

UNITED STATES OF AMERICA

NUCLEAR REGULATORY COMMISSION

OFFICE OF THE SECRETARY

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BRIEFING ON

STATUS OF NRR PROGRAMS, PERFORMANCE, AND PLANS

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PUBLIC MEETING

Nuclear Regulatory Commission

One White Flint North

Rockville, Maryland

Wednesday, January 12, 2000

The Commission met in open session, pursuant to notice, at 10:00 a.m., Richard A. Meserve, Chairman, presiding.

COMMISSIONERS PRESENT:

RICHARD A. MESERVE, Chairman of the Commission

GRETA J. DICUS, Commissioner

NILS J. DIAZ, Commissioner

EDWARD McGAFFIGAN, JR., Commissioner

JEFFREY S. MERRIFIELD, Commissioner

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STAFF AND PRESENTERS SEATED AT THE COMMISSION TABLE:

ANNETTE L. VIETTI-COOK, Secretary of the Commission

KAREN D. CYR, General Counsel

WILLIAM TRAVERS, EDO

SAMUEL COLLINS, Director, NRR

ROY ZIMMERMAN, Deputy Director, NRR

JACKIE SILBER, Director, Program Management, Policy Development, and Analysis Staff, NRR

BRIAN SHERON, Associate Director for Project Licensing and Technical Analysis, NRR

JON JOHNSON, Associate Director for Inspection and Programs, NRR

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1 P R O C E E D I N G S

2 [10:00 a.m]

3 CHAIRMAN MESERVE: Good morning. I would like to  
4 welcome you all to a public meeting on the status of the  
5 Office of Nuclear Reactor Regulation (NRR) programs,  
6 performance, and plans. We are very interested in having  
7 this discussion because NRR, of course, is one of the more  
8 significant components of the Commission and it has had the  
9 challenge of confronting a very difficult world.

10 On the substantive side, it has had to deal with  
11 the reality that the substance of its work is changing. As  
12 the people on the other side of the table know far better  
13 than I, the Commission is in the midst of very significant  
14 efforts to allow risk to illuminate to a greater degree in  
15 the past our entire regulatory program. That has required  
16 very deep and difficult thinking about our regulatory  
17 program, and NRR has been leading the charge in that area  
18 with the assistance of the Research group.

19 They also have the challenge of dealing with the  
20 fact that the processes by which we undertake our decision  
21 making has been changing. As a result of the Government  
22 Performance and Results Act of 1993 there is increased focus  
23 on performance and results and regulatory activities and  
24 requirement for systematic thinking about how you conduct  
25 the management of activities. NRR has also been very

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1 aggressive in approaching that activity.

2 So we are very much interested in the discussion  
3 of the programs. We recognize the challenges that are in  
4 front of you, and I'm sure this will be a very illuminating  
5 briefing.

6 Before we commence, however, let me ask if any of  
7 my fellow Commissioners would like to make an opening  
8 statement.

9 If not, why don't we proceed.

10 MR. TRAVERS: Thank you, Mr. Chairman, and good  
11 morning. As you have indicated, we are very much in the  
12 midst of a dynamic period in assessing reactor regulation.  
13 Leading the charge, as you put it, has been the Office of  
14 Nuclear Reactor Regulation. They have been in the midst of  
15 piloting a number of very important initiatives. They were  
16 the first to enter into the PBPM process that we had a  
17 chance last May to brief the Commission on. As a result of  
18 that meeting, the Commission asked that we provide  
19 periodically an assessment of each of the major office

20 programs, and certainly that is why we are here today.

21           Joining me at the table is the right team to do  
22 that. Sam Collins, the director of the Office of Nuclear  
23 Reactor Regulation, and his deputy, Roy Zimmerman; On Roy's  
24 left is Brian Sheron, the associate director for project  
25 licensing and technical analysis; Jackie Silber, who is the

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1 director of program management, policy development, and  
2 analysis staff; and Jon Johnson, who has recently joined us  
3 from Region II, is now the associate director for inspection  
4 programs.

5           We are interested in consideration of reactor  
6 programs as an arena in our budget strategy. We have with  
7 us today other office stakeholders from both NMSS and  
8 Research. Frank Miraglia, who is the reactor arena manager,  
9 is also here. To the extent you have any questions for  
10 those folks as we go through, we will be glad to try to  
11 answer those.

12           Let me turn it over to Sam Collins.

13           MR. COLLINS: Good morning. I look forward in the  
14 next hour and a half to providing an overview of the NRR  
15 program focusing predominately on the performance in fiscal  
16 year 1999 as well as looking forward to our goals and  
17 expectations for fiscal year 2000.

18           Represented within the inner ring in addition to  
19 those individuals that Bill introduced we have various  
20 internal and external stakeholders.

21           Bill Kane, representing NMSS, is one of our  
22 primary stakeholders in the arena sense. We support Bill in  
23 decommissioning and in waste.

24           Margaret Federline, representing Research today.  
25 Research is a vital component for NRR's success,

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1 particularly in confirmatory research. It has been  
2 important in many of our development programs and our  
3 internal initiatives, and we will review a number of those  
4 today.

5           Internally, we have Rich Barrett, Gary Holahan,  
6 John Zwolinski, Bruce Boger, Scott, and Frank Miraglia.  
7 Frank is the arena manager for the reactor arena. So he has  
8 that program and he is representing that program today.

9           We will go through a series of slides that you  
10 have before you. We have also presented an organization  
11 chart so that you will understand where the work is located  
12 within our organization.

13           We hope by the end of the presentation to impart  
14 not only those product lines that we have chosen to discuss.  
15 There are numerous product lines. We have 40 planned

16 accomplishments under 22 planned activities, including seven  
17 new initiatives in our operating plan. We are going to  
18 touch on some of the more important of those today. If we  
19 don't happen to provide the information that is of interest  
20 to the Commission, I believe we are prepared to do that. So  
21 please don't hesitate to ask.

22 We will be discussing our work in the form of  
23 processes also. As mentioned earlier, the planning and  
24 budgets and performance management and measurement aspects  
25 of our work is very important to us.

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1 A question that has been asked by the Chairman is,  
2 where is the beef in PBPM, and where does it really manifest  
3 itself, and where does the rubber meet the road as far as  
4 implementing the programs and achieving performance in  
5 outcome-based management regimes?

6 We will cover some of that today as we discuss how  
7 we have achieved our goals and how we have identified those  
8 areas that are challenges for us. Those challenges take two  
9 directions. They are characterized by us as out-of-standard  
10 conditions. Some of those out-of-standard conditions are  
11 program and outcome oriented as far as meeting our program  
12 goals. Some of those are dealing with our processes, and we  
13 will cover examples of both.

14 It is important to note, however, that  
15 out-of-standard conditions can be positive or negative. We  
16 are internally required to analyze both. An out-of-process  
17 condition in a positive direction needs to be looked at for  
18 the expenditure of resources.

19 If in fact we are overachieving, in a sense, are  
20 we using those resources correctly or can they be reapplied?  
21 It's good enough to meet the goal. That's why the goals are  
22 established. If we are overachieving, then we have to  
23 ensure we understand why.

24 We will be going through a series of discussions.  
25 Jackie will discuss performance management. Roy will talk

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1 about program implementation, which deals with the outputs,  
2 the outcomes and the measures. We will be talking about  
3 some top priority and high visibility and give some examples  
4 of trends. And I will summarize with examples of where we  
5 are expending our resources.

6 You are going to get both sides of the ledger  
7 here. We are going to talk about our challenges where we  
8 haven't met internal and external expectations as well as  
9 where we have achieved those goals and in some cases where  
10 we are out-of-process standard in the high direction.

11 [Slides shown.]

12 MR. COLLINS: Taking the first slide, as you

13 notice at the headings of the handout package in front of  
14 you, we are characterizing our performance today in terms of  
15 programs, program change and program accomplishments.

16 We have had a very challenging year. We have had  
17 a very successful year in fiscal year 1999. It hasn't been  
18 easy. We have done it with the benefit of external  
19 stakeholder involvement and those offices that contribute to  
20 arena successes. I mentioned some of those, NMSS, Research,  
21 and the regions are certainly a part of that. We have not  
22 only used their technical expertise, but we have made use of  
23 resources in a balanced way.

24 We have reorganized; we have downsized. We have  
25 implemented the planning and budgeting and performance

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1 measurement process with the help of outside constituencies,  
2 including consultants sponsored by Arthur Andersen. Louie  
3 Allenback, who I believe you are all familiar with, has been  
4 a primary contributor to our success and helping guide us  
5 through the implementation of the PBPM process. I believe  
6 that external influence is necessary for us to continue  
7 forward. We need that sense of urgency that is typically  
8 brought by outside.

9 In the program area, we are going to talk a little  
10 bit about reactor oversight, 50.59, risk informing  
11 regulations, where we are with our licensing products.

12 We have challenges, as I mentioned. We have  
13 challenges aligning our organization to the products. We  
14 have challenges ensuring we have the proper expertise. We  
15 have challenges coming up with measurements for our outputs.  
16 How do you measure public confidence? How do you measure  
17 reduction in unnecessary burden?

18 Those are ahead of us in the next year to complete  
19 the PBPM process standards and for us to move forward with  
20 being able to fully utilize the PBPM process.

21 In some cases the pace of our work is commensurate  
22 with our stakeholders. In some cases our stakeholders  
23 believe we are lagging behind their expectations. In some  
24 cases we may be ahead of the expectations, and risk is an  
25 area where perhaps there is a balance to that type of view

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1 by our stakeholders.

2 We are going to continue working with those  
3 stakeholders. We have trained ourselves to acknowledge that  
4 as a public service type of entity the sense of urgency in  
5 our business comes not only internally but externally from  
6 our stakeholders.

7 As you know, we are not driven by products; we are  
8 not driven by bottom lines, but in the way that we do our

9 business, external stakeholders create that sense of urgency  
10 and bring those initiatives to us. Examples of those are  
11 the CSIS report, the GAO report, the tasking memo, and all  
12 the external stakeholder forums that we have created.

13 With that background, I would like to go to slide  
14 2 where we are going to get into the substance of our  
15 processes and start to talk about performance management and  
16 what those phases are in NRR.

17 I would like to turn the forum over to Jackie  
18 Silber. Jackie has been working with us for a period now.  
19 She holds a very important role in the resource and planning  
20 arena. It is vital for us to acknowledge that we can't get  
21 to where we want to go without aligning our support  
22 mechanisms. We are going to talk a little bit about those.  
23 Work planning center, for example; infrastructure; time,  
24 people and money.

25 We are also going to touch on and not dwell on it,

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1 but I would like to acknowledge that it is important that  
2 the IT infrastructure support our processes. This is  
3 another stakeholder that we have with the Office of CIO. We  
4 can't get to where we need to go to in our office without  
5 those information technology-based programs, and they are  
6 providing a larger measure of support for us to succeed.

7 So let me turn the forum over to Jackie.

8 MS. SILBER: Thank you. Good morning.

9 As you can see on slide 2, what you have here is a  
10 picture of where NRR is in conducting our performance  
11 management.

12 As a way of background, NRR began a  
13 self-assessment in the summer of 1998 and in doing that made  
14 a decision that the appropriate way to conduct that  
15 self-assessment was to use the agency's PBPM process as the  
16 discipline around that assessment.

17 The model that you see on the slide represents one  
18 office's implementation of PBPM. It fits within a context,  
19 that being that as we do our performance management we  
20 consider strategic guidance, guidance from the Commission in  
21 the way of a strategic plan or senior requirements memos,  
22 guidance from the executive director, and we use all of that  
23 in setting the structure for carrying out the performance  
24 management process.

25 Our experience in the last year in implementing

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1 PBPM was something of a learning process that took a number  
2 of steps that might more classically be done sequentially,  
3 and in some cases were done in parallel. As we went through  
4 the process, as Sam said, an integral part of that process  
5 was the assistance that we received from Arthur Andersen,

6 and working with Arthur Andersen we developed methodology  
7 and in many cases implemented it, tried to learn lessons  
8 from it and modify it as we went through the process.

9           However, even with that kind of unique approach of  
10 learning and operating simultaneously, when we planned our  
11 programs and our budget for 2001 we were able to use the  
12 process and realize some real benefits from it. For 2001 we  
13 were able to build programs with a decreasing budget, and we  
14 were able to accommodate some new initiatives and some  
15 increasing needs that we had.

16           It was because of that discipline, because of the  
17 process that we go to of looking at what needs to be done,  
18 prioritizing what kind of contribution each of our efforts  
19 make to our outcome goals and resulting in at least a  
20 prioritization of where we believe our emphasis should be,  
21 and then using that to make decisions about where there may  
22 be some candidates for sunsets, in going through our process  
23 for 2001 we were able to look at some things in terms of  
24 duplications, work that may have been conducted both in the  
25 region and in headquarters, and where was the right balance

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1 and where should the emphasis be placed.

2           As you hear the presentation today, what you will  
3 start to see is that this has led us to the accomplishments  
4 we have seen for 1999, the plans we have as we look into the  
5 out years. It is the infrastructure that makes that happen.  
6 It's not a separate effort. It's how we do business to make  
7 sure that we can know what our goals are, what kinds of  
8 outcomes we want to accomplish, and then how we go about  
9 accomplishing them.

10           Right now we have started for 2000 using an  
11 operating plan that is somewhat different than we have seen  
12 in the agency before. We have a process. If you look at  
13 the charge, you will see that we use the term "operational  
14 planning" because it's not a document. It's not the  
15 operating plan that is critical to us; it's the process.

16           We look at our goals and our measures on a very  
17 regular basis. We make decisions about the right levels,  
18 what kind of information we need at an executive level, at a  
19 leadership level, at an operational level, and look at those  
20 things with different frequencies.

21           Operational and leadership level are looking at  
22 things on an ongoing basis and doing reviews on a monthly  
23 basis, so that, as Sam said, we can look at where we are out  
24 of standard, and in some cases that means we are doing  
25 better than we anticipated and making real time decisions

14

1 about adjustments that we should be making so that we know

2 we will be where we want to be as the year ends.

3 We have just started that process. We are in the  
4 first quarter. Once again, as a learning organization we  
5 are learning some things in the process, but just with what  
6 I would say is probably two months of experience we are  
7 already seeing a benefit as to how we work as a leadership  
8 team and how we are able to make decisions.

9 We clearly will be using this process for our  
10 planning for 2002, and we certainly expect that we have a  
11 much better sense of how to use the process and how to apply  
12 it and that we will probably, we believe, see much greater  
13 benefits from applying it for 2002.

14 If we could move to the next slide.

15 A major focus of NRR in doing our PBPM process is  
16 that it is important to us to be a learning organization and  
17 also to continually improve on what we are doing. One of  
18 the efforts that we have under way right now is the  
19 establishment of centralized work planning.

20 For us this is key. For a number of years NRR has  
21 understood that we need to better predict our workload, our  
22 resource requirements, and probably equally important, be  
23 able to understand the impact of emergent work and be in a  
24 better position to respond to it.

25 In order to deal with all of that, we have gone

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1 through a process over the last year of looking at the  
2 concept of centralized work planning. We have done some  
3 benchmarking visits with best practice organizations,  
4 learned from that process, and we are just at the point now  
5 where we are starting to pilot a number of specific  
6 processes within NRR to use centralized work planning.

7 We have a longer term plan where we want to be  
8 able to use this for our scheduling and to understand how to  
9 deal with emergent work, and we think in the long term to  
10 minimize the percentage of what is emergent work by planning  
11 better, by understanding the workload demand.

12 That is just starting for our process. Although  
13 it is just starting, I think we are already starting to see  
14 some benefits. One of the key things that we are doing is  
15 to look at all our processes and map them to understand what  
16 the steps are in a process and what those steps take, to  
17 essentially understand what the system is right now and to  
18 give us a good baseline for thinking about where there are  
19 opportunities for improvement.

20 With that, I think Roy will pick up in terms of  
21 talking about where we are in terms of results.

22 MR. ZIMMERMAN: Thank you, Jackie, and good  
23 morning.

24 On slide 4 we have a bar chart that shows our



25 planned accomplishments. It provides information on FY-2000

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1 in terms of our FTE resource allocation as well as the  
2 resource that we spent in FY-1999. What I would like to do  
3 is take a few moments and go through some of the larger  
4 deltas that we have here.

5 Starting in the first two listed at the top, it  
6 provides information associated with our overhead, both  
7 supervisory and non-supervisory.

8 What it shows is that we continue a trend of  
9 reducing our overhead in NRR. Currently our overhead is at  
10 27 percent. That is down from 36 percent in 1995.

11 Our overall SES numbers in that same time frame  
12 have been reduced from 51 down to 30, and our total  
13 supervision has gone from 94 to 72.

14 So as Sam and Jackie have mentioned, there has  
15 been a lot of change that has occurred during the last few  
16 years, and there is a backdrop here of some significant  
17 changes in the supervisory structure that we have.

18 Continuing down, in the area of license renewal we  
19 have an increase of 19 FTE as compared to FY-1999. That is  
20 associated with the incoming expectations for additional  
21 plant-specific licensing actions associated with ANO and  
22 Hatch, and also the work that we are doing in the generic  
23 arena, working on the generic activities lessons learned  
24 report and the standard review plan so we can leverage  
25 standardization as we learn the lessons from the first two

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1 renewal applications that we have.

2 About two thirds of the way down the chart is  
3 event assessment and generic communication. We are coming  
4 down 10 FTE this year as a result of efficiencies that we  
5 have gained by looking at our processes and seeing some  
6 areas of redundancy in our follow-up of plant events.

7 We found some redundancy between ourselves and the  
8 regions in the tracking and following up of events, some  
9 redundancy between ourselves and other offices, and we also  
10 found some redundancy within our own office. That has  
11 allowed us to gain the efficiencies to support a fairly  
12 robust reduction in events assessment, still with great  
13 confidence that we have a sufficient number of resources to  
14 do our primary mission of maintaining safety.

15 Also, we have had reductions in generic  
16 communications, which I will talk about more later on, but  
17 we have added additional discipline to our process of  
18 issuing and following up on generic communications.

19 In the area of rulemaking, which follows right  
20 under event assessment, we have increased our FTE allotment,

21 coming up 12 FTE compared to FY-1999. We have about 40  
22 rulemakings currently under way in various stages of  
23 completion in NRR. There is a lot of activity in this  
24 arena.

25 As we work toward the significant centerpiece

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1 toward risk informing Part 50, the work that we are headed  
2 toward with regard to security regulations, we saw a need to  
3 make sure that we have sufficient resources allocated to be  
4 able to do that work.

5 In the area immediately below, on regulatory  
6 improvement, we have an increase of 7 FTE. That is  
7 associated with our initiative to look at voluntary industry  
8 initiatives from the standpoint of the office being able to  
9 endorse those guidance documents. It also involves our  
10 follow up of topical reports. This is at the point where  
11 there may not yet be a licensee who is sponsoring the  
12 activity yet, so it is not quite a licensing action, but  
13 there are generic benefits that the industry sees, and we  
14 review those topical reports as well.

15 Other examples of improvement in this area would  
16 be the BWR vessel inspection work that is done.

17 So there are some significant items that lend  
18 themselves to being captured in the regulatory improvement  
19 area.

20 Third from the bottom, in other licensing tasks we  
21 have a reduction of 10 FTE. Other licensing tasks are  
22 primarily our follow up of bulletins and generic letters.  
23 We review the utilities' response to those activities.  
24 There may be field follow-up that is associated with that as  
25 well.

19

1 It also includes areas such as requests for  
2 assistance from the regions on a technical matter where they  
3 ask for our support. As well, 2,206 petitions are captured  
4 in this area.

5 The major reason for the reduction is the  
6 reduction in the number of what we call MPA's, multi-plant  
7 actions. After we issue that generic letter or bulletin we  
8 will typically follow it up with that review effort that I  
9 mentioned. Being that we are issuing fewer of those now, it  
10 has allowed our resources to come down in that area.

11 Typically, this particular area also could have  
12 some fairly substantive swings in it from a resource  
13 standpoint, because if we issue a generic letter or  
14 bulletin, it applies to all the plants in the country, and  
15 we need to do follow-up. It ends up leveraging the number  
16 of plants that it applies to.

17 Licensing actions. We are looking at coming down

18 approximately 12 FTE this year. I will talk in a few  
19 moments about NRR's performance in the licensing action area  
20 during FY-1999.

21 We have reached a point where we are closing in  
22 what we think is an equilibrium level for those that come in  
23 in the natural length of time that it should take to review  
24 those. So the inventory that we had this time last year has  
25 been worked off. That has allowed us to be able to look at

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1 a more modest number of accomplishments to get our inventory  
2 again to an equilibrium level.

3 With regard to project management and licensing  
4 assistance, the projects organization performed a very  
5 robust self-assessment over this past year, very  
6 disciplined, very meticulous. That has allowed us to be  
7 able to look for opportunities where we have been able to  
8 double up project managers on certain facilities.

9 We need to continue to do that carefully so that  
10 we maintain the necessary interface that is very important  
11 to us with the regions, so we stay in touch. We have been  
12 very selective in those opportunities.

13 The work that the projects organization did also  
14 set us up for future decisions that we will need to make. I  
15 think it is the best shape it has been in in being able to  
16 dissect the different types of work that is accomplished in  
17 the projects organization. So if there is a view of an  
18 add/shed activity within the projects organization, we have  
19 a better handle on what the cost will be if we were to  
20 reduce resources in the project management area better than  
21 any point in recent time.

22 If there are no questions, we will move to the  
23 next slide, please.

24 Now I am going to speak about our performance in  
25 FY-1999 with regards to the performance plan activities

21

1 associated with the licensing area. We have considerable  
2 numbers available that I can share in terms of our specific  
3 performance. I will start at a higher level than that, and  
4 if there is an interest in wanting to get more into the  
5 specific numbers, I will be glad to share those.

6 These areas that I am talking about are in our  
7 performance plan and will be in our performance report that  
8 we will be looking to send to Congress in the March time  
9 frame of this year.

10 We have exceeded the number of licensing actions  
11 that we had indicated we would perform in the performance  
12 plan. Our inventory has been reduced below that target  
13 level of 1,000 that we had. We achieved the age goals

14 associated with those licensing actions. Following will be  
15 some charts that I will spend a few moments on as well to  
16 talk us through that.

17 In the other licensing tasks, the number that we  
18 had targeted for completion were in fact accomplished. We  
19 also completed all of the generic fundamental exams and  
20 initial operator license exams to be able to support the  
21 needs of the industry.

22 Next slide, please.

23 This chart shows the inventory of licensing  
24 actions. It covers the last two fiscal years and shows the  
25 trend of a positive nature of reducing the inventory.

22

1 The horizontal line provides where our goal was.  
2 So it gives a representation of how far we were able to  
3 exceed that goal.

4 I would like to note that the median age of our  
5 inventory is a little over four and a half months. That  
6 compares to a year earlier where it was over seven months  
7 and a year earlier where it was close to 13 months. So the  
8 age of the inventory is considerably less than in the past.

9 Next slide, please.

10 The age-related goals of having no actions greater  
11 than 3 years old, having 95 percent of all actions complete  
12 within 2 years and 80 percent for 1 year is a target. Based  
13 on our corporate knowledge, we have never achieved that goal  
14 before. This is the first year that NRR has achieved that  
15 goal.

16 I would draw your attention to the greater than 3  
17 year old block, the lower right-hand column. There was  
18 considerable effort by the supervisory team and the staff to  
19 work off that older list of items, and there were inherent  
20 challenges in that list. Many of those required higher than  
21 usual labor rates because of the complexity and difficulty  
22 of the issues, but there was a very concerted effort.

23 Not only were we able to meet the goal for the  
24 first time, but we actually exceeded it and met our goal  
25 that is more challenging for this fiscal year, and we didn't

23

1 have any items that are greater than 2 years old.

2 So there is a lot of sense on our part that the  
3 staff focused very heavily on this area that we really  
4 needed to make significant improvements, and the staff came  
5 through for us.

6 MR. COLLINS: This is an area where you can't  
7 achieve these goals without cooperation within the arena.  
8 We rely heavily on Research to bring those initiatives  
9 forward to help us resolve these issues. The regions play a  
10 role in confirmatory inspections and bringing these issues

11 forward. OGC plays a major role in the review and approval  
12 of actions that have legal implications.

13 So within the arena the ability to achieve these  
14 goals, and in some cases these are stretch goals, as Roy  
15 mentioned, shows how the planning process and the management  
16 process can bring not only the internal team, but the  
17 external team within NRC together to accomplish. That's a  
18 credit to the process as well as to the operating level that  
19 does that work within those organizations.

20 MR. ZIMMERMAN: Now for truth in advertising. We  
21 had mentioned out-of-standard earlier in the presentation.  
22 One of the areas that we are focused on right now for this  
23 fiscal year is licensing actions. The first quarter data  
24 that is coming through with a linear projection will not put  
25 us where we would like to be.

24

1 As Sam and Jackie also indicated, being at a  
2 standard has some positive aspects to it. One is we need to  
3 flag it early, which we have done. We have known about it  
4 prior to the first quarter, and attention is being turned to  
5 that area to understand why we are out of standard, what  
6 types of course directions do we need to make.

7 The effort that we are using is to try to reduce  
8 somewhat those at this table asking those questions and  
9 getting involved in that level of detail and looking at the  
10 division directors to be working outside of their individual  
11 areas, to work as a team, to work horizontally, to try to  
12 understand what needs to be done to tackle those problems.

13 Projects takes a very aggressive lead in working  
14 and wrestling those issues to the ground and then reports  
15 back to the executive team and then we monitor and follow  
16 that progress.

17 This is really our first test of it. I for one  
18 will admit that it is interesting. There are questions that  
19 I want to ask, but I am waiting to see what comes out of the  
20 division director review. We can't move too far back,  
21 because we want to make sure that we get back in standard as  
22 soon as possible and understand it. There was competence  
23 that was demonstrated last year. The division directors  
24 will see this through and get it back on the process and  
25 keep us apprised of it.

25

1 That is an example of one of the out-of-standard  
2 conditions we currently have at this time.

3 Next slide, please.

4 Now we move to other licensing tasks. This is the  
5 area where we do our follow-up of bulletins, generic  
6 letters, our regional requests for assistance and 2.206's.

7           The dropoff here is due in part to the fact that  
8 we are adding additional discipline to the process. We are  
9 not issuing as many generic communications, and those that  
10 we are issuing have more focus, more discipline, to make  
11 sure we are really asking the questions that need to be  
12 asked, questions that may not necessarily be germane to  
13 making our decisions. We have tightened that sieve to make  
14 sure that that is the case.

15           Also on generic communications, one of the things  
16 we have done is we have the executive team agree to the need  
17 for writing the generic communication earlier than we used  
18 to. The executive team needs to be satisfied that there  
19 really is a need for putting the resources into doing this,  
20 that it is not covered by some other measure, that it really  
21 warrants it. That's a change from how we used to operate.  
22 So we are able to save resources by not crafting a document  
23 that may not see the light of day.

24           Next slide, please.

25           Now I will move into the FY-1999 performance

26

1 measures in the license renewal area.

2           We have met all of our renewal review milestones  
3 for Calvert Cliffs and for Oconee.

4           The Calvert Cliffs final SER was issued this past  
5 November. The final SER for Oconee is expected this  
6 February time frame.

7           The environmental reviews for both of those  
8 facilities have been completed and issued. Region I and  
9 Region II have been performing their scoping and aging  
10 management review inspections. Those are complete for  
11 Calvert and nearing completion for Oconee as well.

12           Where we currently stand with Calvert Cliffs is we  
13 have a Commission paper that is in review process within  
14 NRR. That will be going to the EDO's office shortly. We  
15 would expect that within a number of days that paper will be  
16 supplied to the Commission with a recommendation on Calvert  
17 Cliffs.

18           We see that our targeted date that we have  
19 advertised of April is doable in our minds. We also have a  
20 date for Oconee in the July time frame.

21           There has been a lot of interest in the renewal  
22 area. We have steering committee meetings with the  
23 individual facilities, and we have a number of other  
24 utilities that have expressed interest in license renewal  
25 that attend those meetings.

27

1           We have seen a number of utilities come forward  
2 and indicate interest, some of them in a formal manner. We  
3 have worked with the industry because of the relatively

4 large number of resources that are currently necessary to  
5 complete the renewal to try to map out from our planning and  
6 budgeting standpoint to be able to plan well for those  
7 applications that are coming in.

8 What we see right now is that in this fiscal year  
9 ANO-1 will be coming in shortly, and Hatch is due to us in  
10 March. Hatch is special from the standpoint that it will be  
11 our first BWR. That means a lot to us, because we want to  
12 be able to work towards standardization as much as we can in  
13 this process.

14 We need to work through a BWR facility to be able  
15 to also give us a sense of how we are ultimately going to be  
16 able to develop the standard and leverage resources to bring  
17 down our labor rate from what it has been on the first two  
18 applications.

19 In FY-2001 we see four applications being  
20 submitted. We have high confidence in that number.

21 In 2002 we again see four applications, and we  
22 again have high confidence in that number.

23 In 2003 we see eight applications coming in. The  
24 further out you go, the less confidence perhaps we assign to  
25 it. At this point in time we feel that that remains an

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1 accurate number.

2 We have routine dialogue with NEI to provide us  
3 information about future applications in those time frames.  
4 We have been strong in expressing our need for our planning  
5 purposes. If we get this picture off, it will have a  
6 dramatic impact on how we budget our resources. So it is  
7 very important that at the front end of the process we work  
8 very closely with the industry to understand their submittal  
9 dates.

10 We are also working in parallel with the  
11 plant-specific applications on the generic aspects. That is  
12 where we see we are going to learn our lessons and we are  
13 going to be able to reduce the resources that we apply and  
14 bring our labor rate down, and the timeliness of our  
15 applications. We currently have the generic activities  
16 lessons learned ongoing. That will feed into the standard  
17 review plan.

18 We had our first workshop this past December,  
19 which was a very good kickoff. We are looking at issuing  
20 the draft GALL and SRP for comment this summer. We are  
21 looking at a Commission meeting likely in the fall time  
22 frame, with ultimately providing to the Commission by March  
23 of 2001 the GALL report and SRP in what we would envision as  
24 the final form.

25 That is a very important initiative for us to make

1 the appropriate headway. In order to do this, it is very  
2 important that we do this in a very public way with all  
3 stakeholder involvement. We need the views of all of our  
4 primary stakeholders in the area. That is what we brought  
5 forth in the first workshop and will continue to look for  
6 bringing in robust feedback from our stakeholders.

7 MR. COLLINS: This area is one of the best  
8 examples of the planning and budgeting process in that you  
9 plan first and then you budget for that. If you recall the  
10 earlier slide that had the delta between the two fiscal  
11 years, that is against a backdrop of a change in 18 FTE  
12 between the two fiscal years. The work drives the  
13 resources; the budget doesn't drive the work. That's what  
14 PBPM essentially does.

15 In this particular area of license renewal, two  
16 years ago we were budgeting for one plant shutdown per year  
17 and decommissioning, which takes a number of FTE. You can  
18 assume the first year it's the same as an operating plant.  
19 Then it reduces. So it's somewhere between 6 and 8 FTE per  
20 year, whereas license renewal is upwards of 22 or so, at  
21 least during the pilot phase.

22 So we are seeing a sea change, if you will, in the  
23 workload away from decommissioning and towards license  
24 renewal. The planning and budgeting process allows you to  
25 accommodate that in the add/shed, and it raises those flags

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1 for you as you go forward so that you can be prepared.

2 We will have challenges in this area both  
3 organizationally and technically as far as time, people and  
4 money and the application of our resources, but we believe  
5 we are prepared for it.

6 MR. ZIMMERMAN: We will move from license renewal  
7 to the next slide.

8 This chart is aimed at showing the applications  
9 that we could be working on at any point in time. It's sort  
10 of a goes ins and goes outs. Some will be getting  
11 completed. They won't show up here as you move from left to  
12 right, but it's the inventory at any point in time.

13 As you can read in the upper right-hand corner,  
14 it's the total number of applications under review, and it  
15 is assuming a 30-month review schedule. Our goal is to be  
16 able to bring that down considerably.

17 Next slide, please.

18 Now we will move into the area of inspection and  
19 performance assessment. We met our performance plan output  
20 measures for FY-1999.

21 I will go back for a moment to what Sam had  
22 mentioned in terms of much of what I am reporting on are



23 output measures. It's tasks completed, and we still have on  
24 our plate moving more to be able to report back in terms of  
25 outcomes. At this point we can only do that to a limited

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1 degree.

2 The core inspection program was completed at all  
3 sites, which was one of those performance plan activities.  
4 The allegations that we pursued were completed within the  
5 target that we had.

6 We completed two plant performance reviews at each  
7 site and conducted the annual senior management meeting in  
8 the April 1999 time frame. All of those are performance  
9 plan output measures.

10 As we look to moving forward with the revised  
11 reactor oversight process we are excited about the progress  
12 that has been made. We see where we are headed to be a more  
13 predictable and objective inspection and assessment process  
14 to the one that we have had before. It also will be more  
15 risk informed. So we see the benefits that the oversight  
16 process will bring to us.

17 We have completed the pilot at 9 sites. That was  
18 completed during the June to November time frame. We now  
19 have initial implementation scheduled for the April time  
20 period. For those plants that were not part of the pilot  
21 the final PPRs that we perform will occur in the February  
22 time frame, and the final senior management meeting is  
23 scheduled for May.

24 As we speak there is a workshop that is ongoing  
25 downtown. It has been going on for several days. In this

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1 area, with the amount of change in the inspection and  
2 assessment area, the area of communication is vital.

3 A communication plan that is effective, that  
4 reaches out to all stakeholders is very important to us. We  
5 have done it in a variety of forums. We continue to do it.  
6 We are very interested in the feedback that we will get from  
7 the workshop to see how that can inform our process to help  
8 to improve it.

9 Even after we roll out the new oversight program,  
10 after it's approved and set to go, it's important that we  
11 recognize that this is still an evolving process. Through  
12 the first year of implementation we will continue to go and  
13 assess the information we have and look for the areas that  
14 we need to make course corrections, and we will be very  
15 attuned to all of our stakeholders' input during the initial  
16 phase of implementation.

17 Inspector training is clearly very important.  
18 That is going in parallel.

19 The dialogue in the vicinity of the plants with  
20 the local officials and local populace to inform them of the  
21 changes in this program have also been ongoing.

22 MR. COLLINS: I think it's important to note that  
23 this program, although focused on by the program office and  
24 the program office is responsible for its success and  
25 implementation, the development would not be achievable

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1 without the support of Research in the area of risk insights  
2 and studies, and many of the resources that have been  
3 provided for the development of this program have come from  
4 the region.

5 As you recall, we informed the Commission we were  
6 going to suspend the SALP process and use those resources  
7 for the development of the oversight program. So within the  
8 reactor arena this has really been a team effort for  
9 development.

10 Jon recently reported to us last week from Region  
11 II. So we are trusting that Jon is still objective as far  
12 as his loyalty to the regions. Jon has actually talked to  
13 the regional administrators in an efficiency and  
14 effectiveness view, although they are monitoring the  
15 conference as we speak. Jon has volunteered to represent  
16 the regions in the implementation of our program.

17 So at this time, since we are talking about the  
18 inspection programs, Jon, could you add? This is in the  
19 out-of-standard conditions. We have more work to do. We  
20 have input from our stakeholders in the regions as well as  
21 licensees on the status of these inspection programs, and  
22 Jon will provide some insights.

23 MR. JOHNSON: Thank you. Good morning. I have  
24 spoken to all the regional administrators and all of them  
25 believe that there are a lot of positive insights to the NRR

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1 performance over the past year, but I did want to summarize  
2 some of their comments.

3 The positive changes in reducing backlogs in  
4 licensing and reducing backlogs in technical assistance  
5 requests, TIAs, not only helps reduce the licensee's burden  
6 but what it also does is improves the efficiency of the  
7 regional inspection program, because there are fewer items  
8 to have discussions about when inspectors conduct their  
9 inspections.

10 This also goes to the use of standard tech specs.  
11 There is less ambiguity. There is a little more clear  
12 regulatory requirements when the inspectors conduct their  
13 inspections. So the inspectors and the managers in the  
14 region have had to deal with fewer and fewer of these  
15 disagreements while they are doing their inspections. We

16 still have them, of course.

17 Also the regional administrators believe that it's  
18 the right time to make these changes. All the regions have  
19 been involved in the changes to the new oversight program,  
20 but there are still some concerns even though they have had  
21 quite a bit of involvement.

22 One of the concerns of the regional administrators  
23 is that there is less dialogue on a day-to-day basis with  
24 the headquarters office. That in part has been by design.  
25 The attempt has been to focus some of the headquarters

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1 efforts on licensing actions and focus the regions' efforts  
2 on inspections. That has resulted in less dialogue.

3 So it's not necessarily a bad thing, but it's an  
4 item that we need to stay attuned to. This is not just at  
5 the inspector and project manager level, but it is at  
6 various levels of management also.

7 The feedback process. As I indicated, all the  
8 regions have participated in the oversight program  
9 development. Inspectors and branch chiefs have come up here  
10 to participate in the development of the new program, and  
11 there is almost an unprecedented number of changes.

12 The NRR staff that is working on these is  
13 collecting all this information. As you are aware, this  
14 workshop is still ongoing this week. A number of them are  
15 at this workshop still trying to get lessons learned from  
16 the pilot program.

17 There is a sense of frustrations in the regions  
18 that each individual person may not have received feedback  
19 on how his issue is being addressed. I think it's a matter  
20 of working through these and collecting them all and coming  
21 up with the best decision. There is a large number of  
22 changes, and the NRR staff is trying to address each one of  
23 them, but the individual that made that comment may not have  
24 gotten his feedback yet. So there is a sense of concern  
25 there.

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1 The last point I wanted to make is regarding the  
2 use of risk information.

3 The regions in the new oversight program are  
4 transitioning to use more and more risk information in the  
5 assessment of how significant events are and how significant  
6 inspection findings are. There is a sense of concern that  
7 we need to make sure that we use this and we need to  
8 understand the accuracy of the risk information.

9 As an example, there is a process called the  
10 significance determination process. It uses site-specific  
11 risk information. That was developed, with some assistance

12 through some contractors, using the best information we  
13 have, the plant IPE. Some of that information may be old.  
14 So as we are using the plant-specific table, we need to make  
15 sure that it reflects the current configuration in the  
16 plant, the current system lineup, and so forth.

17 There is another concern on use of risk, and that  
18 is the use of it in follow-up to events. We are having  
19 fewer and fewer significant events, and that's good, but the  
20 ones we have we are trying to use risk to help determine the  
21 agency's response to that. Should we have a special  
22 inspection team? Should we have an augmented inspection  
23 team? We are trying to use risk information to help us make  
24 that decision.

25 We need to make sure we are careful about the

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1 expectations as to what kind of valid information we can  
2 provide in a short time frame, because we are talking maybe  
3 the evening of the event or the day after, the next week,  
4 and so forth. We know that we can provide a reasonable risk  
5 estimate, but we need to see where that takes us in terms of  
6 shutdown events. We know we need to make some improvements  
7 there.

8 So these are the concerns that the regional  
9 administrators have in the new program. They support the  
10 program; they have participated in it, and these are some of  
11 the concerns they have as they look at actually implementing  
12 it.

13 MR. COLLINS: Thank you, Jon.

14 Roy.

15 MR. ZIMMERMAN: Next slide, please.

16 Now we will talk about some of the challenges that  
17 we have been working with over the last fiscal year, some of  
18 which we think we have made considerable progress on, others  
19 that we know warrant additional attention.

20 To address improvements to the licensing action  
21 process, we instituted what we call screening reviews at the  
22 front end of the process to do an early review of the  
23 incoming submittal for acceptability. If we have some  
24 issues, we can pass those on early and get that feedback  
25 started.

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1 The review won't be as robust as what we do when  
2 we undertake a full formal review, but this quick look, if  
3 you will, serves the benefit that rather than putting it  
4 into the queue and maybe not getting to it for several  
5 months and then seeing that there is either a fatal flaw or  
6 something that we could ask, we try to ask that early. It  
7 saves us additional time.

8 The feedback that we get from the industry is

9 positive with regard to that process.

10 One that we have spoken about a number of times is  
11 the request for additional information. We have instituted  
12 formality to that process. After one round of questions we  
13 move to meetings and telephone calls and try to minimize  
14 letter writing campaigns going back and forth, asking  
15 questions when it is possible the two parties aren't  
16 communicating and they are talking past each other.

17 It may turn out that even before the first RAI is  
18 crafted there is benefit of having a meeting case by case to  
19 get the right people in a room to make sure that it is  
20 understood and to do this in a public meeting.

21 We see that there are efficiencies that have been  
22 gained in that area.

23 We also need to add discipline -- we think that we  
24 are doing a better job in this area -- to the questions that  
25 we are asking. We have a threshold in terms of do we really

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1 need to ask this question and do we have to have that answer  
2 to make a decision on the submittal on whether to approve it  
3 or deny it. The threshold is there. There may be a thirst  
4 for the knowledge, but we really are looking forward to  
5 apply to the decision making process.

6 I spoke earlier about generic communications and  
7 the ET approval associated with that. The same discipline  
8 applies, making sure that we are asking for the information  
9 that we really need, and not in all cases requiring that  
10 information be sent here. It could be retained at the site  
11 and can be reviewed during a future inspection. We are  
12 doing that more often than we have done in the past.

13 Confirmatory action letter. A common thread once  
14 again in terms of threshold and discipline. When we issue a  
15 confirmatory action letter we should be giving serious  
16 consideration to whether we are bordering on the need for an  
17 order. It's a significant action for us to take. We want  
18 to make sure that we choose the right tool. If it warrants  
19 an order, so be it. If we don't think it's to that point,  
20 then we likely would be looking at a confirmatory action  
21 letter.

22 Again, discipline. Now that we have decided to  
23 write a confirmatory action letter, let's keep it focused on  
24 what the issues are that led to it. Let's not look at  
25 adding this item and this other item since we chose to write

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1 it where we wouldn't have asked those questions perhaps if  
2 we hadn't gone the confirmatory action letter route.

3 I think I have used "discipline" a number of times  
4 here, and that is really key to the process.

5 In the area of improved standard tech specs there  
6 is good news and challenge. More than half of the  
7 facilities have now converted to the improved standard tech  
8 specs.

9 As Jon was saying, there are the benefits of  
10 clarity that lead to efficiencies by not needing to seek  
11 interpretations. We would like to be able to have  
12 additional effectiveness and efficiency gains in our  
13 remaining reviews.

14 We would like to be able to learn more lessons and  
15 apply them to be able to shorten the length of time it takes  
16 us to do these reviews. We have an initiative under way  
17 with OGC to continue to look for those opportunities. They  
18 are moving along.

19 I think the expectations of when the deliverables  
20 will come forth are well known by the utility. It's not an  
21 area that we are hearing much in the way of frustration, but  
22 internally as a learning organization we want to be able to  
23 bring this area along.

24 An area that clearly warrants additional attention  
25 is in the area of 2.206 petitions. This was discussed with

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1 the Commission at the stakeholder meeting back in the middle  
2 of December.

3 We have made some strides in this area during what  
4 I will call the phase 1 review. We did institute some  
5 meaningful enhancements: Additional interaction with the  
6 petitioner; Giving the petitioner greater opportunity to  
7 interact with our Petition Review Board early on to make  
8 sure that the petitioner has the opportunity to have his or  
9 her say, and to make sure that there is a connection on  
10 information, that we are working off the same fact sheet.

11 We don't want to be spending time thinking we  
12 understand what the concern is but then find later on that  
13 we really didn't understand the issues. So there is greater  
14 interaction up front.

15 We also are working to be more consistent in terms  
16 of giving feedback in a timely way on the status of the  
17 petition. There is frustration that we can create  
18 unnecessarily, that is within our control to provide  
19 feedback so there is not the sense that it went off into a  
20 black hole and haven't heard anything from the NRC in X  
21 number of months. So we are trying to add that discipline.

22 Now we move into phase 2. We have moved beyond  
23 our initial steps where we had a stakeholder survey. Now we  
24 have put our process out for public comment. That public  
25 comment period ends at the end of this month. We are

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1 looking at a workshop next month, and then a Commission

2 meeting by June, by this summer.

3           Lastly, we have instituted a licensing action task  
4 force. This group serves as a lightning rod. There is a  
5 peer group in the industry that it interacts with. A number  
6 of the issues that we have been talking about here are the  
7 kinds of issues that are embraced by the task force to look  
8 for areas for improvements to our licensing process.

9           Next slide, please.

10           Other challenges that we face. To some degree  
11 these have been mentioned through our discussion.

12           We are working to add clarity to our 50.59  
13 process, to our FSAR updates, and to the definition of  
14 design basis. Where possible, we have looked to be able to  
15 endorse industry documents.

16           We think we are on a success path with 50.59.  
17 With the rule issued last October, we are looking to be able  
18 to endorse later this year an associated reg guide. We have  
19 issued the reg guide associated with FSAR updates.

20           We continue to make strides in design basis,  
21 although there are still a few challenges that remain  
22 associated with that issue.

23           With regard to risk informing Part 50, this is a  
24 very significant undertaking for us. It's a real challenge.  
25 It involves a lot of resources. We have a public workshop

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1 set for the April time frame.

2           We are working with the industry to have  
3 volunteers for pilots. We have had success in other arenas  
4 where we have involved pilots as part of the process to move  
5 us along, to learn from those pilots. That is an issue that  
6 hopefully by the middle of February we will have better  
7 insights on what pilots we may be able to solicit from the  
8 industry.

9           With regard to decommissioning, we continue to  
10 work on the spent fuel risk assessment. That is ongoing.  
11 This is going to form the basis for changes that we are able  
12 to make in this area through rulemaking. Up to this point  
13 we may be working through exemptions due to the reduced risk  
14 associated with a plant going through decommissioning.

15           We are seeking public comments and we are looking  
16 to providing a rulemaking plan this summer. In terms of  
17 out-of-standard and lessons learned, we recognize the issue  
18 associated with the slippage in the date. We are evaluating  
19 that situation to learn from that, to review it for actions  
20 that we need to take, and to continue to move forward as  
21 promptly as we can on this important initiative.

22           Lastly, in the safeguards area another challenge  
23 that we face. We recognize there are benefits in moving

24 forward with rulemaking in the safeguards area. We are  
25 looking to bringing more of a risk-informed flavor into what

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1 right now are more compliance-based regulations in this  
2 area. We are going to complete the OSRE recycle.

3 We are also considering as we move to rulemaking  
4 looking at compensatory measures, contingencies from the  
5 operations point of view, to see if there is merit there  
6 that should be taken into consideration.

7 We are looking at a proposed rule in the middle of  
8 next calendar year.

9 With that, if there are no questions, I will  
10 return the floor to Sam Collins.

11 MR. COLLINS: Let me provide you a brief insight  
12 into how we get this work done. That is by the use not only  
13 of our processes but our resources, which amounts to time,  
14 people and money.

15 Historically, like most offices within NRC, we  
16 have had a declining budget both in time, as exhibited by  
17 the number of FTE, and in resources for contract dollars.

18 Over the period since 1995 our staff has been  
19 reduced approximately 16 percent, and our program support  
20 dollars have been reduced approximately 60 percent.

21 Against that backdrop, however, I would like to  
22 acknowledge that within the past two years we are  
23 celebrating the successes as a result of staff contributions  
24 at the operating level using the leadership and the  
25 executive levels to provide for the infrastructure that we

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1 have acknowledged today.

2 So clearly the processes that are being used, the  
3 leadership team, and the staff's skill, and providing them  
4 the access to the right tools to do the job has resulted in  
5 our ability to get this type of work done with significantly  
6 less resources than have been available over the past  
7 period, if you go back five years.

8 We have expended 99 percent of our FTE ceiling.  
9 We are within one percent of our 14 and above our range as  
10 far as grades. We have achieved the 8 to 1 supervisory  
11 ratio.

12 We are working aggressively with our sponsors for  
13 equal opportunity programs, looking at our fiscal  
14 performance, and we are very concerned about any type of  
15 management control issue, because that indicates a weakness  
16 or an area for improvement.

17 In that regard, we have identified some and some  
18 have been self-identifying. We would like to be able to see  
19 them first, but in all cases we haven't.

20 Examples of those are the way that we managed --



21 and we is me -- the OSRE program and how we rolled that out  
22 as far as our stakeholders are concerned with a significant  
23 change to our program approach to that very vital program.  
24 I think the concept was good, but clearly the packaging had  
25 a lot to be desired, and we learned from that.

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1 Spent fuel pool study. We've had a slip of three  
2 weeks in that schedule. That was undesirable, particularly  
3 on the heels of the most recent negotiated SRM. They  
4 followed one another very closely. That was a failure in  
5 our internal team communication.

6 In our focus on contractor work, we have an  
7 independent study, lessons learned, that has been  
8 commissioned by Brian. He's the process champion for this  
9 effort. We will be glad to report that out. We are going  
10 to report it to the EDO, but we will be glad to share that  
11 with the Commission if there is interest. We will take  
12 whatever adjustments, including accountability, that is  
13 necessary for that.

14 Communicating change is a continuing challenge for  
15 us. Jon talked about some of those areas as far as our  
16 regional stakeholders, but clearly even external to the NRC  
17 not only do we have to communicate what our role is, but we  
18 have to communicate this continual change that we are in and  
19 why our processes are improving.

20 Internal procedures within NRR are lagging behind  
21 our initiatives. If we were to go to our procedures today  
22 that discuss how we do work, they don't necessarily exhibit  
23 the latest way that we do do work. That is an  
24 infrastructure issue that has been self-identified, and we  
25 need to move forward.

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1 Electrode leading at Callaway is a long-term  
2 issue, but once focused on, I believe it was a success, but  
3 clearly we could have set ourselves up better for that  
4 process as well as the review mechanisms that are necessary  
5 for the licensee to take advantage of that technology.

6 Correspondence dates. We are a little over 80  
7 percent in correspondence dates, but we renegotiated a  
8 number of those with the EDO's office and with SECY. We  
9 need to improve our predictability in that area, and we  
10 believe our planning as a result of the work planning center  
11 will help us in that area.

12 Credit for industry initiatives is an area we  
13 believe has resulted in efficiencies internally, but we have  
14 to work through how is that going to be manifested in the  
15 inspection and enforcement program. I can go on with other  
16 lists.

17           What I meant to exhibit here within the short  
18 period of time is that it's a balanced ledger. We have  
19 achieved a lot. We have a lot of work to do. Working with  
20 our processes and with the levels of the organization and  
21 using the teaming concept, we believe we are up to that  
22 challenge.

23           The last summary slide is just a roll-up of what  
24 you heard over the past hour. We are a learning  
25 organization. We do need the tools to do that. Those tools

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1           come from expertise that is internal and external.

2           We believe and we subscribe to the cliché that if  
3 you are not striving to improve yourself, then you are  
4 essentially standing still, and if you are standing still,  
5 then you have to ask yourselves why, is that the right thing  
6 to do, and in most cases it's not. Our stakeholders are  
7 demanding more and they are demanding better service and  
8 more efficient products, and we need to be positioned for  
9 that.

10           Again, the industry has to be ready and our  
11 stakeholders have to be ready for the products. In some  
12 cases, such as risk, we are still working towards defining  
13 those programs. Research with option 3 and NRR with option  
14 1 and 2 in the risk arena have to put together programs that  
15 are predictable enough and that have identified impacts as  
16 far as investment versus return, that the industry  
17 understands how that program will affect them.

18           Then there are business decisions to be made.  
19 That is up to our stakeholders to identify. That will drive  
20 our resources in the long run.

21           With that, I will close and acknowledge the  
22 participation of all of our stakeholders in getting where we  
23 are today and turn the forum over to the Commission for  
24 questions.

25           CHAIRMAN MESERVE: Thank you very much. Let me

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1           suggest to my colleagues that I think we have sufficient  
2 time that we may have an opportunity to go through more than  
3 one cycle as we go around the table, so that as you think  
4 about questions, you might want to cluster them.

5           I have two sort of linked questions I would like  
6 to ask at the outset.

7           As someone who is a recent arrival with the  
8 government process which you have been under with GPRA, the  
9 acronym implementing this PBPM process, it has clearly  
10 involved a lot of time and effort by you, and a lot of  
11 management effort is spent on defining the process rather  
12 than working the substance of the problems.

13           I realize some of this you don't have a choice on,

14 but I wonder whether you think the costs of doing that have  
15 been worth it in terms of the benefits and has this really  
16 been a useful exercise that you undertake.

17 The second question I have which is linked to that  
18 is, has it helped for outsiders looking in at your processes  
19 to understand what you are up to and why you are doing it  
20 and how you allocate your resources and that you are doing  
21 your job?

22 I realizes that there are these performance  
23 measures, but the question is, has undertaking this exercise  
24 helped our stakeholders better understand that we are doing  
25 the work and that we are doing the work efficiently?

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1 MR. COLLINS: The first question, PBPM cost versus  
2 benefit, it's a heavy resource investment initially at the  
3 leadership level. Quite frankly, there has to be buy-in at  
4 the top and there has to be an alignment of values, and  
5 there are a number of facilitated forums that are sponsored  
6 by an outside resource that brings you to a consensus view.

7 Some of those views may actually determine that  
8 you don't have the right group of people or you don't have  
9 the right organizational values to achieve those goals, and  
10 you have to be willing to make those adjustments. There are  
11 a number of challenges with this not only individually, but  
12 in a teaming aspect.

13 Having achieved those, I believe that right now  
14 NRR could not go back to the way that we previously did our  
15 business. I say that acknowledging that the Commission will  
16 eventually provide direction on the strategic plan and the  
17 operating plans and the arena conduct, but internally the  
18 way that we identify our work and plan and budget for that  
19 work and then add and shed resources and activities based on  
20 not only what you plan but what emerges, which is a fairly  
21 large influence on our workload, there has to be an  
22 identified scrutable process that has some consistency among  
23 the offices for the arena managers to do their work, because  
24 it's a bigger issue than just one program office.

25 Although I am responsible and the leadership team

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1 is accountable for the successes within the office, we have  
2 interdependencies, and we have resource decisions that are  
3 made on an agency basis that prioritize the application of  
4 those resources.

5 The benefit, I believe, is there. Early on, and  
6 we are talking last May or so of 1998, I believe that Jackie  
7 and Roy were probably expending between 60 and 80 percent of  
8 their time on this issue, and since then, being the pilot,  
9 have had the opportunity to provide input to other offices.

10 We have learned from that. That has been a two-way street.  
11 We have learned that we had to go back and adjust our  
12 processes and our programs based on further learning by  
13 other offices, because you refine this as you go along.

14 It's a credit, I believe, to NRR at the leadership  
15 level below the executive level and the staff that we could  
16 continue to do the work and achieve these goals while we  
17 were implementing this process.

18 That is really at the operating level. We put a  
19 heavy burden on our technical assistants. We actually  
20 formed that position. During our reorganization we selected  
21 all of the section chiefs, and we shuffled the branch  
22 chiefs, and we realigned the organization functionally to  
23 achieve these goals. So there was a lot going on to align  
24 ourselves and align our values to get to where we are today.

25 In summary, it does have a cost. I think ideally

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1 it would be done in a more phased manner, but due to the  
2 focus and the capabilities and the competency of the people  
3 in this office, as in others who achieve the same goal, you  
4 could do it commensurate, and the benefit will be long term.

5 Whether we adhere exactly to the terms and whether  
6 the executive council and those who make decisions among the  
7 arenas choose to use a more sophisticated process such as  
8 balancing the priorities from one office to another is yet  
9 to be seen, but inherently within this office I think there  
10 will always be a benefit from PBPM.

11 CHAIRMAN MESERVE: What about the issue of whether  
12 this has helped in dealing with outsiders?

13 MR. COLLINS: I think in the ability to explain  
14 our priorities and explain our work it has helped. We  
15 haven't done enough of that yet. I believe all of the  
16 stakeholders really understand it. We have been to the  
17 regions. We have spoken with NEI. We are more focused on  
18 our programs because there is so much change in our programs  
19 now than we are on how we are making program decisions,  
20 because that is an infrastructure issue.

21 The industry and NEI is clearly interested in  
22 resource impacts, particularly with deregulation: What is  
23 the cost of a licensing review? Does it cost less to review  
24 a licensing action which had engineering work than it does  
25 for them to contract to actually do the work? Those

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1 efficiencies are important to them.

2 The four outcome measures are the best way that we  
3 use to express this type of a process: maintaining safety;  
4 and then you cascade down through unnecessary regulatory  
5 burden, efficiency, effectiveness, realism, and public  
6 confidence.

7           You have various constituencies in there. The  
8 public confidence issue and working in those various arenas  
9 has been a large success not only for NRR but for the  
10 agency, to work in those forums. We couldn't get the work  
11 done unless we did.

12           Unnecessary regulatory burden and efficiency and  
13 effectiveness is harder to explain. In our stakeholder  
14 meetings the states are very concerned about the focus on  
15 unnecessary regulatory burden. So we always have to be  
16 careful that we go through maintaining safety before we get  
17 to the other three. We always have to communicate that,  
18 because there is legitimate concern about where as a  
19 regulatory agency our primary mission is.

20           CHAIRMAN MESERVE: Commissioner Dicus.

21           COMMISSIONER DICUS: Some of your measures for  
22 what you have achieved or what you are trying to achieve are  
23 quantitative measures. I think you have touched on this in  
24 a variety of ways a little bit, but I want to focus on it a  
25 little bit more and see specifically if you have some

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1 comments you would like to make.

2           Since you have these quantitative measures on  
3 achievements, how are you monitoring and evaluating the  
4 qualitative nature of what you are achieving?

5           MR. COLLINS: Roy.

6           MR. ZIMMERMAN: I think it's important that we  
7 approach it from a couple of standpoints. We need to be  
8 very responsive and request information from those  
9 stakeholders that are involved in providing us feedback on  
10 those items.

11           Some of the areas that we went over in the lessons  
12 learned aspects came from that type of feedback that we  
13 received, that we now try to feed back into the process to  
14 strengthen that.

15           One of the things we need to do again is to be  
16 able to be vigilant in getting comments from stakeholders.  
17 We also need to recognize that we not allow ourselves to get  
18 overly driven by target dates at the expense of quality.

19           We have articulated that over and over again in  
20 our expectations in our staff meetings, and expect that as a  
21 document goes through concurrence that we are careful to  
22 make sure that we are putting out a quality product.

23           Another area that I don't think we have mentioned  
24 yet. In terms of areas that we want to move forward in as a  
25 learning organization is in the area of self-audits. Much

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1 of that has gone on in the last few years. We are not doing  
2 as many self-assessments as we had done in past years. We

3 recognize that, and we look at targeting areas to be able to  
4 do self-audits. As we start to build those back into our  
5 process, we will be looking at bringing those forward as an  
6 important measure associated with our metrics.

7 MR. COLLINS: There is built into some of the  
8 processes that we have mentioned some measures that you are  
9 searching for. For example, the oversight process. There  
10 are risk numbers that are associated with the thresholds  
11 that are currently established in licensing actions.

12 We have the ability to prioritize our work once  
13 you go through maintaining safety to get to a reduction of  
14 unnecessary burden. As part of the licensing task force  
15 that we are working with the industry we are engaging them  
16 in a forum of, is it possible for you quantify for us the  
17 type of regulatory burden that is relieved by this  
18 particular licensing action?

19 Some of those are very direct. Risk-informed tech  
20 specs would be one. Risk-informed testing or risk-informed  
21 inspection would be another. The hydrogen monitoring  
22 aspect; the primary sample sink reductions. All of those  
23 have a burden attached with the current implementation. If  
24 licensees could quantify that, once you get through  
25 maintaining safety, then we could prioritize our reviews

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1 based on that type of input.

2 I know Commissioner McGaffigan is focused,  
3 appropriately so, on you don't lose sight of timeliness, and  
4 you don't lose sight of quantity when those measures are in  
5 fact appropriate.

6 So as we reach to the four outcome measures and  
7 try to quantify our work in those, there will always be a  
8 consideration for timeliness and quality.

9 Feedback from public confidence. You can get  
10 those through surveys; you can get those through stakeholder  
11 involvement. There is internal feedback as far as the arena  
12 manager as well as other offices for stakeholders.

13 It's not an easy area. Some of those are  
14 self-identifiable. Some of those require us to step out of  
15 our box a little bit and go into areas that can be  
16 misconstrued, such as our focus on reduction of unnecessary  
17 burden versus our safety mandate.

18 Jackie is part of a task force that is looking at  
19 the development of our operating plan and those next phases.  
20 Our operating plan has an IOU in the column for how you  
21 measure these types of things, and we will be working with  
22 our internal stakeholders to identify those, and then  
23 obviously the Commission will be briefed and engaged before  
24 we use them publicly.

25 COMMISSIONER DICUS: Thank you.

1 CHAIRMAN MESERVE: Commissioner Diaz.

2 COMMISSIONER DIAZ: I am going to count on the  
3 Chairman giving us a second round, so I am going to be  
4 overarching on my first round of questions.

5 I know we are going to get a transcript of this,  
6 but I notice that each one of you had some talking points  
7 which we didn't have as a backup. It might be worthwhile to  
8 get a copy of your talking points when they are fresh in our  
9 minds.

10 I notice that a favorite phrase of Mr. Collins has  
11 been elevated to a level of a directive or a goal or a  
12 standard of NRR as becoming a learning organization. Since  
13 it has been elevated to that point, I wonder if Mr. Collins  
14 would like to define what a learning organization is and  
15 what becoming a learning organization is.

16 MR. COLLINS: I actually can't take credit for  
17 that. That was a challenge that was given to us by our  
18 external stakeholder, Louie Allenbach. That is one of the  
19 characteristics of an organization that is positioned for  
20 change.

21 A success measure of an organization's ability to  
22 move forward is that you can challenge yourself against your  
23 achievements and your values. You feel comfortable in doing  
24 that. It's not an individual, personal issue. It's an  
25 organizational effectiveness issue wherein we continually

1 strive to have processes to check ourselves. Hopefully we  
2 will be able to deal with these shortcomings in our  
3 improvements to our programs and our application, but in  
4 many cases these are brought to you externally. They can be  
5 unintended consequences that you couldn't foresee. Or in  
6 fact they are failures in the application of the program or  
7 the integrity of the program.

8 Being a learning organization, you use those as  
9 examples, and you do what amounts to be root cause  
10 evaluations much like we would expect our licensees to do.

11 COMMISSIONER DIAZ: You told me what it does and  
12 what it can achieve, but what is a learning organization?

13 MR. COLLINS: I think it's a characteristic. It  
14 manifests itself in the way you conduct your business. We  
15 are looking for people at the executive level to move down  
16 through the organization this characteristic which will  
17 identify the failures, out-of-standard conditions, if you  
18 will, in an objective way, and come up with an approach of  
19 whether there are lessons to be applied, and then implement  
20 and test those. That is the only way that we are going to  
21 be able to move our programs forward with the infrastructure

22 that we have.

23 COMMISSIONER DIAZ: A comment in the area of  
24 semantics. You can always be a learning organization, and  
25 we all value learning. We continue to learn. There is a

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1 point at which, although you are always situated for change,  
2 you want to be a learned organization; you already know what  
3 you are doing, you know where you are going, and you are  
4 positioned for change.

5 I think three years ago I said that we seem to be  
6 always relying on the fact that we are going to have lessons  
7 learned. I think a much better position will be to minimize  
8 the numbers of lessons learned. Therefore you are in a  
9 better steady state positioned for change.

10 I get concerned that people don't think that we  
11 always have to be learning. There is nothing wrong with  
12 being a learned organization as long as you are willing to  
13 learn, and a performing organization is what you just  
14 described as an outcome of being a learning organization.  
15 So there is a little bit of a problem with semantics.

16 MR. COLLINS: I don't disagree with that. I don't  
17 want to learn the same lesson twice. I do believe that in  
18 order for us to move forward, because we have different  
19 challenges and we are going to have different business, that  
20 we will continue to learn.

21 COMMISSIONER DIAZ: Absolutely. There is no doubt  
22 about it. However, there is a point at which you want to  
23 say I have learned, I can perform, and that is a very  
24 important issue.

25 The second simple question, and it just occurred

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1 to me that it is outside of what you covered, but I keep  
2 being concerned with the efficiencies and effectiveness of  
3 the concurrent process that cuts across everything that you  
4 do. That is an issue that you probably didn't have time to  
5 address today, but I think it is an issue that the  
6 Commission is interested in.

7 How is the concurrent process being looked at for  
8 efficiencies and effectiveness? It cuts across everything  
9 that you do. I know that we have had some issues in the  
10 recent past, and maybe in all the past of the agency.

11 Is that being considered as you become a learning  
12 and learned organization?

13 MR. COLLINS: This is one case where we probably  
14 have learned it more than once. I'm going to ask Roy to  
15 address the specifics.

16 If I understand the question correctly, we are  
17 looking at what it takes to get the work products done and  
18 at what level those work products should be performed at,



19 agreed to, and then finalized, which manifests itself into  
20 the concurrence and the approval process.

21 We are moving towards and in some cases we have  
22 achieved the formulation of teams for processes and  
23 products. Those teams cut across an organization. That is  
24 why we realigned last March the way we did, more  
25 functionally rather than more technical disciplined.

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1 Those teams cut across divisions. The teams have  
2 identified champions, and your champions are responsible for  
3 identifying the appropriate level, substance and approval of  
4 the product.

5 A lot of that is conceptual right now. We have  
6 more work to do. Probably the best example of that is  
7 license renewal where Chris Grimes and his team under David  
8 Matthews and Scott Newberry essentially matrix across the  
9 organization to bring resources to bear on a workload basis  
10 to put out these products that are fairly unique for the  
11 first two plants.

12 Roy is, in many aspects, the champion. He's the  
13 head of the renewal committee. I think we can elaborate on  
14 that a little bit if you want more information.

15 MR. ZIMMERMAN: I think what we are striving to do  
16 is to use the most optimum process that we have. We have  
17 areas where disciplines come out of their individual line  
18 organization and find that blend between being a matrix  
19 organization or being self-contained. We are continuing to  
20 look at that.

21 When we have adequate coverage of an area, we  
22 won't hesitate to take people off of concurrence because we  
23 feel that it is covered by another person who is doing the  
24 review. That does occur in process. Maybe early on  
25 somebody who is putting the document together may err on the

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1 side of putting down more levels of concurrence. As that  
2 document rises through the concurrence chain we will  
3 periodically take somebody off of concurrence, because we  
4 understand that the way we are organized somebody else's  
5 review sufficiently covered that person's work related to  
6 that topic.

7 We have also revised our delegation of signature  
8 authority procedure to lower the level in the organization  
9 for signing out documents. That also has helped to reduce  
10 concurrences.

11 Coming at it a little bit differently, we have  
12 tried to maintain the sensitivity across offices. We want  
13 to make sure that other offices are aware of what we are  
14 doing. Sometimes it may be for information only, but

15 sometimes we want to get that heads-up ahead of time before  
16 it comes to the Commission or before it comes to the EDO's  
17 office. So we may add on some other offices because we feel  
18 it's important to be able to work with good knowledge and  
19 try to avoid left hand/right hand types of issues. We are  
20 sensitive to it.

21 One other aspect is we are trying to move to be  
22 more of a knowledge based organization as well as a  
23 learning/learned organization. What we are trying to do is  
24 standardize our processes.

25 If somebody is working on a power up-rate, that

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1 they draw from the experience of others who have been  
2 through it and are able to put that paper together, taking  
3 advantage of not reinventing the wheel, dealing with the  
4 issues that are unique, but leveraging the fact that we have  
5 been there before.

6 Then, as the document comes through concurrence,  
7 flag that to the reviewer to indicate this is similar to  
8 plant X that came through the process two months ago, four  
9 months ago, with these changes. Draw that reader's  
10 attention; remind that next person in concurrence that this  
11 is similar, this aspect is different. That helps it move  
12 through the concurrence chain more rapidly.

13 It ties back to our work planning center. It will  
14 help us be able to build more of that knowledge based  
15 learning so that we know where to go to get those documents.

16 MR. COLLINS: Our work planning center and the  
17 mapping of these processes that Jackie has mentioned has  
18 identified these hand-offs and who is involved in the  
19 process, at what level, and how is the process achieved as  
20 far as concurrences. We will be glad to share one of those  
21 with you.

22 When you look at those, you can see where there  
23 can be efficiencies. We are working towards the  
24 identification of efficiencies. But this mapping has been  
25 very helpful for us to identify those area.

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1 CHAIRMAN MESERVE: Commissioner McGaffigan.

2 COMMISSIONER MCGAFFIGAN: First, I want to  
3 compliment you guys on what you have accomplished over the  
4 last year. We have, I think, every month in the Domenici  
5 report, which is what it is known as, the monthly report to  
6 Congress, kept the deadlines on license renewal issues. We  
7 have done well on our licensing actions. We have had a lot  
8 to brag about. Improved standard tech spec conversions; the  
9 four-loop group went through very, very smoothly.

10 I may be setting you up. I am.

11 MR. COLLINS: I know there is a "but" in here

12 someplace.

13 COMMISSIONER MCGAFFIGAN: I think we have to  
14 strive towards continuous improvement. We don't rest on our  
15 laurels. I think that is part of whatever a learning  
16 organization is.

17 I know this is the NRR program review, but when  
18 budgets are presented to us we are thinking about strategic  
19 arenas. A lot of the resources for the strategic arena  
20 which has the goals and all that are in the regions. So you  
21 have very few inspection resources on that chart you showed  
22 at the outset, and very few resources for some other things.  
23 Drafting operator license exams, initial operator license  
24 exams, et cetera. Those aren't here. Those are elsewhere.

25 In terms of thinking across the strategic arena

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1 and making trade-offs, it might have been useful to have the  
2 whole arena here. That might have been a regional  
3 administrator or two. We characterized as the NRR review.  
4 You guys have done nothing wrong, but I think it might have  
5 helped us understand the strategic arena better if we had it  
6 all in front of us.

7 The chart on license renewal you have is already  
8 out of date. There is a December 21 letter from Virginia  
9 Power that moves North Anna and Surry six months forward.  
10 How many more surprises do you expect towards the left on  
11 that curve as we go through the next couple of years, and  
12 how do you deal with those surprises?

13 MR. ZIMMERMAN: What we will continue to do is  
14 have the interaction with NEI in each of our steering  
15 committee meetings to talk about the importance that from  
16 our planning and budgeting standpoint we need as accurate  
17 information as possible.

18 COMMISSIONER MCGAFFIGAN: How different would that  
19 curve have looked last year if you had sat here last year  
20 and tried to draw it as opposed to this year? Has it moved  
21 to the left compared to the last year?

22 MR. ZIMMERMAN: I think it has. From a  
23 qualitative standpoint, I think that it has.

24 COMMISSIONER MCGAFFIGAN: There are other  
25 surprises that we seem to get. I am heading towards talking

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1 about the value of multiyear strategic plans as opposed to  
2 the single year. We seem to be getting surprised in that  
3 case to the upside.

4 In terms of risk-informed in-service inspection of  
5 piping applications we have a large number coming in. The  
6 staff, according to some of the press reports, has been  
7 surprised at the number of applications after you approved

8 this EPRI generic program.

9 I honestly wasn't surprised. Having been to the  
10 NEI forum last May and seeing all the awards being given out  
11 to people for in-service inspection and everybody in the  
12 industry focusing on this being a real winner in  
13 cost-benefit terms, I would have said there are a lot of  
14 executives listening to this who are going to ask their  
15 folks, why can't I replicate what was done elsewhere?

16 Given that risk-informed submissions are supposed  
17 to be high priority in the licensing scheme, is it  
18 acceptable to say, well, you've got to many of them and  
19 we're not going to be able to accommodate them? Or are you  
20 going to have to shift resources from somewhere to deal with  
21 20 applications if you get 20 applications and still keep  
22 your timeliness goals?

23 MR. ZIMMERMAN: I think there are several aspects  
24 to it. We want to be in a position to minimize reactive  
25 issues coming to us to the extent we can. We need to

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1 interact with the industry at various levels. We need to  
2 interact at conferences. We need to interact in the  
3 steering committees like we have in license renewal. We  
4 need to interact project manager to licensing manager to try  
5 to reduce the number of surprises and maintain stability in  
6 the planning and budgeting process. We need to have gains  
7 in that area.

8 We also need to use the program that we have, the  
9 planning, budgeting and performance management process. We  
10 think that is an effective way. When there is something  
11 that perhaps we should have known but we didn't, or maybe  
12 something that is brand new comes our way, before we react,  
13 we want to take a look at it. We have our planned  
14 activities. We have ranked them against our performance  
15 goals. We have confidence in that.

16 We need to go back to that process, take a look at  
17 what the lower planned accomplishment activities are and use  
18 that process to identify that maybe there are some shifts  
19 that need to be made.

20 We will typically go into with the thought process  
21 of we want to be able to do it; we want to be able to get  
22 there. It may not always be possible to do that, but we  
23 need to have a mechanism that is known and predictable, that  
24 when we come back and say here is the cost for us taking on  
25 this work, we went through our PBPM process, we're familiar

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1 with what that process is, and here are the results of it.  
2 Then we make the tough decisions that need to be made. We  
3 want to minimize them by getting as much up-front accurate  
4 information as we can.

5 MR. COLLINS: We do that in trying to forecast our  
6 work on our planning basis, Commissioner McGaffigan. We go  
7 out to the utilities and ask them, what are you going to be  
8 submitting in the next one to two years? In operator  
9 licensing, for example, forecasting the exam load. Jon's  
10 team for operator licensing does those for licensing  
11 actions.

12 Clearly we would adjust our resources should there  
13 be an unanticipated workload in that arena, because that is  
14 one of our core products. We can shift those workloads from  
15 areas like initiatives, which has an impact on improvements.

16 We have forecasted 4, 4 and 8 for license  
17 renewals. We have met the two 4's; the 8, we have three  
18 identified. We have a window of 5. We believe that were  
19 other licensees to come in, they would be in the out years,  
20 not in the forecasted 3-year window.

21 COMMISSIONER MCGAFFIGAN: Technically, by pushing  
22 it to September 2001, you said you had high confidence in  
23 those numbers, but they are wrong technically. If North  
24 Anna and Surry come in in 2001, you now have 6 applications  
25 that year instead of 4. It's by one month, but it has a

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1 6-month tail in the following fiscal year.

2 MR. COLLINS: Right. We anticipate that there  
3 will be some dropping off based on the Calvert Cliffs  
4 completion and the Oconee completion.

5 Without getting into that level of detail, we have  
6 to be positioned to respond to that. We have an  
7 organization plan that has been provided to us by David  
8 Matthews and Scott as far as where to go with the  
9 organization to position ourselves.

10 It is going to end up to be what I view as an  
11 industrial engineering issue. Once the GALL report is out  
12 from the first two pilots, you refine the processes.  
13 Resources should go from about 22 FTE to one that is  
14 significantly less. Then you build into this process the  
15 product line that is necessary to do all of these reviews  
16 commensurate. We have to identify that, but we know that  
17 challenge is in front of us.

18 CHAIRMAN MESERVE: Commissioner Merrifield.

19 COMMISSIONER MERRIFIELD: First, I would like to  
20 mirror Commissioner McGaffigan's initial comments. This  
21 Commission in the past few years has demanded a lot from its  
22 staff and from its management, and it has done so, I  
23 believe, because it had the confidence that the staff and  
24 the management could get the job done. I think some of the  
25 information you provided today in terms of the achievements

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1 made by NRR certain underscore that. I want to give my  
2 appreciation and thanks for what I think is a job very well  
3 done.

4 I've got a few questions. I want to try to get  
5 through them quickly, and I am hoping we can have a short  
6 dialogue on the questions.

7 I am interested in your perspective, Sam, on the  
8 coordination and cooperation between NRR and the Office of  
9 Research. Specifically, if you can give me some perspective  
10 on how you go about establishing research priorities and  
11 comment whether NRR and Research have a shared vision as to  
12 the future research needs of the agency.

13 MR. COLLINS: Speaking from the NRR program office  
14 and acknowledging that Research, to the extent I can speak  
15 to Ashook and Margaret's programs, operates in two forms  
16 that really touch on the NRR program office. One is  
17 confirmatory research, which is using need driven; the other  
18 being anticipatory research, which is forward looking. In  
19 that regard, Research takes a fairly independent leadership  
20 role in identifying and managing that anticipatory research.

21 We have about 68 user needs, each of those having  
22 various tasks, some short, some long, and we have about 10  
23 user needs that are in various draft form. So when you wrap  
24 it up to a number, it's 68 plus 10 or so specific tasks,  
25 each one being composed of sub-tasks in front of Research

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1 that drives their workload as far as confirmatory research  
2 is concerned.

3 Each of those are pre-negotiated. Brian has the  
4 leadership role for operating reactors to work with  
5 Research, to identify the priority as far as the program  
6 office is concerned, the schedule, and the deliverable for  
7 each one of those.

8 Research is put in a fairly difficult position.  
9 This workload keeps coming at them from the regulatory  
10 program offices. They have to adjust in a very dynamic  
11 sense their resources to accommodate those schedules.

12 We owe it to Research to be sure that our  
13 priorities are well identified, and that if we reach a point  
14 where we are impacting on their ability to provide  
15 deliverables or to accomplish their independent role in  
16 anticipatory research, then we start to negotiate  
17 priorities.

18 Where that line is is up to Ashook and Margaret to  
19 identify. Is it 80 percent confirmatory, 20 percent  
20 anticipatory? I think that is managed by the operating  
21 plan. I don't want to speak for Margaret, but that is an  
22 operating plan role similar to what we would have in NRR.

23 Within the past year and a half to two years the

24 confirmatory research deliverables have been very  
25 satisfactory.

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1 Is there a potential in the future based on the  
2 where the industry is that emergent issues, license renewal  
3 issues, other technical areas will create tension into how  
4 much anticipatory, how much confirmatory, I think the answer  
5 to that is probably yes. We are working with them. That is  
6 work in progress.

7 We have the Research Review Board which Ashook and  
8 Margaret have established. Brian is a primary member that  
9 is going to be looking at specific user needs as far as the  
10 amount of resources that are necessary to perform it.

11 What is the scope of the user need versus the  
12 scope of the work? I think that will, in my own words,  
13 instill a sense of urgency as far as accountability for user  
14 need products. That is always good. It's good in our  
15 organization for licensing actions. I think it's good for  
16 any organization to have that kind of accountability.

17 MR. TRAVERS: I should add, if I may, that one of  
18 the many roles that Frank Miraglia has as a result of his  
19 being in the reactor arena is to monitor just what is  
20 happening between those two offices and, if needed, to play  
21 a role in the identification of priorities. We certainly do  
22 that in the budget role. So there are a number of avenues  
23 for him playing a significant role in that interaction as  
24 well.

25 COMMISSIONER MERRIFIELD: You touched on the issue

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1 of the recent extension request relative to the  
2 decommissioning regulations. I would share the  
3 disappointment of others that that happened, but I  
4 understand the need for the request.

5 Do you think at this point you've got the right  
6 leadership focus and the adequate resources necessary to  
7 meet the expectations laid out in SECY-99-168?

8 MR. COLLINS: The answer to that today is yes.  
9 Clearly there were failures within our organization to  
10 identify schedules, particularly contractor schedules and  
11 their influence on the product. That is a leadership issue.  
12 As you go down through the executive, the leadership and the  
13 operating level, that responsibility has cascaded down to  
14 program project managers and to the individuals who are in  
15 charge of the risk study.

16 COMMISSIONER MERRIFIELD: But going forward, you  
17 are comfortable where you are?

18 MR. COLLINS: Going forward, Brian and I have had  
19 a meeting. Brian called me at home over the holidays to

20 identify this condition. We identified it immediately to  
21 the EDO.

22 Will we do business differently? Yes. Do we have  
23 long-term lessons to learn? Yes. But today I believe we  
24 have that confidence.

25 COMMISSIONER MERRIFIELD: Recently Dr. Powers from

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1 the ACRS commented publicly about the staff being outgunned  
2 in the risk analysis of shutdown operations. He did not  
3 provide a basis to the Commission for his comments or give  
4 what I would say would be an objective evidence to support  
5 them. I would like to get your perspective on the staff's  
6 capabilities in the area of risk analysis of shutdown  
7 operations.

8 MR. COLLINS: First, let me say that we never want  
9 to put inspectors in a position where they don't have access  
10 to the information that is necessary for them to do their  
11 job. That is the program office's role. So it becomes a  
12 question of is that information available and do our  
13 inspectors in the field have access to the information to do  
14 their job?

15 The Commission has given the staff direction on  
16 shutdown risk and how far we go in the development of that  
17 and the application of that.

18 I believe the ACRS' comments, based on discussions  
19 with the ACRS, are really focused towards the aspects of the  
20 oversight program.

21 Have we reached a level of maturity where in two  
22 applications we can provide a short-term internal number to  
23 the residents or the inspectors to evaluate a low power  
24 shutdown condition or to evaluate appropriate response to an  
25 event? This was brought to light, I believe, by the

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1 Waterford event which Ellis and Region IV have wrestled  
2 with.

3 In fact, there are two ways to get that  
4 information. One is to rely on the licensees, which is  
5 essentially in conformance with Commission direction that  
6 the industry will take up this mandate, the industry will  
7 pursue shutdown low power risk, and we will monitor that and  
8 have the benefit of their actions.

9 More directly, internally we have the individuals  
10 who are located in the regions who can assess risk in the  
11 short term. Those capabilities are limited in shutdown, but  
12 they do have those capabilities.

13 Then we have, of course, Research to rely on with  
14 the GEM and the SAPPHIRE programs as well as Gary and his  
15 people.

16 So I don't agree necessarily with that



17 connotation. I understand the issue. I think the issue is  
18 approachable and solvable. Clearly, there is a sensitivity  
19 there that we went back and looked at, because that is a  
20 situation that we never want to have.

21 COMMISSIONER MERRIFIELD: Thank you.

22 CHAIRMAN MESERVE: I promised my colleagues that  
23 we would allow a second round of questions. I will do that.  
24 In light of the time, the fact that we have an agenda  
25 planning session that we are now a little bit late for, I'm

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1 not going to pursue any further questions with you at this  
2 time. Let me turn to my colleagues.

3 COMMISSIONER DICUS: Very quickly. My second  
4 question was actually Commissioner McGaffigan's first  
5 question, which had to do with managing emergent work which  
6 was on your slide 3. I'm not going to ask a question about  
7 it. I think it is an issue. You mentioned that it is  
8 something you are dealing with.

9 I don't think you are there yet, because you have  
10 been surprised twice, with the in-service piping inspection  
11 together with Virginia Power coming in and saying they are  
12 going to come in sooner.

13 They actually warned us about that several months  
14 ago, when I was down at Surry in September. I felt they  
15 were coming in sooner than in fact they were kind of telling  
16 us earlier. I think it is an issue you need to really get  
17 your hands around.

18 MR. COLLINS: Commissioner, I want to be clear.  
19 I'm not sure that I agree with the quantification that we  
20 have surprised twice to the extent that it has impacted our  
21 ability to do our work. I don't believe that is the case.

22 COMMISSIONER DICUS: It may not, but I think you  
23 were not prepared for what was coming in. I think that is  
24 pretty obvious from the press reports and the letter that  
25 came in. You may be able to deal with it and make those

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1 adjustments, but will you always be able to do that? I  
2 think that is the point that both of us are trying to get  
3 across at this point. What if something else comes in,  
4 three or four or five other things. Can you make those  
5 adjustments?

6 MR. COLLINS: The answer is yes. That is what our  
7 add/shed and PBPM process allows us to do. Will we be able  
8 to do it with the existing resources without stopping other  
9 work? No. But we will identify that work, and if necessary  
10 we will raise it to the arena managers and to the Commission  
11 to be sure that we are shedding the right amount of work  
12 before we come back and ask for more resources. That is

13 what this process provides for.

14 CHAIRMAN MESERVE: Commissioner Diaz.

15 COMMISSIONER DIAZ: Obviously we are running out  
16 of time. I just want to say that I have about 17 questions  
17 left. I think it shows the value of this meeting. I  
18 appreciate the staff coming prepared. Obviously we need to  
19 re-engage in this area, because we still have a series of  
20 issues that need to be dealt with.

21 MR. COLLINS: We will be glad to set up a forum  
22 for that.

23 COMMISSIONER DIAZ: With that, I'm just going to  
24 stop. My learning disability has been raised to another  
25 level, and I thank you for it.

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1 CHAIRMAN MESERVE: We always think of you as a  
2 learned person.

3 Commissioner McGaffigan.

4 COMMISSIONER MCGAFFIGAN: I'm going to try some  
5 people's patience. I do want to follow up.

6 Part of my asking about this emergent work and  
7 having to adjust to is what does fall off the table. We  
8 could get into that.

9 Part of it is we tend to be surprised on the up  
10 side, I think. In the last year we were surprised on the up  
11 side by the number of operator exams we are going to have to  
12 draft, the initial operator exams we are going to have to  
13 draft. We have got some additional risk-informed things  
14 coming in, license renewal moving to the left.

15 That says you have a lot of adjustments you have  
16 to make in any individual year where you are trying to  
17 execute your budget which you put together 18 months ago or  
18 more when you were trying to budget for the year you are now  
19 in.

20 Some stakeholders are asking us to give them  
21 detailed resource plans for FY-2005. I tend to think that  
22 is a total waste of time, because it would require you to  
23 predict labor rates. You might get efficiencies; you might  
24 not. I hope you will. I'm all for it.

25 Any number you put in for that year is scientific

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1 wild-assed guess. Any number you put in for the number of  
2 license applications you are going to get that year, the  
3 number of license renewal applications. We are very  
4 surprised at the up side in license transfers at the moment.  
5 Maybe we shouldn't have been, because we knew restructuring  
6 was coming, but now it's real, and now we see just how much  
7 workload there is in that area.

8 Partly this isn't a question so much as it is  
9 aimed at the audience. Our stakeholders have to tell us how

10 much of this they value. If they value license amendments  
11 getting processed in 6 to 8 meetings, whatever your median  
12 time is -- your median age is now 4.5 months, but that  
13 probably means you are processing a lot in 6 to 8 months.  
14 That is something maybe we have to pay for and try to make  
15 process improvements. We will be transparent about it.

16 If they want license renewal done in two years, if  
17 we improve that, if we can do license transfers in 3 to 6  
18 months -- I think that is your goal at the moment -- then  
19 there is a bill to be paid. If this is a dynamic industry  
20 wanting all these services from us, then there is a budget  
21 consequence.

22 How valuable would it be to you to be doing  
23 detailed planning for fiscal year 2003, 2004, 2005 when you  
24 are trying to deal with the reality of just executing  
25 FY-2000 and planning FY-2001?

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1 MR. COLLINS: I will ask Jackie to address that.

2 MS. SILBER: When we do our planning we are  
3 looking two or three years out in terms of major areas, what  
4 we call vectors, and where we think some of the changes are  
5 going to be. As we build something for a year or two ahead  
6 we have some sense of where it needs to be taking us. But  
7 that is at a very high level. I would think that is the  
8 appropriate level once you are going beyond, say, a budget  
9 year or a budget year plus one.

10 I agree with you. We do the best we can at a  
11 particular snapshot in time in terms of dealing with the  
12 detailed level. Even when we are dealing with an 18-month  
13 window, we deal with a lot of fact of life changes as we  
14 get closer to execution. I think any detailed planning  
15 beyond two or three years probably would go through a lot of  
16 changes as we get closer to execution.

17 COMMISSIONER MCGAFFIGAN: The tension in the  
18 industry is any individual licensee who comes in and sees us  
19 thanks us for doing X, Y and Z promptly and well, but then  
20 they don't do the summation of what is required for all 103  
21 plants to get that level of service and say we are willing  
22 to pay for it. There is a disconnect at times. Some of the  
23 rhetoric we hear they want our budget to continuously go  
24 down, yet they want us to be able to handle this workload.  
25 I don't understand it.

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1 MR. COLLINS: I think the ability to predict our  
2 product lines and the variables in those is limited. Some  
3 of that is just because of the dynamics of our customers and  
4 whether they represent a consensus group, a monolithic  
5 group. The other is just pure business practices. It's

6 understandable to assume that licensees aren't going to want  
7 to forecast where they are going to be and perhaps can't  
8 forecast where they are going to be three to five years down  
9 the road. So we deal with a very high level.

10 COMMISSIONER MCGAFFIGAN: High level twice by  
11 Corbin and Don Hanson.

12 MR. COLLINS: I understand your point.

13 MR. TRAVERS: The strategy that we are employing  
14 right now in response to this five year planning obligation  
15 is to address it at a rather high level. It is one of those  
16 things that we need to address, but that is the strategy we  
17 are using.

18 CHAIRMAN MESERVE: Commissioner Merrifield.

19 COMMISSIONER MERRIFIELD: As a learning and  
20 learned Commissioner, I am aware of two things. One, not to  
21 be drawn into the conflict between learned and learning, and  
22 also that given the time where we are, like Commissioner  
23 Diaz I have many questions that I would be willing to ask,  
24 but in deference to my fellow colleagues, I will withhold.  
25 I thank the Chair.

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1 CHAIRMAN MESERVE: Thank you very much. We  
2 clearly are in a very turbulent time in terms of the  
3 activities here at the NRC. I think NRR has been, perhaps  
4 much to its dismay, at the middle of all of that turbulence.  
5 I would like to compliment you on an excellent briefing and  
6 also on your success in meeting your goals.

7 With that, we stand adjourned.

8 [Whereupon at 12:00 p.m., the briefing was  
9 concluded.]