic direction. Basically, planning. What we want to
7 do and what this process is set up to do is to establish our
8 goals and strategies such that the resources and the
9 programs will follow.

10 The next key step is to determine what work needs
11 to be done, including the outputs that we want, that are
12 necessary to meet the goals, and then that will lead to the
13 resources that we need to carry those activities out.

14 The documents that result from this would be our
15 budget and performance plan.

16 We want to measure and monitor the performance
17 throughout the year. We want to track the performance in
18 the performance plan and in the operating plans that we
19 develop, and then we want to make sure that we have feedback

20 such that we can adjust. I think this is the area that will
21 allow us to plan better how to accommodate new activities or
22 emerging activities.

23 Lastly, as Bill mentioned, a key component of the
24 process is assessing performance. We want to make sure we
25 factor in the lessons learned from implementation to make

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1 improvements to the goals and objectives that we have
2 established.

3 To help us transition to the next level of
4 performance-based planning and budgeting, we sought
5 assistance from Arthur Andersen last spring. What we asked
6 them to do was two things. One was to assess the
7 agency-wide process that we had put in place and had tried
8 for a year. We also requested that they pilot the
9 implementation of the PBPM process within NRR.

10 Subsequently, we asked them to support Research
11 and NMSS in applying the process so that we could use the
12 results in this year's planning and budgeting.

13 Both of the Arthur Andersen reports have been
14 completed. We have a completed report and their
15 recommendations on the PBPM process and the progress to date
16 and their work with NRR on their pilot.

17 A couple key findings that they made were the that
18 the PBPM process is sound and contains the necessary
19 elements for a disciplined integrated process for planning,
20 budgeting and measuring of performance, and that the
21 sequence that we have put in place makes sense.

22 They also noted that the PBPM process had already
23 improved the overall agency management process.

24 They included five basic recommendations. As Bill
25 mentioned, we are in the process of determining how best to

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1 implement them. Arthur Andersen will be talking more about
2 the specifics.

3 At this point I will ask NRR to discuss the
4 results to date of their pilot.

5 CHAIRMAN JACKSON: Before they get started, let me
6 ask you a couple quick general questions, following the
7 process I discussed at the beginning.

8 Maybe this ought to be directed to Arthur
9 Andersen, and if they are going to speak to it, then I will
10 hold up.

11 Were the components of the PBPM process designed
12 using an established model followed by public or private
13 sector organizations?

14 MR. FUNCHES: The current process did reflect both
15 public and private models that we have seen in working with
16 OMB, GAO, and earlier work we had done on the strategic
17 assessment rebaselining.

18 CHAIRMAN JACKSON: Perhaps you are going to be
19 covering, Roy, when you speak. Can you actually describe
20 the process for linking work to outcomes?

21 MR. ZIMMERMAN: Yes, ma'am.

22 CHAIRMAN JACKSON: Overall question. Do you
23 consider the initial implementation of PBPM to be a success?

24 MR. FUNCHES: Yes. I think it has been successful
25 to date. We recognize that there is some improvement that

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1 can be made, but I think we have been successful in
2 integrating better the outcomes we want, the resources we

3 want, and putting in place key components of a planning
4 process that will give us better information to base our
5 resources on.

6 CHAIRMAN JACKSON: How does this differ from the
7 earlier processes that were used to develop planning and
8 budgeting documents?

9 MR. FUNCHES: Before we put PBPM in place we
10 placed a lot of emphasis on just the budget process itself,
11 focusing just on prior resources and what those looked like
12 and just trying to extend those and looking at the delta to
13 those as opposed to stepping back and looking at and saying
14 what are the goals we want to achieve, what are the
15 strategies for those goals, and then having that process
16 then give us information on what activities our outputs we
17 need to accomplish. I think we focused a lot more on just
18 looking at the deltas in prior years.

19 CHAIRMAN JACKSON: What approach have you
20 established for evaluating the Arthur Andersen
21 recommendations and carrying them forward into the next
22 planning cycle for the entire agency?

23 MR. FUNCHES: We were going to talk about that at
24 the end.

25 CHAIRMAN JACKSON: We can wait then.

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1 Commissioner Merrifield.

2 COMMISSIONER MERRIFIELD: Two questions.

3 First, there has obviously been a lot of
4 congressional interest in GPRA and its implementation by the
5 agencies. Are you comfortable with the fact that the PBPM
6 process encompasses what Congress requires and is it fully
7 responsive to what Congress is expecting of us through GPRA?

8 MR. FUNCHES: I'm comfortable that the PBPM
9 process will encompass what Congress requires. That is one
10 of the driving pieces that the design must accomplish.
11 There are still some areas for improvements that we get
12 feedback from GAO and OMB on. We are working on those.
13 Some of the things that Arthur Andersen has recommended are
14 going to give us additional ways to satisfy some of the
15 concerns that they have raised.

16 COMMISSIONER MERRIFIELD: When is your expectation
17 that we will be fully in compliance with our GPRA
18 requirements?

19 MR. FUNCHES: I would say we are in compliance
20 with the requirements. Are we perfect in all aspects? I
21 would say it would take us another year or two to get all of
22 the i's dotted and the t's crossed. I think we are in
23 compliance with the basic requirements of GPRA today.

24 COMMISSIONER MERRIFIELD: I think this process in
25 terms of the budgeting process that PBPM requires is a

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1 positive one. It raises a question for me, however, as it
2 relates to issues that were raised before I became a
3 Commissioner, and that is how we respond in those instances
4 in which Congress doesn't give us as much money as we are
5 anticipating. I know previously that has worked its way
6 down through a program basis rather than through the
7 strategic basis that is underscored by PBPM.

8 If we were faced with fewer resources available to
9 us from Congress than we had anticipated, could you explain
10 a little bit how -- presumably the PBPM process would give
11 us the right outcome. Are we there at that point, or would

12 we still be forced to go down through the program level and
13 try to get money that way?

14 MR. FUNCHES: With what has been done in NRR and
15 Research, I think we are getting to that point. What we
16 want to get to is a point where if Congress comes back and
17 says "we can't afford to give you the resources that you
18 have requested" that we would be in a position to go back
19 and say based on our look and the priorities that we have
20 set, these are the outcomes that we will not deliver. The
21 debate then would be on the outcomes that we are not
22 delivering as opposed to specific outputs.

23 I think we are getting there and we are very close
24 in NRR in the reactor arena. We have more work to do in the
25 other arenas. But that's exactly where we are trying to

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1 take this to.

2 COMMISSIONER MERRIFIELD: Thank you.

3 CHAIRMAN JACKSON: Commissioner Dicus.

4 COMMISSIONER DICUS: I'm going to ask the same
5 question from another direction. Let's say we are going
6 through the year on our budgetary assumptions and everything
7 and we have an unanticipated emerging technical problem of a
8 nature we do have to address and we have to address now. So
9 we are going to have to expend unanticipated FTE and perhaps
10 contractor money to address that issue. How do you see this
11 process helping us to make those kinds of decisions?

12 DR. TRAVERS: First of all, I think collectively
13 we all recognize the fact that that is likely to happen. I
14 think what PBPM gives you a language or at least the outcome
15 language to speak to what the impacts could be with a
16 decision directed by the Commission or directed from some
17 external source, Congress or other, that we can relate what
18 the impacts would be in terms of the Commission direction
19 that has been set at the front end, the planning piece. So
20 it gives us all a sort of common language from which to base
21 our reaction to things that we frankly expect will occur in
22 the course of any given year.

23 MR. ZIMMERMAN: Our experience in NRR is right
24 along the lines of what Bill just said. For us, our
25 scenario planning this year went much easier than it has in

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1 past years, because we were able to address from an outcome
2 standpoint what activities we would put at the top of our
3 priority and work our way down. We have spoken in outcome
4 language. In the past it was not as easy for us to do that
5 because we still had more of an output mentality. It was
6 much more difficult.

7 MS. FEDERLINE: If I could just add something from
8 Research's perspective. We looked into doing a 1 through n
9 prioritization scheme which we felt provided us more of an
10 objective basis and a transparent basis for making
11 decisions. I think if we could work to achieve common
12 prioritization criteria across the agency, this would help
13 us across the agency in making these midcourse corrections
14 that we need to make.

15 CHAIRMAN JACKSON: Commissioner McGaffigan.

16 COMMISSIONER MCGAFFIGAN: I look at your outcome
17 measures. Maintain safety. Then you have not more than one
18 to the minus three event per year. This is pretty fuzzy
19 stuff.

20 When you actually have to prioritize work, do you
21 answer Congressman Markey's letter on fire protection? That

22 probably is not going to maintain safety; it's probably not
23 going to reduce unnecessary burden; it's probably not going
24 to do efficiency and effectiveness; it probably helps public
25 confidence.

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1 I've got some other thing here that maybe is
2 tapping all four of those outcomes. You're going to answer
3 Congressman Markey's letter wherever it rates in this scale.
4 There is a lot of that.

5 CHAIRMAN JACKSON: Does the process allow for
6 contingencies?

7 MR. ZIMMERMAN: Yes. It also helps as a
8 communication tool within the staff. It helps knock down
9 frustration levels. We went through all our work activities
10 and put them through the four filters or the four goals and
11 we ranked the work that we do. The staff who works on it
12 has an appreciation of how the linkages are built up to our
13 goals.

14 There are certain items that are reactive in
15 nature where we may get letters from Congress that, as you
16 said, are important for us to respond to. They do aid in
17 the public confidence arena, but being able to talk in terms
18 of taking the correspondence or whatever the issue is with
19 an objective, graded review, it helps the staff understand
20 why are we working on those particular items. The four
21 measures that we came up with in NRR have made it that much
22 easier to be able to communicate it.

23 CHAIRMAN JACKSON: Why don't we let Roy begin to
24 talk us through. Maybe some of these questions will be
25 addressed as part of that.

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1 MR. ZIMMERMAN: Good afternoon. Jesse has
2 provided an agency perspective with regard to PBPM. What I
3 would like to do is show our perspective at NRR; our
4 experience to date in implementing in PBPM over the last
5 nine months.

6 My plan is to provide a brief background, status
7 where we are in the development of the planning methodology,
8 and go over some of the initial implementation. Then Jackie
9 Silber will discuss some of our more recent experience as
10 well as our future plans to date.

11 [Slides shown.]

12 MR. ZIMMERMAN: I will go through this fairly
13 quickly because this is similar in nature to what Jesse
14 discussed.

15 The Executive Council and the Commission
16 established the PBPM process in the fall of 1997. It was
17 used and implemented in our FY-2000 planning cycle.

18 FY-2000 planning is probably a bit of a hybrid.
19 We are trying to make the move to become outcome oriented,
20 but it is still going to be heavily flavored with outputs.

21 As we move into 2001, that's where we see moving
22 hopefully to a more pure outcome-based cycle.

23 The EC and the Commission recognized in the fall
24 of 1997 that the agency could move to a performance-based
25 outcome approach much quicker if we had outside expertise

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1 brought in to assist us.

2 NRR, as was stated by Jesse, was selected as a
3 pilot for that activity. We clearly benefited from that,

4 and one of our goals and desired outcomes from this meeting
5 is to express how we feel we have benefited from that.

6 Arthur Andersen was contracted in the spring of
7 1998 and began working with us that summer.

8 We feel that we have made real progress in moving
9 from an output type of approach to an outcome approach. I
10 know for a number of us, clearly for myself, it took a
11 little work.

12 When I first started working with Louie, I was
13 speaking outputs, not outcomes. There was a period of time
14 where I thought I was talking outcomes and I still wasn't
15 talking outcomes. So Louie would go back and keep working
16 with me and with some others to get us to the point where we
17 think we are, where we are much better able to talk in terms
18 of what is an outcome vice not getting down into the details
19 on something that is an output without driving us to a more
20 performance-based approach.

21 That learning that we have gone through has
22 created a sense of momentum within the management team and
23 NRR that has helped us a great deal as we have gone through
24 the FY-2001 budget process, but equally or more important to
25 our day-to-day work that we do. In our meetings we talk in

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1 terms of outcomes.

2 If somebody wants to go on a trip to wherever, if
3 somebody has a decision that needs to be made on how we are
4 going to respond, we talk among ourselves as to how that
5 will foster our outcomes. We put that through our filters.
6 We do that every day with all of our activities to try to
7 make sure what we are doing lines up with our four filters
8 and that we are in fact clear on what is the outcome of what
9 we are trying to achieve. If we sit down in a meeting, we
10 talk in terms of what is the outcome of what we are trying
11 to accomplish here.

12 It is still evolving. We are getting better, but
13 we are making considerable efforts to have that as part of
14 our routine vernacular.

15 The chart that shows on this graph has been
16 discussed at the stakeholder meeting this morning and again
17 through the Chairman's comments and through Jesse's.

18 The outcome goals that we established,
19 Commissioner McGaffigan, that you have referenced, although
20 they are fairly simple, we spent a fair amount of time going
21 over those and talking among ourselves and putting the
22 charts upon the wall to work with. Ultimately we came up
23 those four areas. We found that many of the other subsets
24 were binned within those four areas.

25 The work that we went through on the executive

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1 team built a camaraderie and a moving forward chemistry that
2 we continue to build on today.

3 In addition to the goals, we recognize that we
4 need to develop metrics. The approach that we have taken on
5 metrics is what I will call a "good enough" standard. We
6 could drive ourselves crazy trying to strive for perfection
7 as we have gone through the different measures and metrics
8 that we have identified.

9 We are anxious to present to the EC and then
10 present to the Commission through the draft strategic plan
11 what our current thoughts are that we want to move out. We
12 don't think we are going to hit it right on the head
13 initially. I think the comments we get from the EC and the

14 comments we get from the Commission are going to help us,
15 but we see that there is time to work ourselves into better
16 measures in ensuing years and not to hold back now as we try
17 to move out in the 2001 budget in a very outcome-oriented
18 way.

19 The effectiveness block. Clearly doing the right
20 work. As Jesse said, moving from this to a change in
21 paradigm where we plan and then we budget, not where we get
22 a mark and then work within those constraints. If NRR can
23 build a case and explain through outcomes why we need more
24 resources, we would hope that it would be viewed in that
25 light. That's the way the 2001 budget was presented to us

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1 for development.

2 The execution and monitor block. That's really
3 the operating plan comprised of those two areas. I like to
4 accent the same points that have been made with regard to
5 the importance of that block, to stop and make course
6 directions, to do self-assessments internally, to get
7 stakeholder feedback. It is very important, because this is
8 a circle, and it is important to maintain that feedback in
9 order for this to be an appropriate process and to have the
10 necessary fidelity.

11 The planning assumption documents and the policy
12 and program guidance documents remain key to this process.
13 We talk about the need to maintain fidelity of those
14 documents, that they are not just a front end document. As
15 time goes on, as new issues come up, as the assumptions
16 change, as new information comes to light, to go back and to
17 look at updating those documents to keep the fidelity there.

18 COMMISSIONER DIAZ: Excuse me.

19 CHAIRMAN JACKSON: Please.

20 COMMISSIONER DIAZ: I'm glad that you were
21 confused with outcome because I am confused. This diagram
22 in here represents a cycle or a feedback loop. It seems
23 like you have said it is a driver. In analog terms, the
24 first amplifier is the outcome rather than the outcome being
25 what you measure or what you receive at the end. So you

26

1 have transposed what I would normally call an outcome to
2 being the driver. Could you explain how that works?

3 MR. ZIMMERMAN: I can. As I go through the
4 presentation, I will go through each of the steps that we
5 went through, and if it doesn't answer the question, I would
6 like to come back to it.

7 We have found the process that I'm getting ready
8 to describe to have been very valuable, and we continue to
9 draw from that learning experience. What we went through
10 with Arthur Andersen was a set of facilitated sessions which
11 resulted in the four outcome goals that we identified.

12 Over time they may change and the vectors may
13 change, and the measures, the metrics, but at this point in
14 time, at this snapshot, through several days of work with
15 the flip charts, with secret ballots, with different ways of
16 not trying to influence each other, the ET went through and
17 made those determinations.

18 We have a shared vision with the executive team,
19 having gone through this, and the working groups that have
20 spun off of this. The value of that is extremely important
21 to us.

22 The first thing we did is identify the outcomes

23 necessary for us to be successful. We started with that as
24 a driver. How do we spell success in NRR? What do we need
25 to do?

27

1 Safety. Clearly number one business for us. We
2 recognized that that was foremost in our minds, but we also
3 recognized that there were other aspects that are important
4 in terms of our obligation to reduce unnecessary regulatory
5 burden; public confidence; to improve, to learn, to be a
6 knowledge-based organization where we try to improve our
7 internal processes that we have.

8 That is the way we came up with the four goals.
9 That's how we felt we would be successful in NRR, if we can
10 accomplish those four things. If we can maintain adequate
11 safety level, maintain safety; if we can reduce unnecessary
12 regulatory burden; and we felt that we needed to improve
13 public confidence and improve our internal efficiencies.

14 We didn't feel that we needed to maintain those.
15 We didn't think that where we were was where we wanted to
16 be. So we wanted to set out to leverage whatever work
17 activities it was going to take to be able to improve those.

18 That was the first step, arriving at those outcome
19 measures.

20 Then we prioritized those. There was a uniform
21 agreement within the ET on those outcome measures. Then we
22 worked on the vectors. There was a uniform agreement on
23 those vectors as well.

24 COMMISSIONER MERRIFIELD: Chairman, if I may.

25 CHAIRMAN JACKSON: I just wanted to let him go

28

1 through his four points and then we could ask whatever you'd
2 like. Just so that there is a little coherence to the
3 presentation.

4 Why don't you go ahead, Roy.

5 MR. ZIMMERMAN: What we did next is brainstormed.
6 If we want to achieve those four outcomes measures, what
7 were the heavy leverage items that we wanted to use to be
8 able to accomplish that. Some of it would be existing work,
9 perhaps. Others would be new work.

10 We started with a clean sheet of paper and
11 recognized the fact that that there are things that we
12 perhaps are not doing, and we wanted to think outside the
13 box and bring those issues forward. It was not a matter of
14 taking all the work that we do and try to find a home for it
15 underneath those four outcome goals.

16 Then we moved forward and drafted performance
17 measures for each of the outcomes.

18 CHAIRMAN JACKSON: Go ahead.

19 COMMISSIONER MERRIFIELD: You will find I get to
20 be stickler for this sometimes. As an agency we have a
21 tendency to focus on particular words which aren't always
22 identifiable to our constituencies and our stakeholders.
23 Our consultants probably are somewhat subject to this as
24 well. What is a change vector? Please describe what that
25 is.

29

1 MR. ZIMMERMAN: I think we probably got a little
2 fancier with the terms than we needed to.

3 COMMISSIONER MERRIFIELD: We are supposed to be
4 following a plain English initiative, and I will continue to
5 pound on the staff to try to eliminate jargon where

6 unnecessary. Change vectors?

7 MR. ZIMMERMAN: I agree with the comment. That
8 was a matter of trying to determine whether we felt we
9 wanted to increase, decrease, or maintain the level of
10 performance. It could have been a matter of any degree of
11 that arrow. We may have felt that we had an extreme amount
12 that we needed to improve in a particular area.

13 We tried to identify exactly where we were as a
14 group. Do we feel we need to improve safety? Do we feel
15 that we want to maintain public confidence? We went through
16 facilitated discussions and heard from each of the executive
17 team members, the senior managers in NRR, and then arrived
18 at those vectors. The way we did it is we didn't share our
19 information. We did things through a secret ballot type of
20 an approach to find out what do we really think; let's wait
21 and see what the tally looks like.

22 That's a little corny, but it worked well and it
23 demonstrated to us that we were thinking in a similar way.

24 COMMISSIONER MCGAFFIGAN: Madam Chairman.

25 CHAIRMAN JACKSON: Please.

30

1 COMMISSIONER MCGAFFIGAN: What was the priority of
2 the four outcomes that you have all agreed on?

3 MR. ZIMMERMAN: They were as listed on the next
4 slide. Maintain safety was clearly the overriding item.
5 Reducing unnecessary regulatory burden was second. Increase
6 public confidence was third. Internal efficiency and
7 effectiveness gains was fourth. It was fairly close.

8 They are all very subordinate to maintain safety.
9 As we went through, if we found there are activities that we
10 can do to any of those three that have an adverse impact on
11 maintaining safety, then we wouldn't do that initiative.
12 Our focus primarily above all else is on maintaining safety.

13 COMMISSIONER DIAZ: Excuse me. If I may pick up
14 on the word "fuzzy." I'm getting fuzzy myself. When I was
15 preparing for this I picked up the strategic plan. Let me
16 read you what our vision statement was. The vision
17 statement is very clear.

18 In implementing this mission, NRC enabled the
19 nation to safely and efficiently use nuclear materials.

20 That is very consistent. Remember, this is a
21 vision.

22 Then, NRC actions should be such that the public,
23 those we regulate and other stakeholders, in the national
24 and international nuclear community have the utmost respect
25 for and confidence in the NRC.

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1 I think we all agree with that as a vision.

2 I really have a problem in looking at public
3 confidence as a filter. I see public confidence as the
4 result of what we do. It is the net outcome of doing our
5 job well. I have a problem because of the fuzziness of
6 using it as a filter of public trust.

7 It is very difficult to put parameters or use it
8 as a filter. You can say maintain safety. I can have some
9 relationship to that, and that is the overriding thing.
10 Unnecessary burden, we can put a measure on that.
11 Efficiency and effectiveness, we can measure that.

12 I think that a filter that increases public
13 confidence might be actually detrimental to the other
14 processes. Public confidence is part of what we do. How we

15 communicate things is an indelible part of our vision and
16 our mission. To use it in the front end, I have a real
17 problem with that.

18 MR. ZIMMERMAN: I would agree that there are
19 different ways of doing it. In our interactions we
20 discussed that. We recognize that there are crosscuts
21 across these outcomes, that the work activities can fill in
22 multiple filters or outcome goals.

23 As we talked it through, what we saw as a benefit
24 in public confidence is there are things that we can do in
25 addition to what you said, Commissioner. If we maintain

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1 safety, we do our job right. That should have a direct
2 result on how the public perceives us.

3 We also talked about things that are within our
4 control: where we hold our public meetings; our outreach to
5 the public; to hold meetings in the vicinity of the
6 facilities because there is a lot interest in that location.

7 It may turn out that it is a logistical challenge
8 for us, and we may say, well, it is really better holding it
9 right here. We could have more managers available. The
10 right staff are here. Why don't we hold the meeting here?
11 This outcome goal would say we ought to think real hard that
12 we ought to get on the plane and go there, because that is
13 where the public are that are being affected by this
14 facility.

15 At public meetings offering the public
16 opportunities to ask their questions at the appropriate
17 point in the meeting. If it's not during the meeting, then
18 after the meeting, for the individuals to stay around, to be
19 able to interact with the public.

20 It is aimed at a number of initiatives that we can
21 take. A couple things went through my mind. One of them
22 that we have talked about is cover letter messages in
23 inspection reports having the right tone, being accurate
24 with our adjectives and adverbs so we are conveying the
25 right safety message. If we overstate or understate the

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1 accuracy, it has an impact on public confidence.

2 COMMISSIONER DIAZ: That's wonderful. You haven't
3 said one thing that I don't agree with. It just having it
4 as a filter. It's the word "filter" that I have a problem
5 with. You are saying you are cognizant of the need to
6 maintain our public credibility.

7 CHAIRMAN JACKSON: Does that inform your planning?

8 MR. ZIMMERMAN: Yes.

9 DR. TRAVERS: Yes.

10 CHAIRMAN JACKSON: That's why it's a filter. It
11 informs their planning.

12 MR. ZIMMERMAN: It's an important goal to us. We
13 see it as a way that we want to communicate within our
14 staff. We want to be able to have answers to the questions
15 about why don't we bring the utility down here. If we want
16 to have answers to how does working on cost-beneficial
17 licensing actions, how does that relate to zero deaths? We
18 are trying to build those linkages through these filters or
19 outcome goals to make it very clear internal to our staff
20 and outside why we do the things that we do.

21 DR. TRAVERS: Even in the context of things like
22 DSI 14 communications initiatives, you can use this kind of
23 -- I won't call it filter because you don't seem to like
24 that -- it's a consciousness, an awareness of an objective,

25 an outcome that we would like to achieve. As you go through

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1 your work, planning your work, you can make a conscious
2 decision, as you pointed out, Commissioner, that gives you
3 the opportunity to weigh this outcome against the others and
4 leverage.

5 COMMISSIONER DIAZ: Let me tell you what my
6 concern with it is. I don't know if Mr. Lochbaum is here,
7 but he has the same concern. Sometimes when you put these
8 things as a filter, you might think that you have achieved
9 the goal of increasing public, and that is not it.

10 CHAIRMAN JACKSON: These --

11 COMMISSIONER DIAZ: I'm sorry. I'm speaking right
12 now.

13 The issue is, as we go forth with these things,
14 the overall outcome is that. I think it's very good to have
15 involved in informing the planning what are the ways in
16 which we communicate to the public, we maintain the public
17 involvement and awareness.

18 CHAIRMAN JACKSON: All this does is ensure that
19 there is sensitivity in that planning to that desired
20 outcome. It is a desired outcome. In the end, when you
21 assess, you will find out if you in fact have achieved that
22 outcome. So it informs the planning to that extent.

23 Commissioner McGaffigan.

24 COMMISSIONER MCGAFFIGAN: I agree with the
25 Chairman and with the staff that this is a desirable outcome

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1 and therefore one that we should be thinking about. I think
2 there is an awful lot of our activities, including this
3 morning's meeting, for example, that fit only in this area.
4 This morning's stakeholder meeting did not help us maintain
5 safety, I don't think. Maybe there were some ideas about
6 maintaining safety that came across that I missed.

7 Reducing unnecessary regulatory burden. We may
8 have talked about it. It didn't increase our efficiency and
9 effectiveness, but I hope, if it went well, it will at least
10 convince the public we are willing to have a dialogue on a
11 bunch of important issues. So it's almost purely public
12 confidence.

13 Thinking about the 2.206 petition process and how
14 to improve it, it's main contribution is to public
15 confidence. I think some of the stakeholders would believe
16 that they are also helping us maintain safety if they are
17 raising significant safety issues.

18 The desire of reworking that process and putting
19 some resources into reworking it, you'd only do that
20 probably primarily for public confidence reasons. If it
21 isn't here, then there is a chance that we will not do a
22 bunch of things that are quite important to do. I tend to
23 think it has to be there, although we get in a moment to how
24 you measure all this stuff.

25 MR. ZIMMERMAN: Commissioner Merrifield had the

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1 comment about plain English. That initiative, in my mind,
2 fits squarely in this area. The way we communicate is very
3 important in terms of how we are going to work to improve
4 public confidence.

5 COMMISSIONER MERRIFIELD: I don't want to drag
6 this out, but some of it may be semantics. We talked this

7 morning about the license transfer process. That is an area
8 where I don't think Mr. Lochbaum has confidence in what we
9 we are doing right now. I wonder whether it's a matter of
10 some of the goals are to increase public involvement. What
11 you were talking about is making sure there was sufficient
12 input by the public.

13 Not to focus too much on the word "confidence,"
14 but if you focus merely on confidence, would that take away
15 from your decision to move forward with a license transfer
16 process in an instance where some of the stakeholders don't
17 have confidence in that process?

18 MR. ZIMMERMAN: What we are trying to do is
19 improve public confidence in the way the NRC is going about
20 its business. It is communicating in understandable terms.
21 It is giving the opportunity to participate. It's choosing
22 our words carefully with our adjectives and our adverbs so
23 we get the safety tone the way it's appropriate to be. It
24 is those types of issues. It's training. It is going out
25 for training sessions. It's the senior resident meeting

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1 with the local officials on a routine basis so they have a
2 face that they can ask questions of and a person that they
3 can call. The reasons why we do those types of things we
4 see as aiming toward improving public confidence in the NRC
5 by better understanding how and why we do the things that we
6 do.

7 COMMISSIONER DIAZ: Mr. Zimmerman, you have
8 explained this well. I agree with what you are saying. I
9 also would like to point out that as you try to increase
10 public confidence and involvement and you are doing that by
11 better considering all of the steps and how you communicate
12 and get them involved, I would like you to know that this
13 Commissioner did not know what you meant by increasing
14 public confidence. That was not communicated well to the
15 Commission.

16 Now you have communicated much better, and I now
17 understand how you plan to use it in the process. I have no
18 problem with that. But as you realize, there is a
19 communication gap in here that came out by using this simple
20 phrase "use as a filter." To me that meant that we will
21 stop everything and find out how we are going to increase
22 public confidence as a result of what we do.

23 MR. ZIMMERMAN: I apologize for the shorthand. As
24 we move forward with the draft strategic plan there will be
25 write-ups for each of these areas that will give the

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1 background and rationale for where these items come from.

2 DR. TRAVERS: There will be strategies
3 specifically identified as to how we would achieve these
4 outcomes.

5 CHAIRMAN JACKSON: Why don't you go on.

6 MR. ZIMMERMAN: I'm on slide 12, I believe.

7 We have spoken about a number of these items. The
8 crosscut is an important one for us. It's the recognition
9 that individual work items can impact different outcome
10 goals different ways.

11 In the stakeholder meeting the issue of SALP in
12 the short term was raised. Hopefully SALP in the long term
13 will be an example that improves public confidence.
14 Initially, on announcement it may have the other effect. So
15 it's recognizing that the different steps we take can have a
16 different impact on different outcome measures.

17 As we went through this we were focused on doing
18 the work that was necessary and sufficient. We looked to
19 identifying what are the new heavy hitters, what are the new
20 leverage items, and what is some of the work that we are
21 doing now that would join the fray in terms of leveraging
22 these outcomes, and which ones of work that we are doing now
23 we are trying too hard to get a home underneath one of these
24 outcome goals. When we try too hard, that's an indication
25 that perhaps this is an item for consideration for a

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1 reduction in resources or potentially for sunseting. This
2 process helped us with that.

3 Let me preface this slide that this still is a
4 work in progress. What we have done here is given some
5 simple examples of what some possible measures of success
6 are. This is not all of them that we have developed. We
7 have other ones that we have developed as well.

8 We need to continue to work within NRR to satisfy
9 ourselves that the ones that we have identified appear to be
10 appropriate at this point and phase of the process. Then we
11 need to get the EC input to that, and then obviously we need
12 the Commission comments and input as well.

13 We recognize that these continue to evolve. This
14 is not a full set, but it is some to give an example of what
15 we are looking at here.

16 The comment I raised with regard to how we are
17 going to measure some of this. In our facilitated sessions
18 we worried about that. It's a lot easier to count 1,670
19 licensing actions totally within our control than to assess
20 the public confidence aspect. That led the discussions
21 about using survey tools and what public are we looking at.
22 Is it the public that lives in the vicinity of the facility?
23 Is it the public that interacts with us in written
24 communication? How do we identify that public?

25 We have had those kinds of discussions. We

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1 haven't resolved them in our own mind. We think we do want
2 to come up with a litmus test on public confidence. Survey
3 seems to be the best way. It may be getting comments and
4 filling out forms at the end of public meetings as a
5 voluntary act. A mixture of things that we will try.

6 Again, we may not hit on the right combination or
7 chemistry initially, but our thought is we'll get feedback
8 from the public on what seems to be the right survey tool,
9 and it may take a couple of tries before we hit on one that
10 we think has got some longevity to it.

11 COMMISSIONER MCGAFFIGAN: Madam Chairman.

12 CHAIRMAN JACKSON: Please.

13 COMMISSIONER MCGAFFIGAN: In the "maintain safety"
14 one, just to take the area that should be crispest because
15 it is your highest priority, if I'm somewhere in NRR and I'm
16 working on a license amendment, one of those 1,670 you
17 talked about, or I'm inspecting somewhere, how do I possible
18 relate what I'm doing right now is related to not more than
19 one ten to the minus three core damage frequency event per
20 year?

21 You are so lofty up here in your goal. I have a
22 hard time relating to it unless you have something that
23 brings that all the way down to me.

24 MR. ZIMMERMAN: We are building the intermediary
25 goals. I think Jackie is going to talk to that to a degree.

1 We are in agreement that at the strategic plan, perhaps even
2 at the performance plan, we may be a couple of steps removed
3 from that.

4 What we want to ultimately do is very important.
5 The improvement that would come through with this process
6 would make those linkages stronger so that the individual
7 who is working on a given licensing action doesn't have to
8 try hard to find out where are the linkages from my work up
9 through the strategic plan. In order for us to feel that we
10 have been successful, because this needs to be a
11 communication tool, we need to accomplish that.

12 The secondary goals that we have developed in
13 draft form are ones that help build that bridge for us.

14 COMMISSIONER DICUS: I have a question on this
15 page. Some of these measures of success, as you call them,
16 really to me seem almost to be a result rather than a
17 measure. Maybe you are using the terms interchangeably and
18 result and measure is the same thing. I think that is true
19 of the public confidence one. How will you check progress,
20 that you are actually going where you want to go?

21 MR. ZIMMERMAN: As part of the process we need to
22 be able to get periodic, routine inputs so we can make
23 course corrections throughout the year. That will get built
24 in.

25 COMMISSIONER DICUS: But you are not there yet, I

1 assume.

2 MR. ZIMMERMAN: No. This is at a very high level.
3 We have put metrics on it in terms of a rough number where X
4 amount of the public trusts us. It's a number to start
5 with. As we gain experience, we were looking in the
6 neighborhood of something like 85 percent. Putting a metric
7 on it whether that is a good number or not a good number.
8 Until we immerse ourselves in it we are really not going to
9 know.

10 These types of metrics and measures are
11 considerably different than the ones that NRR has focused on
12 heavily in our performance plan now. There is a degree of
13 uneasiness with how much different these are, but it's a
14 positive uneasiness. We want to go forward; we want to test
15 it. We are not setting ourselves up that we think we are
16 going to have 100 percent hit initially, but if we don't try
17 to get in the car and drive it and come out with an initial
18 set of outcomes, if we wait until we have something --

19 COMMISSIONER DICUS: I guess this is more of a
20 comment than anything else. I'm going back to the public
21 confidence things. I just returned from Nevada. Public
22 confidence there is very low right now.

23 When you look at this sort of thing, are you going
24 to look at averages or are you going to look at individual
25 programs or individual situations?

1 We may have in some areas very high public
2 confidence. Right now in Nevada we do not have a very high
3 level of public confidence. It's a moving target.

4 COMMISSIONER MCGAFFIGAN: I'd just pile on on
5 that, Madam Chairman. We may have low public confidence
6 because we make sound decisions occasionally. There are
7 some parts of public confidence we have almost no control
8 over. If I didn't work at the NRC, I don't think my mother

9 would know what the NRC is, and she's a member of the
10 public. There is going to be a movie later this month.

11 CHAIRMAN JACKSON: The Atomic Train.

12 COMMISSIONER MCGAFFIGAN: The Atomic Train movie.
13 I wouldn't want to test public confidence on a nationwide
14 basis immediately after that movie.

15 CHAIRMAN JACKSON: Agreed.

16 COMMISSIONER MCGAFFIGAN: Deltas in survey
17 instruments, that doesn't sound to me like it's going to be
18 very useful. We may be exactly right on an issue and have
19 used every public measure to try to talk to the public, but
20 in the end we don't have as large a megaphone as some other
21 public officials, and if they are berating us, we may have
22 made exactly the right decision, a sound decision, safety
23 perspective, et cetera, but we will have low public
24 confidence because everybody is telling them that they
25 should have low public confidence in the NRC.

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1 CHAIRMAN JACKSON: On the other hand, I think
2 there have been stakeholders, ones that we have involved in
3 some of the process that have been used to change some
4 aspects of our regulatory program, who may still give us a
5 litany of criticisms but nonetheless respect more how we
6 have gone about doing things, respect more where we are
7 trying to go even as they give us those criticisms.

8 We may not be 100 percent there, or 100 percent
9 agreement with what we do may not be the total metric, but
10 since you invoked your parent, I'll invoke mine. My parents
11 always taught me that the only one you in the end can
12 totally control is you. So what you can do is try to do the
13 best you can relative to what you have the control over, and
14 that's the way you have to go in the end.

15 MR. ZIMMERMAN: As we refine this particular
16 metric before it comes up in the draft strategic plan, we
17 want to involve state programs; we want to involve public
18 affairs. We have internal stakeholders that we have not yet
19 had an opportunity to sit down and have that facilitated
20 session with. So we are looking at bringing them in prior
21 to the submittal to the Commission.

22 The other item that I will mention is this
23 discussion is similar to the discussions that went on in our
24 facilitated sessions, with the uncomfortableness with things
25 that are not within our control. Arthur Andersen's view

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1 that ultimately we agreed with is that the public confidence
2 is what it is going to be. We can try to influence it, but
3 we ought to be aware of what it is by whatever metrics we
4 come up. Not that all of the metrics that we come up with
5 is something that would be within our control 100 percent.

6 The recognition of that was difficult for us, but
7 that is what the thoughts were that were expressed in those
8 sessions.

9 CHAIRMAN JACKSON: Go ahead.

10 MR. ZIMMERMAN: We were able to bin the work into
11 several bins. The new initiatives that we are going to
12 leverage our outcomes; ongoing work that was easily binned,
13 that leveraged our outcomes; and then a potential for
14 reducing or sunseting candidates of existing work
15 activities. We accomplished that activity within NRR.

16 One of the things we did as part of the planning
17 and budgeting process, which I will show you on the next

18 slide, is we took all our work activities and put them all
19 through the filter.

20 We talked earlier about our scenario planning.
21 This was the part that made it easy for us to be able to
22 determine if in fact there is budget reduction, if in fact
23 there is reactive work that comes up, what work activities
24 would we look at first because they are the ones that were
25 either low as a contribution for the outcome goals, or we

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1 concluded that there were sufficient efficiencies that we
2 have gained that we would be able to accomplish our outcome
3 with fewer resources.

4 The last thing I would point out on this slide is
5 just a recollection that Arthur Andersen also helped NRR
6 with an efficiency review in licensing actions and work
7 planning. I think we have spoken about it in a limited way
8 in past Commission meetings. I just wanted to keep that in
9 front of the Commission.

10 We have been working to implement the
11 recommendations of those facilitated sessions. This
12 included items such as streamlining our requests for
13 additional information, or our RAI process.

14 To use meetings and telephone calls; by sending
15 letters back and forth.

16 To try to develop standards on what we believe it
17 ought to take to be able to complete a particular licensing
18 action activity.

19 Work planning. We continue efforts to develop our
20 work planning center, still aimed at having a modest work
21 planning center, but by the beginning of the fiscal year,
22 this will help us with equalizing our workload across the
23 offices.

24 Helping develop standards for how long different
25 activities ought to take by going back historically,

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1 developing that information, and bringing it forward. We
2 are excited about that also. We have some benchmarking
3 trips planned later this month.

4 This is a graph or chart that we used that we ran
5 our work activities through. This is where we scored the
6 different work items. That helps us identify which of our
7 work activities were clearly easily tracked with high
8 values.

9 We sort of used a scale of up to 5, 5 greatly
10 influencing our outcome goal, zero being very, very little.
11 At one point we actually dealt with some negative numbers on
12 some of the slides.

13 This was a very useful tool for us, to be able to
14 have all our work activities scored through this process.

15 CHAIRMAN JACKSON: Is this kind of a template,
16 strictly speaking, only useful for activity-based scoring?
17 Could something like this be used to look at actual
18 regulatory requirements, including actual regulations?

19 MR. ZIMMERMAN: Yes. We used it for the work
20 activity aspect, but I think it has other valuable uses as
21 well.

22 With that, let me pass on to Jackie to continue
23 our discussion.

24 MS. SILBER: Good afternoon. Building on the
25 background Roy has given you on our process, once we

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1 completed the process of determining our programs and
2 relative priority of all the new and existing work we had,
3 we then had a basis for our resource allocation process.

4 The NRR budgeting process for FY-2001 reflected
5 the beginning of a transition. As an organization, NRR now
6 is looking at things through a new set of outcomes, these
7 being our outcome goals and the direction of change that we
8 think are appropriate.

9 Since the process is in transition, we didn't
10 limit our decision making to our outcome goals and our
11 changed direction.

12 The result of our effectiveness review,
13 essentially the template that Roy just discussed, was a key
14 underpinning of our process, but we also considered existing
15 Commission guidance, our program and planning guidance,
16 existing SRMs, other tasking memos that existed, and we took
17 the entire of set of that guidance along with our review in
18 making our decisions, particularly when we were doing our
19 prioritization.

20 In some cases, as we went through the resource
21 allocation process we also made decisions on efficiencies.
22 In that case, there were situations where we saw from going
23 through our effectiveness process opportunities to identify
24 redundancies, do things differently, and end up with a
25 situation where we were making decisions about reducing

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1 resources while continuing to meet the programmatic and
2 effectiveness goals that we had. That was also part of the
3 process.

4 Moving on to operational planning, having
5 completed the outcome goals, the program planning or
6 effectiveness review, and our resource planning, we
7 currently have all of the components that we need to move on
8 to operational planning. We are in that process right now.

9 Essentially what we are doing in operational
10 planning is identifying the work, the goals, the measures,
11 the accountability, and the reporting levels and
12 frequencies.

13 I think, Commissioner McGaffigan, this may get
14 back to something you raised earlier. When you look at our
15 top level goals, they are somewhat lofty. But as we go
16 through this planning process, we are taking somewhat of a
17 dual approach.

18 In some cases we are doing detailed planning.
19 That's in the cases of new activities. Some areas that we
20 assessed were high impact. Although they were ongoing
21 activities, we considered those something that we should
22 look at in a more detailed approach.

23 In doing that, we are planning at three levels.
24 We've developed what may be jargon, but we look at that
25 planning at an executive level, at a management level, and

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1 an operational level. At each of those levels we are asking
2 ourselves the questions: What's the purpose of the work?
3 What kind of outcome should occur? What are the metrics?

4 In some cases, as we get down particularly to
5 operational level, we start talking about outputs, but
6 within that context we are talking about the outputs, the
7 work that is being done at the front line in relation to the
8 outcome goals.

9 I think that addresses your issue about how does

10 somebody look at the strategic plan or the top level goals
11 and understand how that fits within the work they are doing.
12 This process is really providing us with the mapping for
13 people to understand that connection.

14 COMMISSIONER DICUS: May I?

15 CHAIRMAN JACKSON: Please.

16 COMMISSIONER DICUS: This brings up a possibility
17 for the introduction of a comment or question that I had.
18 On our strategic plan we had strategies and sub-strategies.
19 I was uncertain how those would fit into this process. Is
20 this where they are going to begin to fit in, or are they
21 going to go away? For example, in the operational level.
22 Is that where you are going to begin to focus?

23 MR. FUNCHES: The strategic plan will continue to
24 have strategies. Our goal will be to try to make those
25 strategies as definitive as we can and as clear and crisp as

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1 we can. In some cases that might mean having some
2 sub-strategies that go along. We will be developing the
3 strategies in the arenas against the outcomes that we want
4 to achieve.

5 CHAIRMAN JACKSON: How does that propagate into
6 what Jackie is talking about?

7 MS. SILBER: As we went through this process we
8 looked at the existing strategic plan. For example, when
9 you look at our outcome goals, those are not necessarily
10 strategic goals in the strategic plan, but there is a
11 linkage in each case to either the vision or in some cases
12 management goals that exist in the strategic plan.

13 As we get down to operational planning, which
14 leads us to what I would describe as a one-year operating
15 plan, the work that will be done within that one-year
16 period, what I believe we will have within NRR is an
17 operating plan that clearly shows the linkages to the
18 strategies, but I wouldn't anticipate that all of the detail
19 that you would build in an operating plan would necessarily
20 be within the strategic plan. I think it's the linkage that
21 will be clear.

22 COMMISSIONER McGAFFIGAN: On this same point, I
23 think a lot of the questions we get about strategic plans
24 and operating plans from external stakeholders go to this
25 linkage. I think people actually want some transparency in

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1 our operational plan. Is that the intent, that you would
2 open up your operational plan for the year and people would
3 be able to look at it? Or is that a pre-decisional document
4 that is internal?

5 An awful lot of the questions we get, GAO
6 comments, or whatever, oftentimes seem to be about these
7 linkages, and they really are asking to see our operational
8 plan, I think.

9 MS. SILBER: I don't know that I can answer the
10 intent on operating plans.

11 MR. FUNCHES: The primary purpose of the operating
12 plan is for internal planning. It is not one of the formal
13 documents that we would anticipate submitting outside of the
14 agency. Once you get through the approval process and start
15 implementing, there is no prohibition to communicating the
16 content of the operating plan externally. The idea would
17 not be to have it as another document that we would submit
18 outside of the agency.

19 MS. SILBER: If I could add one thing to that. I

20 think what we are seeing is that the operating plan that is
21 going to result from this process going to look different
22 than the operating plan we have used before. Not so much in
23 format, but in the components.

24 One of the components we are seeing that I refer
25 to is reporting levels and reporting frequencies. I think

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1 that is one component of the operating plan that could be
2 shared and probably would be a value both for the NRC and
3 for our stakeholders, because it would show what we are
4 tracking, what we are monitoring, what kind of performance
5 reporting exists.

6 COMMISSIONER MCGAFFIGAN: It strikes me, Madam
7 Chairman, that in the ideal situation the budget that we
8 submit basically would have in it the high level elements of
9 not just the strategic plan but the operating plan. "If you
10 give us this budget, this is what we plan to do and here are
11 the performance results we hope to achieve." It wouldn't be
12 the whole operating plan, or whatever, but it would then
13 much more understandable.

14 CHAIRMAN JACKSON: That's in the performance plan.

15 MR. FUNCHES: The budget and the performance plan
16 will have considerably more detailed information than you
17 will see in the strategic plan, and it would have
18 information that would also show in the operating plan. The
19 budget itself and the performance plan which we have
20 combined together as one document.

21 CHAIRMAN JACKSON: In the ideal world that
22 performance plan should drive down into the operational.

23 MR. FUNCHES: Sufficient level of detail in most
24 cases.

25 CHAIRMAN JACKSON: In the end, where the agency

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1 wants to go is to be judged on the basis of the performance
2 as laid out in the performance plan and not on the specific
3 management details of how the work specifically gets
4 organized. That is for the management to do.

5 Go ahead.

6 MS. SILBER: We are now looking at the next steps
7 for NRR in this process. It's clear to us we have a great
8 deal of work left to be done. Our experience in the last
9 ten months for NRR has been that we have been developing
10 methodology, learning the methodology, and implementing it
11 simultaneously. In spite of that, we think we have made
12 great progress and learned a lot from the experience, but
13 now our goal is to take the steps that are necessary to
14 institutionalize the change that the process is allowing.

15 Our plan is that we will be working with NRR
16 staff. Up until now this process has been very much a
17 top-down process and involving NRR management. What is
18 important now is that we reach out to the NRR staff to bring
19 this throughout the organization.

20 The first thing that we are going to be doing is
21 meeting over the next four to six weeks with NRR staff in
22 small groups and essentially sharing the details of this
23 process and the learning that we have experienced.

24 Secondly, we are going to be seeking input from
25 the staff on how best to implement some of the changes that

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1 we have identified.

2 Third, we plan to involve the staff as much as we
3 can in finishing the building of the FY-2000 operating plan
4 so that again it's very clear to people what the whole
5 planning process means to them and how they can contribute
6 to it within their work environment.

7 I think we have some conclusions that Roy is going
8 to share with you on the process.

9 CHAIRMAN JACKSON: Let me just ask one question.
10 The EC has an ongoing assessment of the Arthur Andersen
11 recommendations for changes to the PBPM process. How does
12 this dovetail with that EC assessment?

13 MS. SILBER: How does our work dovetail?

14 CHAIRMAN JACKSON: Yes. How do the two go
15 together?

16 MS. SILBER: We have certainly been working
17 closely with the EC in sharing the learning we have,
18 essentially in working on the Arthur Andersen report on the
19 PBPM, and sharing some of the experience we've had in
20 implementation and how some of those recommendations fit. I
21 would describe it as an integrated process in terms of that
22 assessment.

23 MR. FUNCHES: Our plan as we move forward is
24 definitely to draw on the experience and the lessons learned
25 that NRR, Research and NMSS have had and involve them in

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1 modifying the agency-wide PBPM process as we go forward.

2 CHAIRMAN JACKSON: Are you saying that more or
3 less that the method that NRR has been doing is the method
4 the NRC should be using for planning?

5 DR. TRAVERS: We are intending to have that
6 process greatly inform what we are doing. We are looking at
7 a working group that the Executive Council discussed just
8 this last meeting to go forward and develop the processes
9 that would be used on an agency-wide basis. We think the
10 best practical example that we have right now is NRR's
11 example.

12 There is some additional work that we are
13 scheduling into some of the decisions we would need to make
14 in terms of the timing of developing these processes. It
15 may be that there will be some modification, but we think
16 the best place to start is in the context of a proven
17 example of what can be done. That is the way we intend to
18 proceed.

19 CHAIRMAN JACKSON: Is it fair to say that what you
20 are doing at NRR is both your actual operating process or
21 evolving operating process but at the same time kind of a
22 pilot for the agency?

23 DR. TRAVERS: That's correct.

24 MR. FUNCHES: Yes, and we are going to take that
25 and bring it up to the agency level from the NRR level.

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1 DR. TRAVERS: We may learn in the context of arena
2 strategies, for example, that cut across offices that that
3 would argue for some modification of some of the way NRR
4 admirably has done their work thus far, but nevertheless we
5 want to take the advantage of consideration of some of that
6 broader thinking in the context of some of the agency
7 process development.

8 COMMISSIONER MERRIFIELD: What is your current
9 thinking right now about some of these crosscutting issues
10 where you have NMSS and NRR share projects? Who is going to
11 be the lead? How are we going to resolve those issues?

12 DR. TRAVERS: We have arenas, and those arenas,
13 nuclear reactor safety, for example, cut across Research and
14 NRR. What we are looking at is having the work done both
15 within NRR and Research inform the development of an agency
16 process for that arena. The same would go, of course, for
17 the area of materials safety, waste safety, and so on and so
18 forth.

19 Where they cut across we want to specifically
20 consider the advantages of using an arena-based methodology.
21 We think that has been done thus far has been admirable and
22 we think it may in fact serve as a reasonable basis for
23 proceeding, but we don't want to lose sight of optimizing it
24 from the standpoint of cutting across the different offices
25 that have responsibility.

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1 MR. FUNCHES: We will look at it from an arena
2 base as opposed to an organization base.

3 CHAIRMAN JACKSON: Okay.

4 MR. ZIMMERMAN: In conclusion, I'm on slide 13,
5 the implementation of PBPM in NRR. As was just said, we
6 recognize that working in arenas has benefits to it, that
7 next time probably rather than working in offices it's a
8 better way to go.

9 We see improvement linkages from the strategic
10 plan and performance plan to the operating plan that are
11 already visible to us. We think they are going to continue
12 to strengthen as we continue to role out what we have done.
13 We feel very good about what we have done.

14 We tried to stay with high level goals for this
15 meeting just in the interest of the logistics of the time
16 that we've had. We have identified a number of new
17 initiatives, and we are working on the measures and metrics
18 for success for those items.

19 Still a lot of work to be done, but I think there
20 is a lot of progress that has been made.

21 What we opted to do as an agency was to use NRR as
22 a pilot. Obviously we want to be able to roll up to the
23 highest levels, up to the Commission and the EC, some of the
24 work that we talked about in terms of outcome goals that do
25 it at the highest level and then have it come down. Similar

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1 to what we did before this pilot.

2 The pilot has been very good, but we recognize
3 that we sort of came in in the middle with an office. We
4 think we have progressed very well, but now we need to
5 influence from the top and make the necessary course
6 corrections as appropriate, and then in the future, as we
7 continue to deal with it, to make sure that we have early
8 Commission involvement in developing strategic issues.

9 CHAIRMAN JACKSON: Did you have a question?

10 COMMISSIONER DIAZ: Just a quick final comment.
11 First, I wanted to thank Commissioner McGaffigan for clearly
12 articulating what my concerns were regarding public
13 involvement. I was concerned that if the staff made a sound
14 decision and then found out that the public confidence has
15 not increased, we will have mass suicide, and that would
16 certainly not be to our advantage.

17 I do want to reemphasize the fact that I think the
18 meaning of increasing public confidence needs to be clearly
19 established. I think the way you said it is the right of
20 saying it. I don't want people out there to think that in

21 the process, including when we are making a sound decision,
22 that public confidence is going to be such a factor. That
23 would be misleading to the public. What we cannot afford
24 ever is to mislead the public.

25 We will be making sound decisions and we will

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1 involve the public; we will have them participate; we will
2 make every effort to communicate with them. I think that is
3 very good, but I think that needs to be communicated very
4 clearly.

5 DR. TRAVERS: I agree.

6 Margaret Federline is going to give some insights
7 from the work in Research.

8 MS. FEDERLINE: Slide 20, please.

9 When we met with you in August 1998 we discussed
10 with you our process for phase change in the Office of
11 Research. We started with doing the right work.

12 At that time you encouraged us to position
13 ourselves for future challenges and also work to make our
14 activities have a greater emphasis on outcomes. That's
15 exactly what we have tried to do. We took that guidance
16 very seriously.

17 Now that our phase 1 process is complete, I just
18 want to provide some insights about our progress and
19 results, and I want to discuss just for a few minutes our
20 prioritization process that we have used for Research
21 activities to make our activities more objective and
22 transparent.

23 With the assistance of Arthur Andersen to
24 facilitate our work, Research completed a top-down
25 integrated planning process using the seven-step methodology

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1 that Roy has discussed and was used in the NRR process. Our
2 executive team identified outcome goals and vectors and
3 success measures as well.

4 I think it's significant that independently we
5 came to the conclusion that the same four areas and vectors
6 as NRR has plus one additional goal was identified. Because
7 of the fundamental direction setting role that these goals
8 will play if the Commission adopts the goals, we believe
9 that it's critical to communicate clearly where a course is
10 being set.

11 We felt that one additional goal was important to
12 set direction for the agency in making realistic decisions
13 that are timely and predictable. As more results from
14 Research become available and more operating experience is
15 available, this goal, we believe, conveys our intention to
16 harvest the work that we have done and harvest the
17 experience out there to make more realistic decisions which
18 don't embody unnecessary conservatism.

19 We think that by articulating this goal it will
20 set a clear course for staff and also will assist in
21 enhancing public confidence by reducing uncertainties and
22 articulating our views in that regard.

23 Our message is we think it's a very valuable
24 process, going through the goal setting process, and we
25 think it's important to bring the perspectives from all

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1 offices in the agency, because the roles and
2 responsibilities differ and therefore the perspectives
3 differ.

4 We also think that it's important to articulate
5 the importance of timeliness and predictability in our
6 decision making. We think that this goal can be influential
7 across the agency in setting this course.

8 CHAIRMAN JACKSON: Let me ask you a question. Do
9 you feel that you've actually been able to articulate a
10 vision for your office's role and how it complements the
11 front-line regulatory activities involving licensing,
12 inspection and oversight, and the extent to which you
13 maintain a center of excellence for regulatory tools and how
14 all of this flows from the strategic plan?

15 I have a memo here that was written by
16 Commissioner Diaz in July of 1998 relative to the FY-2000
17 budget. He had some comments to make on Research. He said:

18 I believe Research should be engaged and
19 participating directly in resolving the technical and
20 regulatory issues facing the agency. In particular, it
21 appears that risk-informed regulation needs an away from
22 point of views driver, and Research could fulfill that role.
23 Furthermore, in agency-wide issues where point of view staff
24 is reluctant to proceed, for example, 50.59 -- maybe we have
25 gone past that point -- Research should be engaged to

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1 provide the Commission with proposed solutions not dependent
2 on concurrences.

3 My final comment before you answer question is,
4 let me remind you that the Office of Research now has the
5 responsibility for an independent assessment, for instance,
6 of operational experience which formerly rested with AEOD.
7 In coming to these four and now this additional proposed
8 fifth proposed outcome measure, do you feel that those five
9 then allow you to address these issues in terms of where
10 Research is and where it sits in the scheme of things?

11 MS. FEDERLINE: I believe in going through the
12 process, the PBPM process has been very helpful to us. We
13 have invited the user offices to participate with us in the
14 process. It has really helped us focus on what we believe
15 our vision should be.

16 We see that we have a role with other federal
17 agencies and the states and our foreign partners as well as
18 looking at our own operational experience here in this
19 country to sort of look forward, look to what might be
20 future challenges, because the licensing offices have to
21 deal on a daily basis with short-term needs.

22 I think where there may be a shortcoming, I'm not
23 sure that is well articulated. I think it would be wise if
24 perhaps Research took a stab at trying to articulate that
25 relationship if that is something that would be of interest.

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1 CHAIRMAN JACKSON: Why don't you go.

2 MS. FEDERLINE: Let me have slide 22, please.

3 Our self-assessment has played a key role in our
4 budget formulation for fiscal year 2001. I think the key
5 has been that it caused us to think very differently about
6 what we should be doing leading to new initiatives and
7 leading to sunseting of some existing activities.

8 Part of the benefit of this for us was the
9 alignment of staff and management. Our management provided
10 top-down direction on goal setting, but then our staff was
11 involved in setting the activities and issues. So it has
12 been a participatory process. It has been very challenging.

13 There have been a lot of discussions that have gone on, but
14 I think all to the good. I think we have ended up with a
15 much better set of activities as a result of it.

16 Through the process we have defined our outcomes
17 in terms of success. We have also identified for us what we
18 believe is a very important step, and that is Research
19 issues. These are things that must be resolved in order to
20 achieve our outcomes.

21 This in turn has provided us a framework to
22 identify our activities. I will just give you an example.
23 In developing the technical basis for resolving pressurized
24 thermal shock issues, it has brought together our risk
25 perspectives, our thermal hydraulics perspectives, and our

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1 materials perspectives. This is the best way that we can
2 use Research, by bringing together these multidisciplinary
3 perspectives to solve issues. This is the context in which
4 we are doing our budget.

5 To effectively assess our budget scenarios, we
6 performed a 1 through n ranking based on the relative
7 contribution of activities to the outcomes. We feel that
8 this has added objectivity and transparency in planning our
9 work.

10 Actually, we defined an analytical hierarchal
11 process where we use pair-wise comparison and evaluation
12 factors to look at the significance of each activity to the
13 outcome measure. This has enabled us to derive a 1 through
14 n process. We think that will be helpful to us during the
15 course of the year when the licensing offices come to us and
16 say there has been an issue of more immediate safety. We
17 will be able to look at it across our evaluation factors and
18 compare it to other things that we are doing in the office.

19 The Research budget has been completely
20 restructured to clearly link activities to outcomes. We
21 have new outcome-based planned accomplishments, whereas
22 previous planned accomplishments were aligned with our
23 functional area such as risk assessment or severe accidents.

24 We would really appreciate feedback from the
25 Commission as you become involved in the fiscal year 2001

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1 process to let us know whether there is value in the
2 improvements that we have made in terms of an issue-based
3 budget.

4 Our next big challenge is the transition to
5 performance-based execution. I believe that NRR is ahead of
6 us in this game, but we plan to develop outcome-based
7 performance measures. We want to move to a manage to
8 performance concept. The first question is, what does that
9 really mean?

10 What we would like to do is define outcome-based
11 performance measures at all levels. In other words, we
12 ought to be able to establish accountability at all levels
13 of staff and all levels of management for their contribution
14 to the outcome. We would expect to define incremental steps
15 which would be part of our operations plan, and the
16 operations plan would become our management tool to track
17 these performance measures.

18 In summary, we believe that the PBPM process is an
19 excellent process, and it needs to be repeated on an
20 iterative basis. We have been through the phase 1, the
21 planning process, once. We feel we have really learned a
22 lot. We feel that we have only captured the tip of the

23 iceberg in terms of value to the agency, but that is not to
24 say it's not without shortcomings.

25 We have learned a lot as we have gone through, and

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1 there are some adjustments we would make to our
2 prioritization criteria as we go through it again.

3 In phase 1 we have been able to achieve a clear
4 link between Research activities and agency goals that they
5 support. We have developed an outcome-based budget which is
6 focused on issue resolution, which we think is a very
7 important thing for research.

8 The process promoted the integration of activities
9 through a Research-wide focus on issue resolution
10 strategies, bringing together the multiple disciplines and
11 focusing on a particular outcome.

12 We also developed an used an outcome-based
13 prioritization scheme for informing budget decisions, which
14 we think will make the process much more transparent and
15 objective.

16 CHAIRMAN JACKSON: Thank you.

17 DR. TRAVERS: Madam Chairman, if you don't have
18 any questions, I will turn it over to Marty Virgilio to talk
19 about NMSS activities to date.

20 MR. VIRGILIO: Good afternoon.

21 CHAIRMAN JACKSON: Good afternoon.

22 MR. VIRGILIO: I will speak briefly about the
23 application of the approach in NMSS from slide 24.

24 NMSS is responsible for managing two strategic
25 arenas and seven distinct program areas. We selected one of

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1 the program areas, the high level waste, to pilot and
2 evaluate the Arthur Andersen PBPM process.

3 We started the process in mid-January and
4 completed it in mid-March using the seven-step methodology
5 outlined in Roy Zimmerman's presentation.

6 Working through the Arthur Andersen process has
7 sharpened our management focus on the high level waste
8 program. It has promoted a clear and especially a common
9 understanding from the office director down to the
10 first-line supervisors of the outputs, outcomes, and metrics
11 for our high level waste program.

12 The results of the process has validated the
13 direction and content of our high level waste program with
14 one noted exception. That is, it highlighted the need for
15 us to do additional efforts in the area of public outreach.

16 We have used the results of this pilot to develop
17 our 2001 budget and a new draft high level waste portion of
18 the strategic plan. We plan to build on and make revisions
19 to the plan based on the lessons learned from the draft
20 nuclear reactor strategic arena plan.

21 NMSS' next steps would be to use the facilitated
22 process to examine our other programs, initiate changes
23 based on the results, and update the agency's strategic
24 plan.

25 Based on the lessons learned from our pilot

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1 effort, we will improve on the process implementation and
2 expand the involvement of the other offices that are
3 supporting our program activities.

4 CHAIRMAN JACKSON: Thank you.

5 DR. TRAVERS: Unless there are any questions,
6 Chairman, I propose that we bring Arthur Andersen to the
7 table.
8 COMMISSIONER DICUS: I have a couple of questions.
9 CHAIRMAN JACKSON: Yes, please.
10 COMMISSIONER DICUS: You mentioned in your opening
11 statement, Dr. Travers, that it is still a work in progress,
12 there are still some unanswered questions, and so forth.
13 Would you characterize for me exactly as you sit here today
14 what your primary concern is or what might be the primary
15 thing you would want to have resolved in going forward?
16 DR. TRAVERS: I meant to give you an indication
17 that we have yet to develop on an agency-wide basis the
18 processes, sort of the implementing details of some of the
19 conceptual recommendations of Arthur Andersen. Certainly
20 they are being worked at NRR, but we need to further develop
21 that.
22 I will give you an instance where this becomes
23 important. Interactions with the Commission, driving the
24 planning from Commission level down; the role of the EC;
25 interactions to work out the processes. How does the

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1 planning process take place in some detail or in some more
2 detail? How do we work in the strategic budgeting processes
3 that will complement from that kind of planning? Then
4 further develop the performance management techniques of
5 monitoring, establishing metrics, and so forth.
6 We think we have a good model in what NRR has been
7 doing, but we recognize that we need to further develop it
8 from an agency-wide standpoint, including the interactions
9 that become important with the Commission and the Executive
10 Council.
11 COMMISSIONER DICUS: You anticipated my second
12 question. What is your understanding as we sit here today
13 of the role of the Commission and where that might change in
14 the future?
15 MR. FUNCHES: On the planning piece, we definitely
16 see as we move up a role for the Commission in reviewing and
17 making those decisions. We will be coming to the Commission
18 with the strategic plan, with the goals, with the key
19 strategies; the performance plan and budget will be coming
20 to the Commission as a document with the metrics and the
21 outcome.
22 All aspects of the planning, the budgeting, and
23 the performance plan, that definitely will be coming to the
24 Commission for decision making.
25 DR. TRAVERS: My sort of vision of this, and I

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1 think the Executive Council shares this, is that by that
2 mechanism we establish that common language, that direction
3 from the Commission that can later be used.
4 If other work that hasn't been planned for or
5 budgeted for or even included in our outcomes comes up, we
6 can interact with the Commission in a way that establishes
7 the impact of that new work. We talked a little bit about
8 at the stakeholder meeting today. It really sets sort of a
9 common ground of understanding for further interactions,
10 recognizing that some of that will in fact in all likelihood
11 occur in the course of any given year.
12 CHAIRMAN JACKSON: Commissioner Merrifield.
13 COMMISSIONER MERRIFIELD: I want to explore that
14 just a little bit more. One of the things that was raised

15 today by George Hairston is the issue of the ability of the
16 Commission to get together. We are currently working on the
17 issue of Sunshine Act and that will resolve itself or not.

18 Is it sort of a top-down or bottom-up approach
19 between the EC and the Commission? Is it your sense that
20 you are going to providing us with a host of different
21 options and then we as a Commission will get together and
22 make choices to the options, or you will be providing us
23 with a recommendation and we will be giving it thumbs up or
24 thumbs down?

25 MR. FUNCHES: I think that is one of the things we

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1 wanted to do in the EC. I think the intent now is to
2 facilitate the Commission making a decision. For example,
3 we would bring some alternative goals or the goals to the
4 Commission and say this is what we have to at this point.
5 From there the Commission could build on those, add to
6 those, delete from those, or modify those.

7 CHAIRMAN JACKSON: But it's important that these
8 things are not disjointed. You bring the strategic plan to
9 the Commission; you bring the performance plan to the
10 Commission. In the end there is Commission direction in the
11 form SRMs on specific issues. It is important that these
12 things are not disjoint from whatever else you are asking
13 the Commission to do.

14 If you are really doing it the right way according
15 to your own diagram, if you start talking about your overall
16 strategic goals, your given performance goals, first of all,
17 presumably they are going to build off of the Commission's
18 action on the strategic plan, on the performance plan, but
19 any updating of that has to be informed by Commission
20 decisions in the end, right?

21 MR. FUNCHES: Absolutely.

22 CHAIRMAN JACKSON: But the way you talk about it
23 sometimes, it sounds like, well, we've got this strategic
24 plan and performance plan out here somewhere, and then we
25 got somehow the kind of planning assumptions and planning

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1 direction, and now all of that has to be brought together if
2 all of this is going to make any sense at all.

3 DR. TRAVERS: That's right. Working at its best,
4 it really informs the Commission even in its direction of
5 the staff, we would think. It certainly gives us an entree
6 to discuss prioritization, response to SRMs, what kind of
7 timing we would associate with it, and so on and so forth.

8 MR. FUNCHES: A key input to the document will be
9 Commission policy decisions as you go through the year.
10 Those will be factored into the document that will be coming
11 to the Commission.

12 COMMISSIONER DIAZ: I fully agree with Chairman
13 Jackson that these things need to be integrated and that
14 eventually when it comes to the Commission for budget
15 decisions, we need to see where these things are coming
16 from. I think you called it a high level, but I will call
17 it a very good survey of what is happening without all of
18 the details that need to be available to make the decision.

19 Chairman Jackson posed an excellent question to
20 Research. She quoted an excellent memo which I am going to
21 review again just to make sure that it is fully answered.

22 [Laughter.]

23 CHAIRMAN JACKSON: I think the point is that there

24 are overarching goals and direction that get laid out in the
25 strategic and the performance plan. Those things are done

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1 on a yearly basis. All along the way the Commission is
2 making decisions that get promulgated in the form of SRMs.
3 The question is, how do they get inculcated into the
4 process?

5 In developing a process that is this top-down
6 driven, one begins to be able to see to what extent a given
7 SRM set of directions either modifies or is consistent with
8 or takes us in a completely different direction than the
9 operating guidance that the Commission had previously
10 blessed.

11 One needs to have that kind of a feedback loop and
12 sanity check in the process so that all of us know where
13 some given direction is taking us compared to where we
14 started out as the plans and the operating plans the budgets
15 were all put together. So it's a feedback loop that has to
16 exist, which has to be fleshed out.

17 My understanding is that given that direction,
18 then the staff has other elements of PBPM that they want to
19 use to plan their work and to govern how they handle the
20 staff that works for them in terms of the managers, and to
21 have some coherence and consistency to the ability to go
22 ahead and do that work.

23 Mr. Galante, you were at the table. You didn't
24 say anything. So I thought I would offer an opportunity. I
25 know you have been a big planner.

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1 MR. GALANTE: Listening to the comments, I think
2 what we are really saying is that a plan isn't a one-time
3 thing that you put on a shelf. A plan is a living plan and
4 you have to interact with it continuously. If you choose to
5 change direction or something new comes along, as was
6 discussed earlier, during the course of the year, before you
7 go to execution, you have to have the impact on what does it
8 do to my plan. Something will move.

9 If you have done your plan well and you constantly
10 introduce new things, something has to move, because you are
11 really assigning people to do work. If the work changes,
12 everyone has to understand the impact. Without a plan it's
13 difficult to understand the impact; with a plan it gets
14 fairly scientific where you know what is going on and when
15 it is to be accomplished, et cetera.

16 We sort of have a mini-model in the IT arena that
17 I manage, the capital planning and investment control
18 process that we put in place. It's a forced discipline
19 which covers a lot of what has been discussed here. You
20 start with a plan and you don't forward into execution nor
21 in assigning resources until such time as that plan is fully
22 agreed to.

23 We have a business council very similar to a
24 commission where we bring what is to be done with the
25 capital and what is expected. We have cash flows; we have

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1 all sorts of business support for what we want to do. It's
2 a yea or nay decision. Once that is accepted, we then have
3 something to go forward and execute from.

4 We have benchmarks where we measure performance
5 periodically. We have costs where we measure how we are
6 doing, and we have the ultimate outcomes as to what we are

7 to deliver and what it means to the agency. So it is a
8 mini-model within my own organization as to how something
9 like this is intended to work for the entire agency.

10 COMMISSIONER DIAZ: One last comment on what
11 Chairman Jackson brought on the issue of how this all hangs
12 together and the connection between the different actions
13 and the PBPM and so forth.

14 I have suggested to the Commission that I think we
15 should think about the fact that before the budget process
16 it might be important to have each one of the offices to
17 present to the Commission what they do as a whole. Not just
18 the snapshots that we see when we have a briefing on the
19 maintenance rule or on orphan sources, but what does an
20 office have as a complete package that they are presenting
21 in their operational plan. That kind of will bring focus to
22 us in one shot of what things are.

23 CHAIRMAN JACKSON: Ideally in this process -- it
24 has never worked to this point -- there is supposed to be a
25 preliminary point where the actual program of work is laid

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1 out with the various planning assumptions to get the
2 Commission's buy-in. That would be the point at which one
3 could talk about either by strategic arena or by offices as
4 appropriate that proposed plan or program of work for
5 desired outcomes.

6 We have never gotten to the place where we have
7 actually had that phasing, because in the end, and I think
8 this is consistent with the Arthur Andersen recommendation,
9 then you resource load the work you've agreed to do. The
10 budget process should not be the surrogate for making those
11 decisions; you have to have made those decisions and decided
12 where you are going to go ahead of time and what are the
13 proposed activities to accomplish those desired outcomes
14 that have been agreed to. Then the budget resource loads
15 that work.

16 Since the priorities are there and so on and so so
17 on, there is an adjustment according to how much money you
18 get or how much money you choose to ask for. But it should
19 not be the surrogate for doing horse trading, because it's
20 supposed to be a structured process. That is what I think
21 all of this oriented to try to get to.

22 Let us hear it from Arthur Andersen. Thank you
23 very much to the staff.

24 Mr. Allenbach and Ms. Ellertson, how are you?

25 MS. ELLERTSON: Fine, thanks.

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1 MR. ALLENBACH: Good afternoon, Chairman and
2 Commissioners. We are pleased to have the opportunity this
3 afternoon to provide an overview of the recommendations that
4 we have made on PBPM. I think part of what you have heard
5 up until now is to varying degrees ideas of what the various
6 offices are doing consistent with those, and we would like
7 to relate to those as much as possible.

8 [Slides shown.]

9 MR. ALLENBACH: Our purpose is to provide the
10 Commission with an overview of the recommendations included
11 in the report. To the degree that you have questions about
12 what that means and clarification, we will be glad to answer
13 those.

14 The recommendations are predicated on the agency
15 leadership commitment to becoming outcome based. We have

16 discussed that quite a bit this afternoon.
17 We believe that managing to outcomes will provide
18 the Commission, the agency, with an invaluable tool, as we
19 discussed earlier, to really engage both the internal and
20 the external stakeholders and discuss the agency performance
21 against measurable success criteria, plan and allocate
22 resources, and discuss the cost of delivering particular
23 results more specifically, and enhance the accountability
24 for results throughout the agency.
25 The recommendations are at a conceptual level, as

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1 Bill referred to earlier. We hope to better describe the
2 linkage between the concepts and assisting NRC in becoming
3 more performance based.
4 Slide 4, please.
5 However, becoming outcome-based requires a
6 fundamental shift where everyone thinks about and manages
7 work relative to the intended outcomes, and that is a change
8 that is going on. This requires challenging all work
9 against the outcomes, which was discussed by NRR, NMSS and
10 Research in their presentations. This behavioral shift is
11 fundamental to the NRC becoming more effective in its work,
12 and the magnitude of the process and behavioral changes
13 taking place should not be underestimated.
14 CHAIRMAN JACKSON: Are there other regulatory
15 agencies that are managing to outcomes and using a process
16 successfully?
17 MR. ALLENBACH: There was a question earlier that
18 said how are we in terms of our responsiveness to GPRA that
19 I was going to speak to later, but I will speak to that now.
20 There are a number of agencies that talk about it.
21 Our view in the federal government, and Natalie
22 can speak more specifically to some of what she has seen in
23 state government, is there is a lot of talk and there is a
24 lot of people that put it on paper, but in terms of real
25 fundamental behavior changes around challenging work in

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1 relationship to outcomes, we believe what is going on here
2 is leading edge as it relates to what we see in federal
3 government, that most of it is just talk to tick off the
4 compliance to GPRA versus the real fundamental shifts that
5 GPRA was intending to encourage. I was going to conclude
6 with that, that we feel the progress is significant in
7 relationship to what we see in other government agencies.
8 Natalie.
9 MS. ELLERTSON: Relative to states, there are
10 several, both on a statewide basis and then on a piloted
11 agency basis, that have worked with a framework very similar
12 to this. Many of them began in the early 1990s and they are
13 still working very hard at it with varying degrees of
14 success. Some of the more successful are in California,
15 like the California Conservation Corps, Department of Parks
16 and Recs. After six years, they realize this is still work
17 in progress.
18 CHAIRMAN JACKSON: Okay.
19 MR. ALLENBACH: Natalie is going to through the
20 specifics of the recommendations.
21 MS. ELLERTSON: Slide 5.
22 In talking about these recommendations, I think
23 it's important to emphasize that they are couched as
24 concepts and they are concepts that tie to your existing
25 PBPM framework. Hopefully, by clarifying the concepts, you

1 have a better understanding of the power of the framework
2 elements.

3 There are essentially give recommendations. I
4 think the first two, updating the strategic plan and using
5 an integrated top-down planning process, are very closely
6 linked.

7 CHAIRMAN JACKSON: Let me ask you a question. If
8 one thinks about the PBPM process diagram, at what point in
9 the process are the performance plan goals set?

10 MS. ELLERTSON: I think during the first planning
11 phase. Part of the strategic planning is understanding what
12 you are going to do over the long term, the five-year range,
13 and then how much of that you are going to tackle for any
14 given fiscal year.

15 CHAIRMAN JACKSON: So that is part of this
16 integrated top-down planning?

17 MS. ELLERTSON: Right. It is part of setting the
18 goals and understanding, as part of the vectors of change or
19 how significantly you want to change to move towards goals,
20 what are you going to take on this year versus next year
21 versus the next year?

22 MR. ALLENBACH: Part of the integrated top-down
23 planning is establishing what we want to do this year and
24 next year and the following year relative to progress
25 towards whatever those strategic goals are.

1 MS. ELLERTSON: There was a question earlier about
2 linking the strategies to the goals. I think the experience
3 with NRR has demonstrated to a certain extent that starting
4 with a blank sheet of paper and really thinking about what
5 success means and then understanding what work it takes to
6 get to your goals helps make sure that that link is quite
7 strong and apparent to people interacting with your
8 strategic plan.

9 CHAIRMAN JACKSON: You mean as opposed to
10 justifying existing activity.

11 MS. ELLERTSON: Correct.

12 If updating the strategic plan is the "what," then
13 -- turn to the next page, page 7.

14 COMMISSIONER MERRIFIELD: I have a question about
15 the strategic plan before we leave that slide. On the
16 report you provided to us in March, on page 7 you talked
17 about the strategic plan. You said a couple of things.
18 First, you said that strategic plans are often too far
19 removed from operations. Then you said the strategic plan
20 does not clarify the improvements expected or the strategies
21 for the next three to five years. It describes more of the
22 work that currently goes on within the agency.

23 This is an issue of some sensitivity. During the
24 recent testimony that we had before the Senate Environment
25 and Public Works Committee Joe Colvin, on behalf of NEI,

1 asserted that we didn't do a very good job of planning long
2 term, and that we didn't have a plan for what we wanted to
3 do down the road. The Chairman, with the support of the
4 other Commissioners, asserted that indeed we did, that we
5 had a good idea where we wanted to go and what our plans
6 were. Your conclusions seem to be in contract with that. I
7 was wondering if you could flesh that out a little in terms

8 of what you think our strategic plan and what it isn't at
9 this time.

10 MS. ELLERTSON: As far as your first point goes,
11 that link between goals and then the strategies to leverage
12 that, we did see a disconnect.

13 Back to your point, Chairman Jackson, about not
14 just justifying what currently exists and making strategies
15 to leverage your goals, being able to see what work is
16 needed to achieve a goal of zero deaths is considered a
17 complicated business. The extent that you could make your
18 goal a little more concrete and make the links to the work
19 actually clearly is the intent of the observation there.

20 MR. ALLENBACH: As a specific example, the
21 discussion around the NRR goals to include Research's fifth
22 goal and what are the implications of those, and do we all
23 agree that maintaining safety is where we need to be. There
24 might be a lot of activity in the agency now that is really
25 driving to improve safety.

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1 If you translated the work that has been done, if
2 everybody agreed, into the strategic plan and said here's
3 what we are trying to change and here is, for example, how
4 risk-informing processes as a strategy is intended to
5 leverage those goals, and when we expect to see that
6 payback, that is much more crisp than what we see in the
7 strategic plan now. We see a lot of work going on. We just
8 don't see it communicated that clearly in the strategic
9 plan.

10 MS. ELLERTSON: Next slide.

11 The strategic planning is the "what" and the
12 integrated top-down planning process is the "how." We think
13 it's very important that all agency leaders or accountable
14 leaders are involved in jointly working towards setting
15 goals for the agency and determining what the strategies are
16 that are needed to leverage those goals. The top-down
17 provides a forum for making the hard decisions about what
18 the strategies and goals are and creates a better chance for
19 alignment among the agency leadership about the direction of
20 the agency.

21 CHAIRMAN JACKSON: Can you speak a little bit more
22 specifically to the role you envision for the Commission in
23 these stages?

24 MR. ALLENBACH: I think relative to the strategic
25 plan, the discussion we had earlier, for example, around

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1 public confidence, is a perfect example. I think having the
2 Commission really understand, internalize and buy into the
3 goals developed by NRR and Research as part of a strategic
4 plan that is much more tangible in our mind than what is
5 there now and having the Commission say, yes, we agree with
6 that, and we understand the implications of what that would
7 cause us to do and not do strategy-wise is a very important
8 up-front role. Then relative to the integrated planning, to
9 understand then if there are specific goals.

10 I think part of what we believe is that each of
11 the arena goals probably should be in the strategic plan.
12 Then relative to the performance plan and what the view of
13 what is going on in reactors and what the priorities are,
14 not NRR, but an integrated view of that between NRR,
15 Research and the regions, and seeing the distinctiveness in
16 those roles. The Commission needs to very clearly buy into,
17 yeah, we can understand that integrated view and that

18 prioritization as part of a high level planning that ensures
19 the consistency of your expectations in an arena and across
20 the agency.

21 MR. ZIMMERMAN: Buy into or adjust?

22 MR. ALLENBACH: I'm sorry.

23 MR. ZIMMERMAN: Buy into or adjust?

24 MR. ALLENBACH: Absolutely. It's not just buying
25 into.

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1 CHAIRMAN JACKSON: Buy into what ultimately is
2 used. That may mean adjusting.

3 Commissioner Merrifield.

4 COMMISSIONER MERRIFIELD: I'm still somewhat at a
5 loss of how what you have described is a top-down approach.
6 That's like a bottom-up approach. We are approving
7 something that is coming from the bottom.

8 Reading your report, as I did on the plane a few
9 days ago, it seems to me we have got some complexity here.
10 The complexity is that we have a commission, which is
11 somewhat different than what I think Arthur Andersen is used
12 to dealing with.

13 In your report, on page 10 you talk about how the
14 Commission and the EC need to lead by example. They do not
15 have common goals. That's fine.

16 Some Commissioners micromanage. They need to set
17 the goals and outcomes and hold the staff accountable for
18 the results and let the staff determine how to get there.

19 That seems to me to be somewhat inconsistent with
20 what you just said.

21 Then you say the process is too complex for NRC's
22 size. I'd be interesting in knowing what you meant by that
23 process.

24 Further on, on page 37, you said we need a
25 management behavior which would include the Chairman and the

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1 Commission that is performance and outcome based, and it
2 requires the ability to continually raise the bar, clarify
3 expectations, and having the discipline to work at the right
4 level.

5 Following up on the Chairman's pointed question,
6 what is the role in the planning process for the Commission?
7 Do we merely judge on a document that has been raised to us
8 from the EC level, or is there some thought that we are an
9 originating body?

10 When we had our discussion this morning, I asked
11 the question of some of the CEOs that we had participating.
12 How do you deal with a top-down approach? One of the
13 answers we received was from George Hairston with the
14 Southern Nuclear Company. He said, I get together with my
15 top managers and we decide at the beginning of the year what
16 we want to do, and then we tell the staff; we move it down
17 below that way.

18 CHAIRMAN JACKSON: But his managers report to a
19 board that has to approve the strategic direction that the
20 company is going to go in. That forms the basis -- I've
21 been on many corporate boards -- of what they in fact do.
22 That board does not do that detailed planning. In fact,
23 it's the senior officers that do that detailed planning.
24 It's within a strategic context some overarching goals that
25 the board lays out. Then that planning is driven down

1 through the organization.

2 I don't know to what extent that is or is not what
3 you have in mind.

4 MR. ALLENBACH: I think implicit in your question
5 is what are the different responsibilities of the Commission
6 versus the Executive Council senior staff. I think where we
7 were coming from was relatively consistent with what
8 Chairman Jackson just said, and that is that it is extremely
9 important for the senior staff to have a picture of doing
10 the work around what they think the direction is.

11 Given the policy guidance and given the direction
12 that they have gotten from the Commission to update the
13 strategic plan, obviously the Commission, if they want to
14 play a role in saying this is important to me seeing this in
15 a strategic plan, they certainly have that wherewithal
16 throughout the process.

17 The complexity of having the Commission work
18 together to work commonly on struggling through some of this
19 was part of what we tried to consider consistent with
20 saying, well, the senior staff would do it and have the
21 Commission then buy in. That is not to have the Commission
22 abdicate responsibility. You certainly have to buy in,
23 approve, direct, affirm, change, whatever. It's certainly
24 not to keep the Commission at arm's length.

25 COMMISSIONER DIAZ: I think in reality the way

1 that I see it is that this is two-way process. What you
2 have described mostly in your document is a one-way process.
3 The Commission also takes action in which the staff has to
4 buy in. That is a very important part of the process. The
5 Commission also receives from the staff proposed
6 recommendations, all kinds of things that the Commission
7 needs to buy in.

8 These two processes need to work themselves at the
9 proper level. The level that the law has established in
10 which the staff actually takes action is the Chairman. The
11 Chairman is the operational chief executive officer and
12 implements the actions that the Commission has taken and
13 executes them.

14 There are two things in here. What the document
15 tends to say is you look at one way of doing things. What
16 the Commission is saying is there are two streets, and they
17 have to converge so the process will be efficient and
18 effective.

19 COMMISSIONER MERRIFIELD: I think that is a very
20 good analysis. I agree with my fellow Commissioner. I
21 think we do have a little bit of a difference here. I
22 understand the Chairman's point about a board of directors
23 and a president and CEO. I think we are little different.
24 Unlike a board of directors, rather than meeting however
25 many times a year, four or five times a year, to bless the

1 decisions made by the president and CEO of a corporation,
2 here you have a Commission that operates every day
3 overseeing what is going on here. I think those analogies
4 do fall somewhat apart given the high degree of involvement
5 that the Commission has in the day-to-day operations.

6 CHAIRMAN JACKSON: Are you saying that the
7 Commission should give the direction, whether it originates
8 with the Commission or is blessed and/or modified by the
9 Commission, and then the staff should be left to execute it?

10 Is that the basic point of your model?

11 MR. ALLENBACH: Within the boundary conditions
12 established by the Commission. We are getting ahead in
13 terms of some of the specific recommendations, but the
14 intent is what are those strategies, what are the resources
15 that we are going to apply to those strategies? That's a
16 very clear boundary condition that says to the staff that
17 operating within some boundary conditions is expected to
18 deliver those outcomes. Then backing away and allowing the
19 staff to be accountable for delivering those results.

20 CHAIRMAN JACKSON: Why don't we go through. Maybe
21 there will be some further clarification as we go along.

22 MS. ELLERTSON: Slide 8.

23 Performance budgeting done strategically. What we
24 are recommending is a move away from input or line item
25 budgeting and program type budgeting to real outcome

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1 budgeting. Once you've got your goals in place and you've
2 understood what strategies are needed to leverage those
3 goals, then resourcing those strategies to deliver specific
4 measurable results.

5 CHAIRMAN JACKSON: The work activities are already
6 prioritized relative to their being designed to achieve
7 certain outcomes?

8 MS. ELLERTSON: Yes.

9 CHAIRMAN JACKSON: That is already approved?

10 MS. ELLERTSON: Yes.

11 CHAIRMAN JACKSON: Then you are saying then it's a
12 resource loading on that?

13 MS. ELLERTSON: Right. You have determined how
14 far, how fast, and now what are the resources it's going to
15 take to get there. It's our feeling that the Commission
16 needs to imprint on that fairly heavily and fairly early.
17 For example, we talked about risk informing, and you have
18 decided you want to risk inform 90 percent of your processes
19 over five years. What are the resources that it's going to
20 take to do this in years one, two, three, and four, and X?
21 It is part of the boundary conditions that Louie talked
22 about setting for the staff, and then they execute given
23 those boundary conditions. A very strong one is the
24 resources.

25 Slide 9.

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1 The third phase of this is performance monitoring.
2 There are two types of assessments that go into performance
3 monitoring.

4 The first of this is management oversight. That
5 is structured predefined information and a clear review
6 process, a very systematized review process that is part of
7 oversight.

8 The second type of assessment is special
9 assessment, and those are strategically targeted to address
10 more systemic or agency-wide issues.

11 Slide 10.

12 When we are thinking performance oversight and
13 formalizing it, we are really thinking more than just
14 producing a bunch of performance data that compares actual
15 to expected, but a more systemized process of looking at
16 that data and using it in decision making.

17 There was a concern that came up earlier about
18 dealing with emergent work or reactive work. Systemizing

19 oversight allows you to have firmer basis for making
20 decisions about to deal with emergent work. You understand
21 what the implications are of accepting emergent work on
22 existing activities.

23 Page 11.

24 The special focus assessments. The idea here is
25 to limit to a small number, maybe two to three per year, and

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1 really focus on systemic issues or pervasive agency-wide
2 issues. It's important that success criteria are defined at
3 the inception of these special assessments. These take a
4 lot of time and energy. So you want to set very clear
5 success criteria, like return on investment, for example.

6 Another point about these special assessments is
7 that they need to be planned during the earlier phases of
8 the PBPM so that they are well anticipated and the scope of
9 them is clear and the resource needs for them are clear.

10 Louie, do you have anything to add?

11 MR. ALLENBACH: Relative to the last comment, an
12 example of special assessment is the review of the admin
13 functions. Our view is that level of assessment within the
14 agency. It's a broad, sweeping assessment with an
15 investment. That would be the type of thing that would fall
16 into that category.

17 Roy just asked me, well, we're looking at
18 licensing actions or work planning in NRR. That to me would
19 not fall into that unless that was an agency level issue.
20 That doesn't mean that NRR couldn't do those assessment
21 around what do we need to improve efficiency in licencing
22 actions on their own, but if it's a broader agency issue,
23 for example, license renewals, and the potential of license
24 renewals impact on the overall success of delivering
25 outcomes, that may be something that from an agency

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1 perspective is broader than just NRR saying we really need
2 to get into that process and see what we have to do to make
3 it very predictable.

4 Slide 12. Progress and learning. I think you've
5 seen all three offices really embraced outcomes as a way to
6 think about and organize work.

7 The second bullet, as I reviewed this, some people
8 said, I don't like the way that is worded in terms of
9 willing to struggle, but in fact that is there for a
10 purpose. Is office leadership at any level -- you talk
11 about office leadership, you talk about agency leadership --
12 being able to struggle to get aligned around what do we mean
13 by the goals? What are the implications of the degree of
14 change we expect is a struggle?

15 The differences have to be aired in terms of
16 integrated planning for Research and the regions and NRR to
17 really come together around what are the integrated
18 priorities. This open, healthy tension, as I call it, needs
19 to be part of the process to really allow the agency to come
20 to a better place around do we all agree in terms of what is
21 the right work and what are the right priorities for the
22 agency.

23 Then the capability to challenge work if it's not
24 critical outcomes. That capability, I think that gets to
25 the behavior change that we see that doesn't always happen

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1 or we haven't seen in other agencies.

2 The last bullet I would like to emphasize is the
3 willingness to learn and go. I think there is an
4 inclination to try to get things perfect. Part of what you
5 heard today is a willingness to take a risk and to put it in
6 play.

7 I really compliment not only NRR, but Research,
8 and high level waste, especially with the short time frame,
9 to take that on and to say we're going to do the best we can
10 and we're going to take the risk of having somebody not
11 judge that as being as good as it needs to be. That
12 learning and the opportunity to learn and grow from that is
13 a real credit, but it's critical to have the process work
14 also.

15 COMMISSIONER MERRIFIELD: Chairman.

16 CHAIRMAN JACKSON: Please.

17 COMMISSIONER MERRIFIELD: Two quick questions.
18 Commissioner Diaz in the last panel talked about the notion
19 of having a series of meetings with the different program
20 offices to get a review before we begin this process, to get
21 a better understanding of where they are in a given year. I
22 am wondering if you think that is a good idea.

23 Secondly, we are focusing on the three offices
24 here. Tony Galante mentioned he goes through a similar
25 process, but his folks aren't grouped into the PBPM process

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1 as it is accounted here. I am wondering to what extent
2 should we think in the future about encompassing the
3 entirety of the NRC within this rather than just these three
4 program offices.

5 MR. FUNCHES: That was the intent.

6 DR. TRAVERS: We're going to wrap it up with that.

7 MR. ALLENBACH: I will leave the second question
8 to Bill and Jesse.

9 If you will repeat your first question. I'm
10 sorry.

11 COMMISSIONER MERRIFIELD: The first question
12 regards Commissioner Diaz' recommendation for us to do a
13 review at the very beginning to get a foundation of
14 understanding about where the different offices before we
15 begin the process.

16 MR. ALLENBACH: As the offices begin to say and to
17 present to you what is their prioritized list of activities
18 1 to n and how do those rank in contributing to outcomes, I
19 think that is going to be a very healthy discussion early on
20 to get into what are we really trying to accomplish with
21 license renewals. Which of those goals are we focused at?

22 I know in NRR, especially what we have seen, and
23 some in the other offices, that's a struggle for them to say
24 what is the real purpose of all this work and how is it
25 intended to contribute to outcomes.

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1 I think that will be a healthy exercise to assess
2 how much and how the different offices, whether it is in an
3 office area or an arena area, are really clear about what
4 work is contributing and what is the nature of the work and
5 why is it pointed at one goal versus another.

6 I think to the degree that one of the deliverables
7 out of this is that ultimately you would know what the cost
8 of delivering the results are could play into Commissioner
9 Diaz' question. If we are investing a third of our budget
10 in public confidence and 20 percent in safety, you would

11 have that picture and say, well, something is not balanced
12 here.

13 The earlier the better. Be it by arena or by
14 office, I think that would be outstanding, because it allows
15 you to challenge the clarity of what the understanding of
16 the offices is around what work they are doing and what it
17 is intended to accomplish consistent with what Jackie said
18 they are trying to go through in terms of their operational
19 plan. That will get better; it will get clearer.

20 CHAIRMAN JACKSON: Let me ask you the pregnant
21 question. Where is it that the Commission does not get
22 involved in this process?

23 I think that is the pregnant question that is
24 playing into the background. It really is at the point of
25 tension between the staff's ability to execute and do its

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1 work and the Commission's desire to feel that it knows what
2 the staff is doing relative to carrying out Commission
3 direction. Can you elaborate?

4 MR. ALLENBACH: As much as it seemed like we
5 intended it to be one way, and I appreciate the concern
6 around the lack of presentation of an iteration in the
7 process, and I respect that, I don't think that we intended
8 to be prescriptive around what the Commission should and
9 shouldn't do. Let me give you an example of what I might
10 think about.

11 For example, in SRMs, how can the Commission
12 expect that SRMs can be built into an orderly quarterly
13 process? Can you buy into having that become part of a
14 routine performance review quarterly where what you expect
15 to infuse as direction becomes part of an iterative
16 planning?

17 Right now they come when they come. The whole
18 notion of having a structured process, we think that would
19 assist you in knowing how that is going to be carried out
20 and what the implications are; it would assist the staff in
21 being orderly around considering that as part of a routine
22 process. I think that, whole not a substantive change,
23 could be fundamental in assisting the orderliness of how
24 direction takes place and how the staff responds to that
25 direction.

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1 CHAIRMAN JACKSON: You mean infusion of SRMs as
2 part of what you would call an orderly iterative planning
3 process.

4 MR. ALLENBACH: Right.

5 CHAIRMAN JACKSON: Reviewed quarterly.

6 MR. ALLENBACH: Reviewed quarterly. There may be
7 some things that you say I can't wait for a quarter to have
8 the staff respond to this. That's going to happen, but for
9 those things that are really to move the staff in a
10 different direction, do you need immediate response, or
11 could that be part of an iterative quarterly review where
12 the EC, whomever, is taking consideration around what are
13 results, what are the new expectations from the Commission,
14 how do we engage that, what does that push off, what are the
15 implications, as part of a standard review that is part of
16 the accountability of that quarterly review?

17 CHAIRMAN JACKSON: So you feel it builds in
18 accountability but it gives the staff a chance to respond
19 back to the Commission as to the impact either in terms of
20 actual work on the plate and/or potential impact in terms of

21 change of direction from previous guidance.
22 MR. ALLENBACH: That's what I would think about.
23 The other issue, I think, is the notion of
24 micromanaging. Obviously that word gets a lot of attention.
25 I think what I would describe there is there is a difference

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1 between getting involved and understanding the details of
2 how things work and how successful different areas of
3 activities are. There is a difference between getting
4 involved in the detail to understand and help facilitate
5 improvement in that area.

6 For example, what are the types of things we could
7 be doing with the licensees that may really help inform that
8 process? That is a different level detailed involvement
9 than involvement in detail where in fact you are creating
10 direction and priorities down into the detail of the staff.
11 We think that will undermine the process. While you may not
12 intent to create direction and priorities down at that level
13 of detail, that can happen when any of you get involved in
14 details.

15 COMMISSIONER DIAZ: You say any of us. I don't
16 think that any Commissioner gets involved in micromanaging
17 the staff. We create policy.

18 CHAIRMAN JACKSON: Commissioner assistants do. I
19 think that is broad based. It's not a statement about any
20 one of us.

21 COMMISSIONER DIAZ: I disagree with that. I think
22 the Chairman manages the staff of the Commission, and that
23 is the Chairman's responsibility. We have the right to be
24 fully and currently informed. Like you said, that is what
25 we need to be able to get. We need to get the information

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1 to make decisions. When the Commission makes their
2 decisions, we try to keep it at a certain policy level.
3 Sometimes the Commission believes that the instructions need
4 to be more precise. If that is micromanaging, then I can
5 assure we are going to continue to micromanage.

6 CHAIRMAN JACKSON: I think the Commission itself
7 has a process which if the Commission used and the staff
8 used it it would help to resolve the issue, whatever the
9 planning process we use.

10 That process obviously is predicated on the
11 Commission and Commissioners being fully and currently
12 informed about subjects within the Commission's functions,
13 but that process also says that if that inquiry begins to be
14 a significant resource load, there is supposed to be a push
15 back, and that push back is initially discussed, brought
16 back to the Chairman and discussed with the given
17 Commissioner.

18 If that doesn't bring resolution of a way to
19 handle it within the context of a process like you've laid
20 out, then in fact it becomes a Commission level issue, and
21 then the Commission should decide if it's something that
22 rises to the level of needing to be a Commission decision.
23 Then that gets promulgated into a de facto SRM in the end,
24 which then gets fed back into the process.

25 In point of fact, if we are not disciplined in

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1 both of those ways, where both the Commission uses its
2 process and the staff pushes back in using the process, then

3 that is when we get into issues where there may be
4 inadvertent micromanagement, or that is the way the staff
5 feels about it.

6 The process exists irrespective of what the
7 planning framework is, but we all have to use it.

8 COMMISSIONER DIAZ: It's a policy procedure that
9 we use.

10 CHAIRMAN JACKSON: Right, but it's not always
11 used, and the staff gets rattled and they start doing
12 things, and before you know it, they are doing more things,
13 and they don't push back. Then, of course, Commissioners
14 will keep pushing. It's just the way it is. So we all have
15 to be disciplined in using a process that the Commission
16 itself decided on and is undergirded by what the law says.

17 Why don't you go on.

18 MR. ALLENBACH: Let's wrap up. I'm on slide 13,
19 implementation challenges. It has been discussed that there
20 is a challenge around the leadership alignment becoming
21 outcome based. We are seeing that happen. The notion of a
22 three- to five-year process, Natalie would say, or GAO would
23 say, is more like four to eight; others would say two to
24 three.

25 I think the notion here is, can you see

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1 substantive change in the way you do business in three to
2 five years? The answer to that is yes. Will you have total
3 buy-in and alignment throughout all of the organization in
4 three to five years? Maybe or maybe not. There can be
5 substantive change and substantive value over that period of
6 time, but it is a commitment.

7 Increased expectations and accountability.
8 Accountability for results at all levels of the organization
9 have to be in place to reinforce becoming outcome based. In
10 the discussion about what are the levels of performance
11 measures that Jackie talked about in planning and Natalie
12 talked about a little bit in terms of levels of reporting,
13 the accountability for that has to be clear so that when
14 performance is not what it needs to be, that at some point
15 individual accountability or group accountability can play
16 into that so that we are reinforcing the expectations of
17 what is changing.

18 Leadership's ability to work at the right level.
19 I think the tools of performance reporting at various levels
20 will fundamentally improve and facilitate and understanding
21 of what is being done at various levels of the organization
22 that will allow managers to understand the decisions and the
23 reviews that they make and what is happening at various
24 levels underneath and above them to help that.

25 Finally, the discipline to focus on fewer things.

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1 I think that is a cultural challenge for the agency, because
2 it's about always trying to take on more and more, and one
3 of the things implicit in this is the ability to be able to
4 shed work effectively, to demonstrate, as Jesse said, what
5 is the impact on outcomes of those changes, and not trying
6 to do everything, because that diffuses the organizational
7 focus.

8 Thank you.

9 CHAIRMAN JACKSON: Thank you. Let me go down the
10 line and see what the Commissioners would like to say.

11 DR. TRAVERS: Chairman, we just have one wrap-up
12 slide from the staff. It's appropriate, I think, to

13 Commissioner Merrifield's question about where we are going.

14 CHAIRMAN JACKSON: Fine.

15 MR. FUNCHES: The last chart is next steps from an
16 agency-wide perspective. It's to use the experience that
17 was gained from NRR, Research, and NMSS, and the
18 recommendations that we have gotten from Arthur Andersen.

19 First, we will update the strategic plan, but the
20 first focus will be continue to update the reactor safety
21 arena using the information that has been generated to
22 inform the update of that document. One of the reasons we
23 are putting the emphasis on that document is because of the
24 expectation of the hearing in September. We want to be in a
25 position to have that part of the strategic plan completed.

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1 The second thing we want to do is go back and,
2 using the experience of the people that have been involved,
3 update the agency-wide PBPM process that we had submitted to
4 the Commission on the 28th of January 1998. We want to
5 update that document and ultimately make it become a
6 management directive that we could use throughout the
7 agency.

8 The second piece is we do want to apply the
9 process to other strategic arenas. I think the priority
10 will be to pick the programmatic areas first, and then we
11 will move to the support area.

12 Having said that, we want to make sure that the
13 support areas are still being developed around the mission
14 goals that we have for the other arenas in terms of what
15 needs to be done in, say, the information technology area to
16 support the programmatic goals that we have established.

17 I think in summary the agency has built on the
18 effort that was started with the strategic assessment
19 rebaselining and GPRA to implement a workable framework for
20 outcome-based performance management.

21 As you have seen, progress has been made and
22 additional progress is expected based on the results of the
23 efforts that we have just completed.

24 That's all I had.

25 DR. TRAVERS: That concludes our presentation,

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1 Chairman.

2 CHAIRMAN JACKSON: Thank you very much.

3 Commissioner Dicus.

4 COMMISSIONER DICUS: No further.

5 CHAIRMAN JACKSON: Commissioner Diaz.

6 COMMISSIONER DIAZ: Just a quick question for
7 Arthur Andersen. I need to understand the depth of your
8 analysis and study. You made a study or you had a contract
9 with NRR to look at NRR?

10 MR. ALLENBACH: We had a contract with the CFO to
11 look at the broad process. Then we had a contract with NRR
12 to do more detailed work in terms of how that implementation
13 was playing out in NRR.

14 COMMISSIONER DIAZ: Then you were involved with
15 Research?

16 MR. ALLENBACH: Yes.

17 COMMISSIONER DIAZ: Then you have separate work
18 with Research?

19 MR. ALLENBACH: Under our contract we had around
20 training and coaching we did the work with Research.

21 MR. FUNCHES: We had put in a contract with Arthur

22 Andersen that would allow us to do various tasks. One of
23 the tasks was to look at the PBPM process.
24 We had a training and coaching task that would
25 bring them in to help train and coach people in how to apply

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1 the process. That is what we used for Research.
2 In NRR we wanted to do a pilot to see if the
3 concept would work and learn from that. That was a more
4 long-term effort. In the longer term we will be looking at
5 using help in the coaching and training area. Facilitation,
6 I call it.
7 COMMISSIONER DIAZ: And NMSS?
8 MR. FUNCHES: They did work with NMSS on the high
9 level waste.
10 COMMISSIONER DIAZ: Did you work with any other
11 office in the Commission? What is the level of the
12 interaction? What look have you had at the agency is what
13 I'm trying to get at.
14 MR. ALLENBACH: We haven't looked at admin or
15 other functions, CIO, relative to PBPM like we did in
16 support of the program offices.
17 COMMISSIONER DIAZ: It was really restricted to
18 the program offices.
19 MR. ALLENBACH: That's where the focus was.
20 COMMISSIONER DIAZ: How long have you been doing
21 this now?
22 MR. ALLENBACH: The assessment?
23 COMMISSIONER DIAZ: Two years?
24 MR. ALLENBACH: Last summer. The assessment of
25 PBPM started in the summer.

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1 COMMISSIONER DIAZ: In the summer of 1998?
2 MR. ALLENBACH: Yes. We really wrapped the work
3 up in the November time frame, with the final report early
4 this year.
5 COMMISSIONER DIAZ: During the preparation of your
6 report did you at any time interact with any of the other
7 offices to realize what the flow of work is or how things
8 flow from the Commission, from OGC?
9 MR. ALLENBACH: Relative to the overall view of
10 PBPM, the work we were doing with the CFO, we looked at the
11 flow of work, everything from policy guidance, planning
12 guidance, and what the flow of work was generally for the
13 overall process for the whole agency.
14 COMMISSIONER DIAZ: Thank you.
15 CHAIRMAN JACKSON: I think it's fair to say that
16 you didn't look at PBPM in a broad-based way in terms of
17 that flow of work. The detailed, hard work has really been
18 done with NRR and more recently, under this training and
19 coaching model, you have been begun to do some work with the
20 other two program offices. So the pregnant question remains
21 of then, following on your last bullet in terms of moving it
22 to other offices and strategic arenas, you have to figure
23 out how to do that.
24 MR. FUNCHES: Right, and what the phasing will be.
25 CHAIRMAN JACKSON: What the phasing will be and

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1 what the involvement of Arthur Andersen will be.
2 MR. FUNCHES: Absolutely.
3 CHAIRMAN JACKSON: Any other questions?
4 COMMISSIONER MERRIFIELD: I've got two comments.

5 The first is directed toward Mr. Allenbach and Ms.
6 Ellertson. As was reflected in some of my earlier comments,
7 I think we have a somewhat unique structure that I believe
8 doesn't fit within the usual corporate model that I think
9 you probably are used to.

10 One of the things that Congress did in, I believe,
11 its great wisdom was create a commission, not an
12 administrator. For the purposes of easy management, it's
13 much easier to have one leader to direct the staff and go
14 that direction.

15 Congress, because it wanted to have a balance of
16 views, chose five members on the Commission to act on a day
17 to day basis in terms of directing the policies of this
18 agency ultimately through the Chairman to make sure we
19 fulfilled our mission for health and safety. That creates
20 some complexities in terms of how we manage. As you go back
21 through your analysis, I hope you keep that in mind, because
22 we are in somewhat of a unique situation.

23 While I appreciate the strong comments you made
24 about how well we are doing as an agency, and I think that
25 is very positive on this process that we are getting there,

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1 we've got some complexity along with it.

2 The second comment I would make relates to the
3 issue of micromanagement and some other areas. I think
4 there are probably any number of instances where the
5 Commission has a tendency to want to have very detailed
6 involvement in issues. That is something which we all as
7 Commissioners have to grapple with. Sometimes we need to
8 have some discipline of our own.

9 I think, however, if we move forward, as I hope we
10 do, in terms of the Sunshine Act recommendations that we
11 have made, in terms of the rulemaking going forward, if we
12 do go forward, then I think that will provide an opportunity
13 for the Commission as a group to go in and sit down and
14 grapple through some of these planning issues and provide
15 the kind of direction I think you are recommending in your
16 report, and allow that greater interaction between the EC
17 and the Commission and give some very clear views for how to
18 move forward. I think that will be in concert with the kind
19 of recommendations that the two of you have made today.

20 CHAIRMAN JACKSON: I think, following on
21 Commissioner Merrifield's comment, it is an interesting and
22 a unique format, but it is one where the role of the
23 Commission is policy formulation and policy guidance.
24 Obviously the Commission has an interest in how its policy
25 is being implemented, but the role is not one that envisions

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1 the Commission day to day management of the agency. It
2 actually does envision the day to day management through the
3 senior managers overseen by the Chairman on behalf of the
4 Commission.

5 I think that what the Commission has to grapple
6 with and what has to come out of dealing with the
7 recommendations of your report is how the Commission can
8 best give that policy guidance and direction to the staff.
9 Not micromanage, but what kind of performance reporting it
10 desires to have so that it can have the comfort that it
11 knows what is going on but without on a day to day basis
12 dictating the work that the staff does or changing the
13 priorities on a day to day basis of what the staff does.

14 I would like to thank the members of the NRC staff
15 and Arthur Andersen. You, I will reiterate, have concluded
16 that already the implementation of the PBPM process -- this
17 is Arthur Andersen -- has fundamentally improve the
18 effectiveness and efficiency of the NRC management process.

19 I encourage you to continue to pursue additional
20 steps to improve the PBPM process, including taking into
21 account what you've heard, and to bring us further along in
22 planning and managing to outcomes in carrying out the NRC
23 mission.

24 I think the staff really is to be complimented for
25 the progress that it has made in the work in the nuclear

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1 reactor safety arena, in Research, and in the high level
2 waste program, recognizing that Research and the high level
3 waste program got started later in the game.

4 The challenge remains in terms of how this gets
5 propagated agency-wide. So I encourage the Executive
6 Council to develop a plan. You've given some reactions to
7 the Arthur Andersen recommendation, but to develop a plan
8 for actually dispositioning the major Arthur Andersen
9 recommendations agency-wide.

10 The plan should address the steps and the schedule
11 for completing any action and the roles and responsibilities
12 of all levels in completing the process. The staff in the
13 meantime should expedite the update of the strategic plan to
14 reflect measures of success for the agency, because it still
15 does provide the overarching Commission guidance for
16 defining the strategic goals and priorities, and it is an
17 essential part of top-down integrated planning.

18 Unless there are further comments, we are
19 adjourned. Thank you.

20 [Whereupon at 4:50 p.m. the briefing was
21 adjourned.]

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