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UNITED STATES NUCLEAR REGULATORY COMMISSION

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BRIEFING ON OFFICE OF NUCLEAR REACTOR REGULATION (NRR)
PROGRAMS, PERFORMANCE, AND PLANS

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THURSDAY

MARCH 16, 2006

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The Commission convened at 9:30 a.m., Nils J. Diaz, Chairman, presiding.

NUCLEAR REGULATORY COMMISSION:

- NILS J. DIAZ, CHAIRMAN
- EDWARD MCGAFFIGAN, JR., COMMISSIONER
- JEFFREY S. MERRIFIELD, COMMISSIONER
- GREGORY B. JACZKO, COMMISSIONER
- PETER B. LYONS, COMMISSIONER

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PRESENT:

- LUIS REYES, EDO
- JIM DYER, DIRECTOR, NRR
- CINDI CARPENTER, DIRECTOR, PROGRAM MANAGEMENT,
POLICY DEVELOPMENT & PLANNING STAFF, NRR
- BRIAN SHERON, ASSOCIATE DIRECTOR FOR
ENGINEERING & SAFETY SYSTEMS
- WILLIAM KANE, DEPUTY EXECUTIVE DIRECTOR FOR
REACTOR & PREPAREDNESS PROGRAMS
- GARY HOLAHAN, ASSOCIATE DIRECTOR FOR
RISK ASSESSMENT& NEW PROJECTS, NRR

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9:30 a.m.

CHAIRMAN DIAZ: Good morning, and welcome to the continuing briefing of the Commission by the staff on all the major offices. Today we are going to be hearing from NRR. NRR, we actually hear from you quite frequently. So this is kind of a special continuing saga -- I mean, continuing opportunity.

The meeting today is intended to be a little broader in scope, to provide an opportunity for discussing the overall status of the office, what are your plans, where are you going, or what do you see as the key challenges and opportunities -- using special NRC lingo.

There's no doubt that we know your office will be facing a severe series of activities, tasks, and programs that eventually will impact the agency, not only on what we do every day, but how we hire people, where we put them, how is the work conducted. Many of your activities in the future will touch on every nerve in the agency.

At the same time, my fellow Commissioners and I keep continuing to remind you -- although I don't think you need any reminder -- that there is a tremendous obligation in maintaining the safety and security of existing power plants, and that will continue to be a focus. And it's not only to be maintained. I think many years ago we had this discussion of whether we maintain or whether we improve or we enhance.

We eventually reached the conclusion that, really, in everything we do every day, there is a small, but systematic improvement in the way we conduct our oversight. There should also be a systematic improvement, not required, but in the way that the power plants operate.

1 I think that some of the challenges that you have is the issue of
2 infrastructure, how you get your work aligned to be able to discharge your
3 responsibilities.

4 The Commission looks forward to interacting and hearing from you. I
5 know this is going to be an ongoing process, so we're pleased that you are here
6 today with probably a full plate. I can promise you we're going to make it fuller.
7 My fellow Commissioners? Comments?

8 COMMISSIONER MERRIFIELD: Yes, Mr. Chairman, I would say a couple
9 of things to start. We do a significant amount as an agency, everything from
10 regulating in-situ leach mining facilities in Nebraska, in Wyoming, all the way
11 through ultimately potentially licensing, or reviewing the proposed licensing of the
12 Yucca Mountain facility in Nevada. It includes the reactor work we do, both
13 operating and research reactors, as well as tens of thousands of material
14 licensees.

15 Not to take anything away from the work done by the staff of the agency
16 that doesn't deal with reactors, but although we have a wide scope of issues we
17 deal with, generally when we go before Congress and when we go into the areas
18 of public opinion, it is the activities we have associated with the regulation of
19 reactors that gets the greatest attention.

20 In the late '80s through the '90s, we had a lot of criticism of this agency in
21 terms of regulatory predictability because of the way in which our licensing
22 programs for new reactors was operated, and a significant amount of criticism
23 about the south and the watch list due to its unpredictability and a lack of
24 transparency in terms of what we were attempting to do as an agency.

25 Because of that, when at least three of us came to this Commission, there

1 was significant criticism about us as an agency.

2 I think we have all spoken quite eloquently in the past few months about
3 the degree of progress that we have seen as an agency. And in no small part it is
4 because of the progress that has been undertaken in NRR.

5 We now have a Reactor Oversight Program, which we continue to evolve
6 and improve, but yet it's far better than the one that it replaced.

7 The License Renewal Program, which, when I came to the Commission in
8 1998, had not yet judged on a single reactor and now is 38 or 39 reactors through
9 the process. I think it's certainly a showpiece for regulatory discipline, efficiency,
10 and effectiveness in meeting our statutory mission.

11 The numbers that we look at in terms of performance indicators are as
12 good today as they have ever been, and certainly an indicator that although the
13 industry continues in its enhancement of its performance, we have certainly met or
14 exceeded that in terms of the expectations we have and the accomplishments we
15 have had in the area of safety, which is ultimately what the public is most
16 concerned about.

17 We're challenged today with the notion of grappling with 11-plus combined
18 operating license applications for 17-plus reactors down the road. There are
19 doubts about our ability to meet that, given the human resource challenges we
20 have and the scope of where we're going.

21 I think the License Renewal Program, the Reactor Oversight Program, and
22 the accomplishments that NRR has engaged in over the course of the time,
23 certainly since I been here, clearly demonstrate to me that this agency and NRR
24 does have regulatory discipline. They are effective, they are efficient, and we
25 certainly as a Commission need to make sure they continue to do so.

1 But I think, in beginning this meeting, I want to lay that out and say I
2 certainly have the confidence in the team that we have and the people that we are
3 bringing forward to make those efforts moving forward go efficiently.

4 Thank you, Mr. Chairman.

5 CHAIRMAN DIAZ: Thank you, Commissioner Merrifield.

6 COMMISSIONER JACZKO: Just briefly, I would say that I certainly look
7 forward to the briefing today, and I think there is a lot on NRR's plate, and there is
8 a lot, I guess, in the kitchen that's being prepared to come out onto the plate. I
9 certainly look forward to hearing both what you're doing to continue to focus on the
10 existing facilities, as well as preparing for the new facilities or potential facilities.

11 CHAIRMAN DIAZ: Thank you.

12 MR. REYES: Good morning, Chairman, Commissioners, the staff is ready
13 to brief the Commission on the Office of Nuclear Reactor Regulation programs.

14 We last briefed you on the programs of the office in April 20th of 2005.
15 But since then, we have had five briefings: The status of new reactor issues, the
16 Davis-Besse Lessons Learned Task Force recommendations, the grid's stability
17 and off-site power issues, and the results of the 2005 agency action review
18 meeting.

19 We will be doing the agency action review meeting for 2006 in May. So
20 there will be another opportunity to talk about that. Even though we have had five
21 Commission meetings since the last program briefing, there are a lot of issues we
22 would like to brief you on today. There is a high activity level in the office, and I
23 think you're going to hear the staff send two messages: One is, we need to
24 continue our oversight and operational safety of the 16 facilities, and two, at the
25 same time prepare for a significant amount of work that's being proposed. We'll

1 cover those two key issues. And with that, Jim?

2 MR. DYER: Thank you, Luis.

3 Good morning, Chairman, Commissioners. I'm Jim Dyer, the Director of
4 the Office of Nuclear Reactor Regulation, and with me at the table today is Brian
5 Sheron to my right, who is the Associate Director for Engineering and Safety
6 Systems; and Cindi Carpenter, to my immediate right, who is the Program
7 Management, Policy Development & Planning manager. And on the far left is
8 Gary Holahan, the Associate Director for Risk and New Reactor Projects. Missing
9 from my senior team is Bruce Boger, who had some vacation planned. He and his
10 two boys are watching March Madness. So he couldn't be here.

11 Also in the well, we have both Mike Weber, the new Deputy Director of
12 NRR and Bill Borchardt, the former Deputy Director, who just transitioned within
13 the past two weeks.

14 Slide 2, please. Slide 2 is a list of acronyms, but hopefully we won't use
15 them. But they are there for back up in case we slip into our jargon.

16 Can I have slide 3, please? This is the agenda we have laid out for
17 today's meeting. I'll cover the first two issues on organization, which cover, of
18 course, the entire office, and then the NRR program status, which are really our
19 key issues that are focused on the operating reactors activities largely. Then Gary
20 Holahan will cover the new reactor issues, and Cindi Carpenter will cover the
21 human capital initiatives.

22 Can I have slide 4, please?

23 With respect to our organizational issues, as you're well aware, back on
24 October 30th, the NRR was reorganized. It was a major reorganization to
25 accommodate what we expected to be, anticipated to be, a very significant growth

1 in the new reactor area. At the time, we were expecting three combined
2 construction operating licenses and two design certifications during the fiscal year
3 2007 to 2009 time frame.

4 The overall goals of that was to prepare for these new reactor licensing
5 activities and we did that by creating a new division that would be focused on new
6 reactor licensing. Second, it was to enhance risk-informed regulation, which,
7 again, we consolidated our risk activities, risk regulation activities into one division.

8 And then, thirdly, to increase our first-line supervision. And in order to do
9 that, we eliminated a layer of executive management in favor of more first-line
10 supervisors. Since that time in the organization, we have hired 15 new first-line
11 supervisors. And the term is "branch chief" now within NRR.

12 We recently held a review at the end of January as to where we were with
13 the reorganization. And as we expected, we have had to continually increase the
14 number of branches in order to support the organization. We thought about this
15 back in October when we went to the reorganization process. And as I said, we
16 have increased 15, the most recent -- I believe we notified you yesterday that we
17 made some more selections and increased our -- particularly in the new reactor
18 area.

19 We also recognized that this organization, given the increase to 11-plus
20 combined licensing requests in the same time frame, was not going to be suitable
21 for possibly the long term. So we're undertaking a review as to what is the proper
22 organizational structure. We believe that's going to at least require new divisions
23 to make sure, again, that we maintain that oversight of operating reactors, as well
24 as continuing to prepare for the new reactors. We're looking into that. But
25 certainly that's going to be something that we're going to have to notify the

1 Commission or propose to the Commission for approval as we go forward as a
2 reorganization.

3 We also have been reviewing the 2005 safety culture results by the Office
4 of Inspector General. We made improvements in nearly all our areas across the
5 board in the office. That was particularly satisfying. It was particularly satisfying
6 that the areas that were identified after the 2002 survey, the areas that we focused
7 on, showed significant improvements where we had done better.

8 However, we did have two areas that we have identified from this 2005
9 survey that we do need to focus on. One of those is performance management,
10 and that was an area where we are an outlier with the rest of the Nuclear
11 Regulatory Commission overall. I think, from our preliminary look, that has a lot to
12 do with the effectiveness of our appraisal. So we are, through our roles and
13 responsibilities group, taking a hard look at our overall appraisals and setting
14 better expectations for our staff.

15 Similarly, we had a declining performance on quality focus, and we are
16 also taking a look at that office-wide. We really believe that has to do with where
17 our focus on developing a lot of the metrics, focus on quantity and timeliness, as
18 opposed to taking a look at the quality of our products. So we're trying to reinforce
19 that and look at strategies moving forward for quality, identifying quality and value
20 added by our work.

21 Slide 5, please. This slide lists eight key programs and issues that are
22 currently of interest to the Commission within NRR. The first six are actually
23 updates from our April 2005 Commission meeting. The last two are emerging
24 issues that I will cover. The first six, I'll cover in a status format.

25 With respect to licensing actions, we did meet our goals in 2005 for

1 inventory backlog and issuing the number of licensing actions that we planned.
2 That included five power uprates during the year, and we have subsequently
3 issued one power uprate during 2006.

4 The challenges in 2006 through the first basically third of the fiscal year is,
5 we have seen a drop-off in productivity in our licensing actions. That's an area
6 that we are looking into. We know that, as we discussed at the Regulatory
7 Information Conference, that there have been some challenges in the extended
8 power uprate area. We also have some other complex licensing actions that we're
9 dealing with across the board.

10 Our efforts in this are, we are looking at enhancing the management focus
11 and attention in this area and pattern our activities on operator licensing actions,
12 much after what we have done in the program in license renewal.

13 That's the second area I was going to talk about. The License Renewal
14 Program, from our perspective, continues to be a very successful program, as was
15 mentioned in the Commissioner's opening remarks. We have renewed 39
16 licenses to date. We have another 12 currently under review, and five are
17 scheduled for completion this fiscal year.

18 We're using the License Renewal Program as our model for both
19 operating reactor licensing activities and new reactor licensing activities. This is a
20 case where both the industry and the NRC invested in the infrastructure up front to
21 set clear expectations on both parties, and we're both very conscious about
22 making sure we execute to those expectations.

23 During 2005, there were two applications that really didn't meet the
24 expectations. We returned those applications, and I'm glad to report the Nine Mile
25 Point submittal is on schedule for completion now on -- resubmittal is on schedule
26 for completion in 2007, and we expect the Beaver Valley submittal to be delivered

1 in 2007 in a much-improved fashion.

2 We expect the workload in License Renewal to continue to be high until all
3 plants complete their license renewal, and we are still scheduling in the out years,
4 five to six per year.

5 Within the rulemaking program, we completed several important
6 rulemaking products recently to improve the NRC regulatory framework for both
7 new and operating reactors. Those were in areas associated with new reactor
8 licensing, security, and risk-informed regulation.

9 We have had some challenges, though, in rulemaking. Of note, most
10 recently, 10 CFR Part 26, on fitness for duty, we had some concerns raised with
11 the fatigue controls during the proposed rule. The concerns raised by the industry
12 was that, clearly -- that the proposal that we had for fatigue would clearly favor a
13 12-hour work shift, as opposed to -- over the eight-hour work shift. That was not
14 our intent. So we scheduled a workshop for the end of this month to take a look at
15 how can we adjust the fatigue controls that are in Part 26? If we can do that, we'll
16 be proposing to the Commission a new strategy or proposal for completing that
17 rulemaking from where we're at.

18 Additionally, we had an emergent rulemaking issue associated with both
19 Part 72 and Part 50, dual regulation of the criticality margins; in particular, when a
20 dry cask is in a spent fuel pool. This will require a rulemaking action to solve that
21 dual regulation. The staff is putting together a Commission paper that will propose
22 that activity.

23 In the interim, we plan to issue either exemptions or amendments in order
24 to facilitate the -- to remove the unnecessary regulatory burden on the industry in
25 this particular area.

26 The anticipated changes that we expect in the rulemaking areas are, we
27 expect, as the Office of Nuclear Security and Incident Response discussed

1 yesterday, an increase in workload in rulemaking due to the security rulemakings
2 and a lot of high-priority safety rulemakings for the reactors in the next few years.

3 One of the things we're looking at is, we made a decision that we need to
4 explore streamlining the rulemaking process. We have tried to take out about as
5 much as we can right now and streamline our processes. But I think we need to
6 take a fresh look at how we do rulemaking activities and see if there aren't some
7 better efficiencies that we can make while still allowing the public the opportunity
8 to participate and work with our stakeholders.

9 As noted, the Commission's approval will be required for any rulemaking
10 activities, as well as any changes that we would make to the process.

11 Fire protection: We continue to focus on fire protection in the same four
12 areas we briefed you on last April.

13 The risk-informed fire protection regulation, under National Fire Protection
14 Association Code 805, is progressing. The staff is expecting to complete the Reg
15 Guide, which will endorse the NEI documents to support transition to the
16 risk-informed regulation by May.

17 Additionally, 37 plants have identified and sent us letters of intent to
18 transition to the risk-informed fire protection regulation alternatives.

19 We continue to work on the generic letter as a result of the research work
20 that identified the premature failure of the Hemyc and MT fire barrier material.
21 this generic letter is scheduled for issuance later this month.

22 Additionally, we continue to work on the circuit analysis generic letter
23 dealing with multiple hot shorts, and we're planning to issue that and close that
24 issue out in the fall of this year.

25 We expect a significant increase in workload in this, both from the -- oops,

1 I forgot something.

2 One challenge we had here was, of course, the fire protection rulemaking
3 in manual action rulemaking. In that case, the proposed rule, when we put it out
4 for comment, we received comments that we were not going to accomplish the
5 objective of the proposed rulemaking, which was to reduce the number of
6 exemptions the staff would have to deal with.

7 As a result of that, we informed the Commission, and the Commission
8 agreed with withdrawing that proposed.

9 As a result of that, we expect to have additional exemption requests
10 coming in over the next three years.

11 Between that and the transition, the NFPA 805 risk-informed regulation,
12 we are expecting an increase in workload in the fire protection area. Both generic
13 letters and the Regulatory Guide will all come through the Commission for
14 approval.

15 Additionally, a status update on the PWR containment sump performance
16 assessments, referred to often as GSI, or Generic Safety Issue 191.

17 During 2005, we completed our review of the NRC Bulletin 2003-01
18 responses, which caused licensees to implement compensatory measures to
19 reduce the risk of potential sump clogging due to better water management and
20 prevention activities within the plant. This was an interim safety step that we had
21 taken, and we closed out all those issues, but with the exception of one, and that's
22 close to being closed out.

23 We also completed the evaluation of the generic letter 2004-02 analyses
24 for the containment sump licensing basis revision and the necessary sump
25 redesign acceptance criteria. Several shortcomings were identified with these

1 initial submittals in September. They are largely due to the good work that
2 Research did earlier last year, when they identified the chemical effects, impacts
3 of some of the reactions between the insulation and the buffers in the containment.

4

5 Dealing with those uncertainties has created a challenge to both the
6 industry and the NRC staff.

7 Some licensees, upon receiving this information, made changes to their
8 design and have expressed that they are maybe unable to complete the
9 modifications by December of 2007. I think, as we look at where we're at right
10 now, we're certainly not where we'd hope we'd be last year when I briefed you on
11 the status of GSI-191, but I think the industry is headed in the right direction.

12 In this case, licensees are improving the safety of their facilities by
13 installing larger sump screens that have a reasonable margin allowed for this
14 uncertain chemical effects following. They have implemented aggressive testing
15 programs designed to their specific site and materials and chemicals in the
16 containment in order to quantify just what they have.

17 The staff is preparing a Commission paper to update the Commission on
18 the latest status of resolution of GSI-191. In that paper, we are going to propose
19 criteria for accepting delays in completion of the generic letter requirements for the
20 containment sump design modifications.

21 With respect to grid reliability, last summer we did not have any significant
22 challenges, but as all of you pointed out to me in my periodics, we were late in
23 completing our preparations for the summer. This year, we are better prepared.

24 Following the Commission guidance, we delayed the issuance of Generic
25 Letter 2006-02 on grid reliability for one month to hold a workshop that included

1 the nuclear industry, the independent system operators, the Federal Energy
2 Regulatory Commission, and local public utility commission representatives to
3 review the content of the generic letter.

4 This was a good session. It improved the quality of the generic letter. It
5 better informed the industry and other stakeholders of what the expectations and
6 responsibilities were. And it allowed FERC to issue a draft order that makes it
7 clear that the communication of this information with nuclear power plants is not
8 prohibited by any of their regulations.

9 We also have issued the temporary instruction in preparation for this
10 summer on March 3rd, which would necessitate the regions going out and
11 verifying the information. Collectively, between what I hope will be clean generic
12 letter responses giving the investment that we put in up front, and the results of the
13 TI inspection results, I think this issue hopefully is going to be headed for closure,
14 is my intent. This will be the last summer preparations we're doing it on a special
15 rate.

16 COMMISSIONER MERRIFIELD: Mr. Chairman, as a note here, I think
17 the staff certainly should be congratulated for a lot of work they have done in this
18 area. It's very important, I know, in your leadership of the task force between
19 ourselves and our Canadian counterparts, I think we have done a lot of the work
20 that was envisioned in that report. I think we'll have some good things to talk
21 about when we meet with FERC next month, as well, when the Commission meets
22 with FERC in a public meeting.

23 MR. DYER: The next issue is a new issue. This is the decommissioning
24 funding. This issue refers to NRR's responsibilities to conduct independent
25 analysis of the reactor decommissioning trust funds that are required to be

1 submitted in accordance with 10 CFR 50.75.

2 As far as the development of this, last year in June, we issued an office
3 procedure, LIC 205, concerning the procedure for independent analysis of the
4 decommissioning funds. This was the initial issue of this procedure,
5 where, in the past, we had used less formal worksheets that were controlled at a
6 lower level.

7 Additionally, the decommissioning funding reports that we received in
8 early 2005, which were for the date December 31, 2004, the reports are currently
9 under review, and we plan to issue a Commission paper later this month that will
10 summarize our findings in that area.

11 One of the challenges that we have had in this area, though, however,
12 was a recent OIG audit report that the issue concerning this area on February 6th
13 of this year. It was based on a review of the decommissioning funding reports for
14 December 31, 2002, the period ending December 31, 2002, which was the last
15 review that we had done.

16 It identified four findings concerning investment restrictions, requiring
17 trustees to file financial reports in lieu of NRC licensees, and developing a new
18 formula for calculating the required funding and for decommissioning.
19 It also identified, rightly so, that two of the audit findings from 2000 had not gotten
20 transferred or updated into our 2005 procedure.

21 The audit report concluded as a result of this that \$23 billion in
22 decommissioning funds were at risk, and there were increase vulnerabilities of
23 funding shortfalls and adverse impacts on the reliability of NRR assessments
24 because of these findings.

25 We're working on dealing with the individual issues in that, and we are

1 preparing a response to the OIG on the individual findings. We accepted them at
2 the exit.

3 But I want to make sure the Commission knows the staff does not
4 consider the program to be at risk, particularly when you consider the new
5 information that we have been reviewing concerning the more recent 2005
6 decommissioning funding submittals. And since 2002, the number of license
7 renewals has increased from 2 to 39, as I said earlier. And we have 12 additional
8 plants under review.

9 Additionally, now, based on the 2005 work that we have done, we believe
10 the industry has about \$31 billion in their trust funds of a required \$41 billion, or
11 about 75% of the funding is available. So at the current time, we believe we have
12 more funds available than we did back in December. And because of license
13 renewal, the industry has more time to collect the funds. So we do not think this
14 program is at risk. As I said earlier, we are preparing a response to the OIG audit
15 report to address these findings.

16 Procedure LIC 205 will be updated as soon as we complete the 2005
17 reviews to capture not only the bringing back of the two audit findings that we
18 missed when we initially did it, but as well as our lessons learned from its initial
19 use during the 2005 reviews.

20 In 2008, when we do have more returns from some of the
21 decommissioning projects, we plan to review what the actual cost returns are to
22 reflect on whether or not we have the right formula and address the IG issue.

23 Two of the recommendations the IG made were policy issues concerning
24 trustee reporting and the investment restrictions. The staff intends to issue a
25 proposal to the Commission, a resolution of those issues in the near future.

1 The last issue I'll talk about is radioactive contamination controls. This
2 has to do with the recent issues of tritium contamination reported at a number of
3 nuclear power plants. For years, we have had a program for monitoring and
4 following up on radioactive spills onsite. Our requirements require that the
5 licensees have numerous sample points in wells on their site to look for the
6 contamination.

7 However, recently several sites have identified radiological releases that
8 were not properly mitigated. In a few cases, this caused tritium plumes to migrate
9 off site.

10 In many cases, the material that migrated off site was intended for
11 discharge. However, because of leaks in the piping, it ended up being discharged
12 and diverted from its intended release point, and that is an issue.

13 In a few cases, there have been radioactive material leaked from
14 underground pipings, undetected by the licensees, or spent fuel pool liner leaks,
15 where the radioactive material is contained.

16 In all the cases identified to date, the offsite releases have been very
17 minimal, not a safety concern.

18 However, they are public confidence issues, as we discussed -- as you
19 had discussed at the Senate hearings last week.

20 The office of NRR is working with the Regions and the office of NMSS and
21 other offices to ensure that licensees are complying with our existing regulations
22 and make the appropriate notifications upon discovery of leaks or inappropriate
23 releases.

24 The EDO has recently chartered a lessons-learned team with an NRR
25 lead to review our oversight and the adequacy of our regulations and inspections

1 in this area.

2 NRR will provide the Commission -- NRC staff will provide the
3 Commission certainly the results of this lessons-learned review team, and we'll be
4 keeping you informed of any emerging issues in this area.

5 That completes my presentation. At this point, I like to turn it over to Gary
6 Holahan.

7 COMMISSIONER MERRIFIELD: Mr. Chairman, before Jim leaves here,
8 that is an issue that was raised by the Senate Environment and Public Works
9 Committee, and we were all questioned on that last week. I think we all expressed
10 in that meeting our concern about this issue, expressed the sense that we are
11 going to focus on it.

12 I do think one of the issues that the staff also is going to have to focus on
13 is how we communicate about some of these things. I think that is one of the
14 areas where there's a gap in terms of how we explain what these materials are,
15 their impacts, and how we discuss it, I think. We have got some gaps here also
16 that I think need to be filled.

17 CHAIRMAN DIAZ: I do believe we have been addressing this issue, but
18 we can always do a little better.

19 MR. DYER: Yes sir..

20 CHAIRMAN DIAZ: All right.

21 MR. HOLAHAN: Good morning. I'm going to discuss the NRR and
22 supporting office activities related to new reactors.

23 Can I have slide number 6, please?

24 This presents the currently identified two design certifications, one early
25 site permit and 11 combined license activities over the next few years. And, of

1 course, as you have heard alluded to this morning, we are expecting additional
2 announcements in the near future. We are prepared to work those into our model
3 for planning and budgeting for the future.

4 These activities are in addition to the ongoing three early site permit
5 reviews, which are in their later stages. These are also in addition to the pre-
6 application activities for non-light water reactors, for which the Office of Research
7 has the lead, and that's a continuing activity.

8 We also have, as I will discuss a little later, the new reactor infrastructure
9 activities, which are being conducted in parallel with these.

10 What I'm going to do is, I'm going to discuss three broad strategies for
11 addressing this workload and three infrastructure improvements that we have
12 underway.

13 Can I have slide number 7, please?

14 The three strategies we're talking about are the design-centered
15 approach, an optimization of the review processes, and integration of efforts
16 among the offices.

17 With respect to the design-centered approach, in effect what the staff is
18 doing is, we've considered an implementation of the Commissioner policy on
19 standardization from 1987, encouraging licensees to standardize their designs and
20 their applications.

21 The staff's approach in addressing these reviews would be to use one
22 technical review for each technical design area and to use that information to
23 support multiple applications. So a given technical review would be used in the
24 design certification, and also in each of two, three, or more combined operating
25 license applications.

1 Such an approach requires the applicants to organize themselves in such
2 a way that there is standardization on their end of this process. The applications
3 and the designs need to be standardized in order for the NRC to implement this
4 design-centered approach.

5 We have had a number of discussions with the potential applicants, and
6 we see this as a viable approach, and they see it as a viable approach on their
7 end as well.

8 There are a number of key benefits associated with the design-centered
9 approach and standardization in general.

10 It helps focus staff and the industry resources on the most important
11 technical issues. Resources are not divided among a dozen issues. It can be
12 focused on a smaller number of issues. There can be consistency in the design
13 and how those designs are implemented.

14 This should also facilitate the inspection process and the ITAAC process,
15 which is a very important part of the new reactor licensing activities. In the longer
16 run, it will facilitate learning from operational experience that would ultimately be
17 directly applicable among a larger number of units rather than one specific issue at
18 a time.

19 It should also enhance our ability to deal with safety issues, both during
20 the review and during any operational stages.

21 A second strategy, which is actually a collection of approaches, we call it
22 optimizing the review process. Certainly one of those elements is the ongoing
23 rulemaking activity on Part 52, to clarify Part 52, and to make some improvements.
24 I will note that the rule went out for comment earlier this week. We had a full-day
25 workshop on the 14th, two days ago. It seemed to be very productive and well

1 attended. A lot of constructive information was provided.

2 The staff has promised the Commission that it would deliver that proposed
3 final rule by October of this year. We very much intend to do that. We are looking
4 at the scope and activities involved in that. If necessary, the staff may cut back on
5 the scope of what was originally proposed in order to meet the schedule.

6 We have every intention of identifying the most important issues and
7 bringing them to the Commissions' attention. At this point, we don't know that we
8 can do all the proposed activities in the rule. But we want to let the Commission
9 know that our intent is to meet the schedule, even if it does mean not dealing with
10 every one of the issues that is in the proposed rule.

11 A second important element to optimizing the process is infrastructure
12 development, both the hiring of people, which Cindi Carpenter will discuss later,
13 and training, and the tools available and the process improvements available to
14 the people who need to do these reviews.

15 I will discuss the Standard Review Plan and other activities a little further.
16 An additional item, as part of our approach to optimizing the review process, is an
17 additional detailed planning and the use of pre-application activities. We have
18 already developed rather sophisticated models of the ESBWR, the ongoing design
19 certification review.

20 The reviews are down to the level of literally -- the reviews are broken into
21 thousands of elements so that each Standard Review Plan section that gets
22 reviewed and every stage of that review is laid out in an integrated plan.

23 We now have a general model, which includes all of the 11 currently
24 identified combined license activities.

25 We can generate budget demands and information needed to support the

1 activities.

2 This is used to have discussions among the technical staff to make sure
3 that the right resources are identified early on so we know what kind of technical
4 reviews need to be done, at which stage, and what kind of qualified staff needs to
5 be available to do those.

6 One thing we're working on is using the concept of pre-application
7 reviews, which has been done for design certifications and for combined licenses.
8 We want to take that also into the environmental area so that the early site permits
9 can get an early start in identifying issues so that we have time to deal with them
10 and we're not stuck on critical path items and causing difficulties in the review
11 process.

12 So both citing and environmental areas. We're looking for areas in which
13 we can preserve and maybe even enhance the quality of the reviews and deal with
14 timeliness of the issues by thinking it through on the front end.

15 Another thing we have introduced and I think the Commission has seen
16 some examples of is additional accountability for quality and timeliness, both on
17 the staff's part and on the applicants' parts. Examples include the General Electric
18 ESBWR was not accepted on its first application. Our original review identified
19 areas, which meant that it wasn't suitable for the staff to docket that for review.

20 We turned it back to General Electric. I think that was a very useful
21 process. They did address the issues that we raised. They came back with an
22 improved product, which will make it easier to complete our review, a more
23 effective review, and in a more timely basis.

24 We will continue to do these kinds of acceptance reviews. Before we
25 accept something on the docket, we will look at it very carefully because when we

1 accept it, we are making a commitment to review those documents to a committed
2 schedule.

3 We recognize and we are prepared to provide early management attention
4 when issues are identified and need to be dealt with. We want to encourage the
5 staff, and we're prepared to deal with issues early in the process and make
6 decisions.

7 I'm going to go on -- actually, I turn my page, but you don't turn yours.

8 The third strategy involves strengthening integration among offices. This is a very
9 important element. New reactor activities are not just NRR activities. The Office of
10 Research and NSIR are directly involved in the review process, plus there is
11 substantial support from the Office of the General Counsel, certainly the Chief
12 Financial Officer. We can't do these things without an appropriate budget. Human
13 Resources plays a very important role, both in the training and hiring of staff,
14 which is an important element of getting to where we need to be.

15 I think we heard it earlier this morning that there are office space issues,
16 and we're working closely with the Office of Administration on that point. It's also
17 clear that the staff will need not only to increase internal staff, but will need to use
18 contractors, commercial contractors, national laboratories, and small business.
19 We're working closely with Office of Administration as well as the Small Business
20 and Civil Rights Office to support those activities.

21 Congressional Affairs, OPA, certainly information technology and
22 information management are key issues, and we're working with those
23 stakeholders as well. The Office of International Programs is coordinating our
24 activities with Finland and France to enhance our design certification reviews
25 under EPR. If I left anybody out, we're working with the rest of the NRC to support
26 them as well.

1 (Laughter.)

2 MR. HOLAHAN: And the Commission offices, no doubt.

3 Can I now go on to view graph number 8?

4 There are three key infrastructure activities that we're focusing on:

5 Standard Review Plan update, which has been an issue before the Commission a
6 number of times.

7 I think we should recognize Commissioner Jaczko's initiative to push that
8 last year.

9 It's an issue that the staff has known for decades that it ought to get
10 around to dealing with the Standard Review Plan and keeping it up to date. It's
11 always been sort of on the back burner.

12 There have been improvements made over the years, but the concerted
13 effort to get them all done on a timely basis was something that was lacking, and
14 this is an important time to do it.

15 The construction inspection program is something that's under
16 development, and I'll discuss that as well as the combined operating license
17 regulatory guidance. I would like to cover that issue first because in some ways, in
18 effect, it's more important than the Standard Review Plan.

19 They're both important, but in terms of timeliness, it's more important that
20 Part 52, the actual rules, and that the guidance on how to do those rules are in
21 place.

22 The combined operating license activities, we do have a draft, a
23 Regulatory Guide or Draft Guide 1145. We intend to put it out in June for public
24 comment. We intend to have four workshops on that activity. We know it's crucial
25 that the applicants know what's expected of staff.

1 We had a workshop this week, which was a very useful and constructive
2 activity. We intend to have two more workshops before we put it out for public
3 comment and then a workshop during the public comment period.

4 It was mentioned earlier that the NEI has sent us a document, which is
5 their proposal on how such an application would be developed. We are reviewing
6 that activity, and to the extent that it's appropriate and endorsable, we will build a
7 guide that endorses that in part or in full.

8 I would just like to provide a little extra information on the Standard
9 Review Plan. The Standard Review Plan is being done in pieces. There are, in
10 fact, over 250 elements to the Standard Review Plan. Seven of them have been
11 completed. Four of them are out for public comment, and an additional 15 are in
12 the concurrent process.

13 Probably more importantly than the count is the fact that we have
14 identified a prioritization system. We have identified what we call Category 1, 2
15 and 3.

16 Category 1 Standard Review Plans are the most important at this time
17 because they deal with new and different elements that are important to the new
18 reactor process. The ITAAC process is an example. The Standard Review Plan
19 on the ITAAC is one of the ones we're focusing on.

20 The second category is the broad collection of technical Standard Review
21 Plans. These are the same ones that have already been used in the design
22 certifications for the four designs that we have approved. So they are in a usable
23 condition, but they are not consolidated in such a way as to facilitate technology
24 transfer and information and training for our oncoming staff.

25 So it's important to do, but it's not as critical as the ones that are going to

1 be used for the first time.

2 The third category is, those that are not needed in the new reactor
3 licensing process. But we recognize the importance of using this opportunity to
4 getting those completed as well.

5 The first category is scheduled to be completed by December of '07. We
6 would really desire to get it done well in advance of December of '07. We are
7 looking at opportunities to do that. We think it will help us, and it will facilitate
8 applications if that's achieved. That's what we intend to do.

9 The Office of Research is working on the companion regulatory guides
10 where it's appropriate to go along with those Standard Review Plans. Early on, we
11 identified 14 specific regulatory guides that ought to be enhanced. We're now
12 going to a second round, and we think that an additional number will be identified.

13 COMMISSIONER MERRIFIELD: Clarification, Gary. Do you have a
14 breakdown of how many fall into the three bins?

15 MR. HOLAHAN: Yes.

16 COMMISSIONER MERRIFIELD: Generally, or you can always provide
17 that to the Commission? But I didn't know if you knew that.

18 MR. HOLAHAN: I believe it's addressed in the January 31st Commission
19 paper. I think about 20% of the Standard Review Plans are in Category 1, about
20 65% are in the second category, and the remainder in the third category.

21 COMMISSIONER MERRIFIELD: Okay. Thank you.

22 COMMISSIONER MCGAFFIGAN: Can I ask a clarifying question? On 14
23 of the Reg Guides, how many of those are Reg Guides associated with Category 1
24 or 2 issues? I mean, the Reg Guide flows from -- you write a section and say we
25 need more. Of the 14 plus, how many are likely to be associated with Category 1

1 issues, and how many Category 2?

2 MR. HOLAHAN: I don't have that information, but I think we can develop
3 it.

4 COMMISSIONER MCGAFFIGAN: Do you have any sense of when
5 Research is going to be able to deliver the products?

6 I mean, if you have a Reg Guide associated with something that is
7 supposed to be – and the SRP is finished in December of 2007, will the Reg Guide
8 be finished in 2007?

9 MR. HOLAHAN: We are in the process of working with the Office of
10 Research and our technical staff to work that out. I think what you will see
11 ultimately is, the number won't be 14.

12 COMMISSIONER MCGAFFIGAN: It will be more.

13 MR. HOLAHAN: It will be more. It will probably be more like 50, and the
14 prioritization and schedules, the Reg Guides and the Standard Review Plans, are
15 pretty much in lockstep both on technical content and on timing.

16 MR. REYES: We have allocated a budget to do that, and we have already
17 started working on them. But what we haven't done is what Gary is talking about,
18 and now we are going to link both the Research effort and NRR effort to make
19 sure that the total number of work is scoped out, prioritized, and then see if there
20 is an additional budget requirement to do that.

21 COMMISSIONER MERRIFIELD: Mr. Chairman, I would recognize that
22 we had a paper before, which it wouldn't be the first paper that I hadn't necessarily
23 reviewed prior to this meeting. There may be some utility, given the different
24 areas that you have focused on today, with the two offices, with having been --
25 there may be some utility in having a TA briefing for our staff just to walk them

1 through: here is what we seen now, here is what we see going, and here where it
2 may be a year from now. Something along those lines.

3 MR. HOLAHAN: We certainly would be willing to do such a thing.

4 COMMISSIONER MCGAFFIGAN: Mr. Chairman, it just sounds to me --
5 and I don't know where this is in budgeting space, but it sounds to me like there
6 has to be unanticipated work for the Office of Research in all of this, and we're
7 going to have to deal with that. Maybe there is a mid-year before us. The sooner
8 the better, probably.

9 CHAIRMAN DIAZ: I think we have many unanticipated activities going on,
10 which are going to have to become anticipated very soon. Thank you.

11 MR. HOLAHAN: Yes, sir.

12 Can I viewgraph number 10, please, on the construction inspection
13 program? Thank you.

14 The staff has been developing a construction inspection program. In fact,
15 it's been an ongoing activity for a number of years. The ESP, early site permit,
16 inspection procedures were, in fact, developed and issued back in May of 2003.
17 Additional activities to develop inspection procedures, both for pre-licensing
18 activities, for those specifically associated with ITAAC, inspection analysis,
19 inspection testing analysis, acceptance criteria, something like that.

20 COMMISSION MERRIFIELD: There's an acronym list on page 2 if you
21 need it.

22

23 MR. HOLAHAN: I'm trying to avoid the use of acronyms, but I was
24 verifying the -- the ITAAC procedures are central to Part 52. But they are not the
25 bulk of the inspection activities that the staff will undertake. So there's both a set

1 of ITAAC procedures and a set of what we call non-ITAAC procedures that are
2 under development.

3 In the background information, I'm afraid I told you that some of those
4 were done in February. The fact is, they are going out the door now, so they really
5 ought to be identified as March achievements, not February achievements.

6 But there are additional supporting procedures, 26 supporting procedures
7 for the ITAAC inspection activities, which we are planning on issuing by January of
8 '07, and 150 supporting procedures for the non-ITAAC activities. Those should
9 be available by January of '08.

10 The Commission has in front of it a construction inspection paper. There
11 are a number of aspects to the construction inspection program, not only the
12 procedures in the development of the program, but also the training and hiring of
13 staff, and their location, and their roles and responsibilities.

14 We are engaged in using commercial courses where available for training,
15 and developing the construction inspection qualification program, which we expect
16 to do by the end of this year. We're on schedule to provide the Commission with a
17 -- an April paper on the overall construction inspection program.

18 I think I should turn it over to Cindi Carpenter to address HR issues.

19 MS. CARPENTER: Thank you, Gary.

20 On Slide 11, I would like to talk about the hiring, the training, and the
21 knowledge management initiatives that we have ongoing.

22 To meet the projected new reactor workload, our office is experiencing the
23 largest growth in this agency. We're working very aggressively to meet the
24 demands and challenges that are required for the recruiting, the hiring, and the
25 training of new engineers, scientists and the support staff that we need.

1 We're working closely with the Offices of Human Resources, the Office of
2 Administration, and the Office of Information Services to ensure that we're
3 coordinating in each of these areas.

4 To address the staffing and the hiring challenges, Senior Office of Nuclear
5 Reactor Regulation Managers meet each month, sometimes bimonthly, in order to
6 develop strategies for meeting our human capital needs. These meetings
7 continue to be very successful in ensuring that we are staying on track to meet our
8 workload demands.

9 In the recruitment area, to meet the challenge of hiring such a large
10 number of staff, we have streamlined the processes and decreased the time it
11 takes to bring new staff on board. We have a dedicated team in the office to bring
12 on new staff, and it's been instrumental in identifying potential candidates and
13 coordinating the interviews with key internal stakeholders.

14 Through our recruitment efforts, we have also had opportunities to refer
15 candidates to other offices when we find that there is a better match for their skills
16 in the other offices' needs. In preparing for the specialized skills and the
17 disciplines we need for the new reactors, we have significantly increased and
18 enhanced our recruitment activities. We participate in professional society
19 conferences and career fairs, we're placing ads in trade journals and related
20 websites, and are taking part in agency-sponsored recruitment fairs.

21 We also keep abreast of the job market, targeting advertising in areas
22 where we hear that there are job cutbacks underway, and various companies and
23 facilities with the skill sets that we might need. We're also utilizing hiring flexibility,
24 such as relocation and recruitment incentives.

25 We also recognize the significant challenge that the large influx of
26 employees will have, not only on our office, but also on the agency. So we have
27 accomplished a number of activities in an effort to bring new staff into the office as

1 efficiently as we possibly can.

2 We developed a new employee training and orientation guide to help
3 assist the staff in identifying new employees' administrative and what their training
4 needs are, and we're also conducting new employee orientation sessions to help
5 acquaint them with the basic regulatory policies and processes to help them
6 become effective regulators.

7 We have received positive feedback on these, and we're are also actively
8 continuing to look for other ways to improve our process and to bring the new staff
9 on board.

10 In our implementation of the Nuclear Safety Professional Development
11 Program, this has been very successful. We have participated in
12 agency-sponsored recruitment, we've targeted universities with a history of
13 graduating typically strong, diverse candidates, and we continue to have strong
14 participation by our managers and our staff in these recruiting events.

15 Our recruiting in this area has been so successful that we have expanded
16 the size of the incoming class from 14 participants to 28. At this point in time, we
17 have 31 acceptances and we're projecting a class of 32.

18 To better prepare our Nuclear Safety Professional Development Program
19 participants so that they can have a successful career here at the NRC, we have
20 developed and implemented an office instruction that more plainly defines what
21 our training expectations are. We have these individuals complete additional
22 developmental activities during their rotations to help to prepare them to become
23 significant contributors to our mission.

24 In addition to the generic new employee orientation training, we are also
25 working to address knowledge transfer issues with the new staff. So we are

1 continuing to develop qualification plans and other position-specific training
2 courses and activities.

3 We currently have a qualifications program in place for our project
4 managers, and we're developing qualifications for both our technical and
5 administrative staff as well.

6 For knowledge management, we also recognize not only a need to face
7 the demands of the training of a substantial number of new employee, we are
8 concerned with the loss of existing expertise in the office due to retirement, which
9 could pose a challenge to the office in the future.

10 To support our needs in this area, we have a couple of activities underway
11 to help us maintain a strong and productive workforce. We work with the Office of
12 Human Resources to expand the use and the capabilities of the strategic
13 workforce planning tool. We use it to prioritize our external training, professional
14 development activities, and succession planning to assist us in maintaining the
15 right knowledge and skills that we need to fulfill our mission.

16 We developed a staff and critical skills matrix to assist our first-line
17 supervisors in recognizing and assessing their employees' levels of expertise and
18 skill and knowledge areas that have been determined to be mission critical for their
19 branches and to use that to hire and to train the additional staff.

20 We're also using technology in our effort for knowledge management
21 initiatives, such as the development and use of on-line information forms. One
22 success is the operating experience form. We continue to develop handbooks,
23 training guides, and other means to transfer knowledge.

24 We recognize, though, that we need to have an integrated, strategic
25 approach to our knowledge transfer process. So in our office, we have

1 established an Internal Knowledge Management Task Force, developed an overall
2 process for transferring best practices, review guidance, lessons learned, and
3 valuable knowledge from our subject matter experts.

4 So we think we're being very proactive and aggressive in responding to
5 our hiring, our training, and our knowledge management challenges, and the
6 needs of the office.

7 We recognize we have a lot more work to do, but we continue to seek
8 ways to improve as we move forward.

9 I'll turn this back to Jim.

10 MR. DYER: Thank you, Cindi.

11 Can I have slide 12, please?

12 I'd just like to summarize and reiterate some of the comments made
13 earlier by the Commission and the EDO. We are focused on maintaining safety or
14 enhancing safety as our highest priority. That's where we're focused. In support
15 to the regions some of the operating issues that I spoke of earlier in my
16 presentation is the way we're looking at doing it.

17 We have challenges, though. I think the way to do that is to continue our
18 organizational reviews and look at our strategies to try to remain anticipatory in our
19 preparations for the expanded growth that we expect due to the new reactor
20 licensing.

21 That is quite a challenge. We have a very uncertain demand, and it
22 continues to change, and always in the increasing direction as of lately. So I think
23 we're learning how to manage in this continually changing environment. The more
24 I think I'm anticipating, the next thing I know I'm behind. So I think we have done a
25 good job of hiring and training the folks that are getting on board, but it remains a

1 very significant challenge.

2 With that, I'll turn it back to Luis.

3 MR. REYES: That concludes our prepared remarks, and we're available
4 for questions.

5 CHAIRMAN DIAZ: Thank you very much. That was comprehensive.
6 With that, Commissioner Merrifield?

7 COMMISSIONER MERRIFIELD: Thank you, Mr. Chairman.

8 I have got a variety of areas I want to cover, so I'm going to try to have succinct
9 questions, and hopefully we can get succinct answers.

10 One of the issues that has arisen recently is in regard to some of the
11 generic communications, generic letters that we are using. My sense is that this is
12 part of our standard regulatory process. But I think some are concerned as to
13 perhaps a potential increase in those more recently and an accusation that we
14 may be attempting to use those as a backdoor way of increasing our regulatory
15 requirements. So I'm wondering if you can briefly touch on your response to that
16 accusation.

17 MR. DYER: Commissioner, just briefly, in generic letters, they go through
18 a back-fit review. And in some cases, as in the case of GSI-191, when we did our
19 review, it was to reestablish the licensing basis. I don't know if Brian has any --

20 MR. SHERON: When we issue a generic letter, it's a request for
21 information, usually under 50.54(f). It doesn't impose any new requirements it
22 requests information. Most of the time, it basically asks licensees whether they still
23 believe they are in compliance with the regulations based on some new
24 information that we have received.

25 Licensees typically read into that that we are asking them to change

1 something. But we're not. We usually give them an option that says either tell me
2 why you still think you comply with the regulations in light of this new information
3 or tell me what action you intend to take.

4 Most of the time, licensees will take an action. A lot of times we will
5 describe what we would find as an acceptable response. But there is no
6 obligation.

7 COMMISSIONER MERRIFIELD: Yes. I think one of the issues is that we
8 have had quite a few of these lately. I think there may be some concern about,
9 does that signal some change. Actually, I don't think it does. But I just wanted to
10 lay that on the table, that that is a concern out there.

11 MR. HOLAHAN: Commissioner, may I add to your --

12 COMMISSIONER MERRIFIELD: No.

13 On the issue of safety culture, I think the staff has made a lot of progress
14 in that regard. One of the issues and one of the things that this involves is the
15 analysis of crosscutting issues and using that as a tool in the safety culture area.
16 A concern that has been raised to me is that there is some variation in terms of the
17 way that our Regions are implementing cross-cutting issues, with some Regions
18 having many more than others. I'm wondering if you can address how we're going
19 to inject some degree of consistency in that.

20 MR. DYER: This is one of the areas that the Regions are benchmarking
21 each other, and it's also a topic that we're going to cover in the agency action
22 review meeting, either during the actual AARM or the day-before meeting, when
23 we meet with the Regional Administrators. So I think we'll have more information
24 for you at the AARM Commission meeting.

25 MR. REYES: I do want to add something. We changed or clarified the

1 definition in terms of crosscutting, in terms of the entry point and the exit point.
2 The staff needed some guidance. They did that. If you look at the number of
3 letters, of the letters that were issued for the end-of-cycle year, I think you are
4 going to find out that we are really now converging into a place where we are
5 following a very detailed guidance.

6 COMMISSIONER MERRIFIELD: We need to do what we need to do for
7 our safety mission, and we are much better than we used to be in terms of
8 standardization across the Regions. I'm glad you're focusing further in that regard.

9
10 We talked a little bit this morning about the design-centered application
11 process, which I think is -- I'm very supportive of.

12 We talked a little bit about the acceptance review process that we have,
13 which I understand and I'm appreciative of. One of the concerns that gets
14 generated, however, is that, is the NRC creating an atmosphere where we expect
15 a perfect application? I'm wondering if you could address that particular issue.

16 MR. HOLAHAN: I'd be glad to, because I have heard some comments to
17 that effect at the Regulatory Information Conference.

18 We do expect high quality. It's important in our review. It's important to the
19 applicants themselves. It's important that the public even understand what it is
20 that's being put on our plate.

21 But our acceptance review is not meant to say, this application is so
22 perfect that we don't need to review it. It's really only meant to say, is there solid
23 information available to enable a review to take place?

24 Even in the ESBWR, which we turned back and then accepted on the
25 second round, it was not 100% complete. We were able to work out with General

1 Electric that there was additional information that they had to provide at a later
2 stage. So we're trying to be reasonable and practical on these issues.

3 What we don't want to do is to get ourselves started in the review process
4 when the basic quality isn't there for us to make a determination. We don't want to
5 be consulting with the applicant, sending information back and forth, before they
6 have really developed an issue. So there's always a balancing between what you
7 can expect and not. But it's not a perfection standard.

8 COMMISSIONER MERRIFIELD: All right. And I recognize that and
9 support it. Obviously, regulatory predictability is an important criteria for our
10 agency.

11 It's important that we don't keep raising the bar. We need to make it clear
12 to our licensees what the expectations are. They need to put in a quality
13 application. They need to do the work, not us.

14 But, again, I'm a little bit concerned that we not push that too far because,
15 obviously, we can overdo it. That's not regulatory discipline either.

16 Fitness for duty: It's a topic that has been of interest to me. I have raised
17 concerns about the issue group work hours, which I think David Lochbaum and I
18 agree isn't the best of ideas we ever had.

19 Where do we stand in resolving that issue, and are we finding efficiencies
20 in the timing of that program to make sure we can get it through the door, and
21 perhaps quicker than I had been told some months ago?

22 MR. DYER: Commissioner, I think a lot of it will key on whether or not we
23 have got a success path at the workshop at the end of this month. Like I said, the
24 industry, albeit late, came up with a proposal that pointed out some shortfalls.

25 I think we need to come up with some solutions at the end of this month

1 and then look at the regulatory processes we have for re-noticing, and how much
2 of a change we need to make and deal with any other additional public comments.

3 But we are exploring doing just what's required; not going back and
4 starting the process over completely.

5 COMMISSIONER MERRIFIELD: Well, I do think at this point, from my
6 view, we do need to get this one over the finish line. I think the use of workshops
7 makes a lot of sense. We have put them to good use in a couple of different
8 areas, safety culture being one of them.

9 The issue of grid stability is another, where we can come together with
10 interested parties, talk to these issues, and perhaps come to a resolution that
11 works for everyone. So I hope that workshop works in the same way.

12 Thank you, Mr. Chairman.

13 CHAIRMAN DIAZ: Thank you, Commissioner Merrifield.
14 Commissioner Jaczko?

15 COMMISSIONER JACZKO: A couple of questions, talking a little bit
16 about the design-centered approach, and some of the ideas of that. As you may
17 know, I have a memo to my colleagues on the Commission to get a Commission
18 paper to more fully flush out some of these issues.

19 One of the concerns that I have -- and I guess this is something expressed
20 when we had the new reactor licensing meeting -- I'm perhaps not as convinced
21 that everyone will give us applications in the way that we need them to in order for
22 the design-centered approach to work.

23 Or we could get into a situation where we continue to get new applications.

24 I think at some point, we're going to get to a position where either the
25 applications won't be the way we need them, or we'll have too many to handle, no

1 matter how we do it.

2 In that case, I still think we're going to need to have some kind of policy
3 about how we handle that. That's certainly one of the reasons why I think it's
4 important to have a paper to flush out some of those things as we go forward.

5 One of the questions that I have at this point is, back in the most active
6 period of licensing, how many applications was the Commission able to process at
7 that -- probably at the peak? If you don't have that, you can get back to me on
8 that.

9 MR. REYES: It's in Bill Kane's file.

10 MR. KANE: I was there at the time and I participated in it, and there were
11 a large number. But we'll have to get back to you on the details. I don't recall how
12 many at one time.

13 MR. REYES: I do remember, because I was part of it, we had close to ten
14 units doing final construction on pre-operational testing at the same time. So we
15 have handled that workload before.

16 COMMISSIONER JACZKO: What was the staff size like at that time?

17 MR. HOLAHAN: About 500, I would think.

18 MR. SHERON: Yes, it was 500. The agency brought a lot of people in
19 from the National Laboratories at that point, too, to actually physically work here to
20 help with the reviews.

21 MR. REYES: Now, that's without a fleet of 103. So, see, now you have
22 the --

23 COMMISSIONER JACZKO: So that was just dedicated to licensing?

24 MR. REYES: So now you have a fleet of 103 units running, we're
25 concentrated on operational safety. And then you have an equivalent amount of

1 work to license.

2 COMMISSIONER MERRIFIELD: Of course we're a better agency than
3 we used to be too.

4 MR. REYES: We're much better.

5 (Laughter.)

6 COMMISSIONER JACZKO: And the reason I ask, again, is just to make
7 sure that we -- I want to make sure that we're clear about expectations. I mean, I
8 think the design-centered approach, I think, is a good approach.

9 As I say, I think that there are perhaps some areas that would be
10 important for the Commission to look at and make sure that we know how to deal
11 with -- we have good, clear understanding of what standardization is, what all of
12 these various -- what are the thresholds for people to be part of a design-centered
13 approach.

14 If somebody comes in with an application that they want to change part of
15 it, does that allow them to participate in the design-centered approach to the
16 extent that there's common areas? I think ultimately we want to -- and, again, we
17 may nonetheless get to some point where the slope is consistent -- the state is
18 consistent for the number of applications we're receiving. We may continue to see
19 new applications in the next six months.

20 As I said, at some point, we may get to a point where we just cannot
21 handle, even with the design-centered approach, all the applications that will come
22 in. I think we need to -- my personal view is, the Commission needs to have a
23 good discussion about what we do in those kinds of situations.

24 But as I said, I mean, I do think the staff is working hard. As Gary
25 mentioned, I certainly appreciate the work that's going on to deal with the Standard

1 Review Plan update and those kinds of things.

2 I have one question on the issue, Jim, that you talked about with the
3 material spills and these other situations. As I understand, right now in Part 20,
4 we have a provision that deals with some of these things from a decommissioning
5 standpoint that recommends that licensees maintain their facilities in a way that
6 would minimize financial implications for future decommissioning. And it's
7 something that I think the Commission has heard consistently from a lot of
8 different stakeholders.

9 We have heard it at the decommissioning meeting that one of the best
10 ways to deal with decommissioning problems is to clean up spills when they
11 happen. As I understand that provision, 20-14.06 only deals with post-1997
12 license facilities, I think is correct.

13 Does the staff have any plans right now to do a rulemaking or initiate a
14 rulemaking in that area to perhaps try and address some of those things with the
15 existing facilities?

16 MR. DYER: Commissioner, first of all, I'm not aware of the details on that
17 particular rulemaking and when it starts. I would think, as I said earlier, the EDO
18 has chartered a lessons-learned task force. As part of that, we are going to look at
19 the adequacy of our regulations: are they covering all the right people, are the
20 decommissioning aspects really thorough and adequate, are we keeping track of
21 the right stuff, and reviewing that very issue.

22 MR. KANE: It's in the charter.

23 MR. HOLAHAN: And we are thinking about whether new reactors ought
24 to be thinking about this issue before the design goes into place to facilitate early
25 identification of such an issue. We're thinking that through. We don't know exactly

1 where it's going to go.

2 COMMISSIONER JACZKO: and is 20-14.06, would that currently be
3 covered, or is that --

4 MR. HOLAHAN: That, I'm afraid I don't know.

5 CHAIRMAN DIAZ: Thank you, Commissioner.
6 Commissioner Lyons?

7 COMMISSIONER LYONS: First, my compliments to everyone at the
8 table. I thought that was an outstanding and truly comprehensive briefing.

9 Jim, throughout your comments and a number of your colleagues, there
10 was a continuing emphasis on maintaining safety of the operating plants, despite
11 of all the incredible challenges that you're dealing with. I very much appreciate
12 that focus.

13 A question in the organization that you have set up, where you have one
14 division specifically assigned to the new licensing issues. But I'm anticipating that
15 probably most of the other divisions will, in various ways, be contributing to the
16 licensing. I was just curious if you have thought about how you would set up some
17 internal checks and balances to make sure that you maintain the adequate focus
18 on safety in the other divisions that aren't focused on new licensing, even while
19 they are being asked to contribute to the new licensing.

20 MR. DYER: Yes, sir. I think just as a point of clarification. The division
21 we set up for new reactors is really just focused on project management of the
22 new reactor activities. So they are keeping track of the schedules, making sure
23 we have open meetings, and that we're following the appropriate rules and
24 regulations.

25 For instance, although that division is taking a look and manages the

1 schedule for the Standard Review Plan updates, it's Brian's folks and the technical
2 division that do most of the heavy lifting as far as making the technical decisions
3 as to how that plan should be provided.

4 So it's the project management in that group and Brian's technical staff for
5 their assigned chapters within the Standard Review Plan that are providing the
6 technical basis to make sure it's an adequate product.

7 The other thing that we did when we did the reorganization with the three
8 associate directorates. Brian has engineering in systems for the technical group.
9 Gary has the new reactors and those areas we're really looking at changing, the
10 rapid change areas, PRA, risk-informed regulation, and then our rulemaking and
11 policy development divisions.

12 So he's sort of focuses -- Bruce Boger is focused on operating reactors,
13 the license renewal, operator licensing, and then the Regional support aspects of
14 it.

15 So as NRR continues to expand, my capabilities on that span of control,
16 one person, at least my person, can't keep that span of control.

17 So what we have done is break it up and assign the associate directors as
18 extensions of the office director, responsibilities for key areas. I think they are
19 good, synergistic efforts within the office's responsibilities.

20 COMMISSIONER LYONS: I appreciate that answer, and I appreciate the
21 challenges that you are undertaking. Certainly continuing to focus on safety is
22 paramount.

23 MR. KANE: There's also the cross office coordination, which is important
24 as well with NSIR, relative to emergency preparedness and security issues.

25 COMMISSIONER LYONS: Jim, you talked and, Cindi, you talked about

1 some of the challenges involved in bringing on new staff and getting them up to
2 speed as quickly as possible.

3 In your comments, Cindi, you referred to developing, I think the word was
4 "qualification standards" for the program managers, which I think is outstanding
5 and very important. You also referenced the intent to work towards the
6 development of such standards for other personnel as they come on board.

7 I'm just imagining that's going to be a rather substantial challenge for the
8 diversity of technical talent that you're bringing on. I'm just curious of how far you
9 are in this process and if you're thinking ahead towards some of the challenges
10 that you are going to face with a broader diversity of staff.

11 MS. CARPENTER: We actually have qualification plans in place for the
12 operating reactor project managers, and I think for license renewal also. For the
13 technical staff, they actually have qualification plans in draft form, and they are
14 actually meeting today to form working groups. They are putting into place an
15 overall infrastructure.

16 There are certain elements that are common to all project managers, and
17 it doesn't matter what they are doing. Then we are going to bring that on down.

18 The technical staff, the same way. There's a certain framework of
19 information that they all need to have, how to do requests for additional
20 information, their part of a notice of enforcement discretion. So that's the common
21 piece that we are developing.

22 They also have brought it down to each branch. The branches are going
23 to focus on their part of the Standard Review Plan. The branch chief knows where
24 his critical skills are. So what are the pieces of information that his specific staff
25 need to have and to know?

1 I understand it's in draft form, and our projection is to have these
2 qualification plans in place in about six months.

3 COMMISSIONER LYONS: Just a comment in the last few seconds.

4 I appreciated Gary's comment and Jim's comments about the need to
5 coordinate across the agency. We have heard that certainly from NSIR. We have
6 heard that from Carl Paperiello in Research. I would encourage you to, indeed, do
7 that coordination across the agency, and particularly with Research, as Carl has
8 stressed recently, to make sure that we are bringing them in early and trying to
9 help them identify challenges that are going to be forthcoming.

10 CHAIRMAN DIAZ: Thank you, Commissioner Lyons.

11 As you've probably noticed, I am only a partial shadow of myself. That has to
12 suffice for today. So I'll save my strength and, instead of asking too many
13 questions, concentrate on what I think is one of the key issues.

14 First, I started a moment ago saying, thank you for the comprehensive
15 meeting. I really should have said that I thank you for the comprehensive
16 management that you are effecting in NRR across the board.

17 I see it firsthand. I think the Commission sees it firsthand. That's what the
18 Commission charges you to do. In other words, the actual management activities
19 of the agency is delegated to the EDO by law, and the Commission takes strong
20 oversight over the activities that the EDO and all the offices do.

21 I am very, very pleased with the way NRR manages aggressively, not only
22 what is on your plate, but what is coming ahead. I am definitely gratified that you
23 are looking at problems ahead, and you're finding the management solutions that
24 need to be put in place to effect the programs that are being put in our agency.
25 And you're managing those with the direction and the policy that the Commission

1 sets in many, many ways, including the budget.

2 I think it is critically important that you continue to aggressively manage
3 what is on your plate because you are the ones that receive the information.
4 You are the ones that deal with the people. So I continue to look forward to your
5 aggressive management techniques, to finding solutions to problems, to keeping
6 the Commission informed.

7 If there are policy issues, you need to bring them up. If there are
8 management issues, you need to carry them away because things will not wait.
9 Issues will keep going forward. They will keep moving ahead.

10 The agency has the tremendous responsibility of maintaining this balance
11 that makes this agency the great agency that it is. We have clear divisions of
12 responsibilities. You have yours. We are going to hold you accountable. The
13 Commission will hold me accountable for what you are discharging. I think that's
14 the right way of doing things.

15 I think that if I take a look back at the last few years and where we are
16 today, I can tell you that there are many things that are obvious, and there are
17 many things the are not obvious. But the management is there. You're managing
18 with accountability. You are keeping track of the issues, and are coming with
19 solutions. That's precisely what you get paid the big bucks for.

20 I don't have any questions. I am pleased with what we have heard. I
21 would like to go ahead and start the next Commissioner in line.

22 COMMISSIONER MCGAFFIGAN: I thought you were going to say, the
23 next round.

24 (Laughter.)

25 COMMISSIONER MCGAFFIGAN: I thought you said the next round.

1 Thank you, Mr. Chairman.

2 I'm going to run through several issues and, like Commissioner Merrifield,
3 hope for quick answers.

4 You mentioned streamlining the rulemaking process, and I want to put in a
5 plug for whatever streamlining you mentioned, doing it without hurting public
6 participation.

7 I think the biggest thing you can do in that area is to be more transparent. I
8 think going into closed rooms for long periods of time and then writing 550 pages
9 or whatever number of pages you're going to write and then popping it out is not
10 the way to do things.

11 The stakeholders said that at the Reg Info Conference at the rulemaking
12 session. I think we're falling back into pre-decisional nonsense in protecting
13 information, too many papers coming to the Commission, marked "Commission
14 sensitive," and there isn't a sensitive thing in them. And not just from your office.

15 I think we are taking a step backward in terms of trying to do some of
16 these public activities -- rulemaking is fundamentally a public activity. So I'm just
17 making a recommendation to you. That doesn't mean everywhere.

18 I mean, I think the direct final rule, I think I could have written myself that
19 would solve the spent fuel criticality issue. I hope that is on our desks very shortly.
20 I hope you're not thinking you have to do a rulemaking plan and all that. You have
21 got lots of public discussion of that beforehand, and there is a way to get that
22 solved really quickly so you don't have to deal with a lot of license amendments
23 and exemptions.

24 MR. HOLAHAN: Commissioner, may I?

25 COMMISSIONER MCGAFFIGAN: Yes, quickly.

1 MR. HOLAHAN: I am responsible in this organization for rulemaking and
2 the rulemaking processes. I have initiated staff activities to make those
3 enhancements. My goal is to make those enhancements by increasing and
4 enhancing public participation, not in spite of it.

5 COMMISSIONER MCGAFFIGAN: Well, I hope that's the way it goes.

6 The second issues, decommissioning funding assurance. I'm glad you
7 said what you said today, Jim, I was deeply disappointed that there wasn't a staff
8 response to the IG when the report came out that said what you said today. There
9 isn't \$23.2 billion at risk. You're dealing with outdated information, and the bases
10 for some of your recommendation is just wrong, although we'll bring them to the
11 Commission to get them to tell you you're wrong, too.

12 That would have been a perfectly fine response, and I hope next time you
13 have an IG report with a headline like \$23.2 billion at risk. You take the time, even
14 though you can sort of agree to some of their minor recommendations, that you
15 refute the fundamental headline in a staff paper. As I said, I'm glad you did it
16 today. I look forward to the staff paper telling us that the IG is wrong on its policy
17 recommendations, and you can probably count on my vote for that paper if that's
18 what it says. And there's a strong indication that's what it will say.

19 COMMISSIONER LYONS: Just a comment: that I very much agree with
20 your comments on that IG report. The use of what I would say is sensationalistic
21 language in that report, as you just indicated, I thought was very unfortunate.

22 COMMISSIONER MCGAFFIGAN: We have \$300 million per reactor set
23 aside as of today, and we have, because almost everybody is going for license
24 renewal, vastly longer periods of time to accrue the remaining quarter of the
25 money that we currently believe is necessary. And we have plenty of time to look

1 at whether our current model, which projects about \$400 million per reactor for
2 clean-up, is on the money, or whether we have to increase it.

3 So the notion that there is a problem here and that we have to grow a
4 green eyeshade division, when what we're trying to do in the licensing of advanced
5 reactors is just not my idea as to good quality recommendations.

6 COMMISSIONER MERRIFIELD: And you can use some of the time,
7 Chairman, that you gave back.

8 As you all know, decommissioning is one that I spend a lot of time on
9 since I came to the Commission, and I would want to agree. I think that the choice
10 of that particular title was unfair. I think, overall, as the staff has explained, that
11 program is sound. There are improvements that can be made. I think we need to
12 assess –there are some good recommendations the IG has made, and we need to
13 put those into our process.

14 But that headline leaves a fundamental misunderstanding really of what's
15 going on, and I agree.

16 CHAIRMAN DIAZ: In my terms, it was an unwarranted conclusion.

17 COMMISSIONER MCGAFFIGAN: Turning to advanced reactor stuff, I'm
18 just going to make a quick series of quick points.

19 The web page, I think you need to get the web page for advanced reactors
20 up to the level where license renewal is today. And I think that's going to be hard
21 because you have got so many things underway. I'm looking for links to every
22 darn Reg Guide and every darn Standard Review Plan chapter and what the
23 current status is. But if you get that web page up there, speaking as one
24 Commissioner, I would say a lot of these informational papers you give us wouldn't
25 have to be given to us.

26 You give us policy papers, but if a Commissioner wants to check what the

1 current status of something is, he can click a couple of times and find it. So I
2 would urge you to do that.

3 MR. HOLAHAN: Yes, sir.

4 COMMISSIONER MCGAFFIGAN: Secondly, I would urge you to take a
5 look at the recent SRM, which you might not normally look at, that the Commission
6 put out that suggested the Center for Nuclear Waste Regulatory Analysis could
7 have a larger role, and we are willing to look at various options to give them a
8 larger role.

9 I think they could be very valuable to you in EIS space, but we have to do
10 some things under OMB guidance in order for that to be possible. But they have
11 capabilities that, perhaps, you all aren't totally familiar with because they work
12 more with NMSS.

13 MR. HOLAHAN: We have met with them.

14 COMMISSIONER MERRIFIELD: I would agree with that characterization
15 about the Center. I think they are a valuable resource and one that you should tap
16 into. I would want to footnote, however, the previous comment.

17 I am in full support of enhancing the use of our website in this area. I
18 certainly, however, would not want the staff at some future point, in response to a
19 question about an issue, to be told that, well, it was on our website, and we have
20 provided you that information. That would certainly not be an outcome that --

21 COMMISSIONER MCGAFFIGAN: I'll finish my time, even though I have
22 shared it a little here, and I'll go to the second round. But I would point out that in
23 the license renewal area, where we have that excellent web page, we don't tend to
24 bug you with a lot of questions. And I do use it. So we'll see. We'll see where we
25 are.

1 CHAIRMAN DIAZ: All right. Thank you.

2 Commissioner Merrifield?

3 COMMISSIONER MERRIFIELD: First issue, we have issued a generic
4 letter on grid reliability and currently are preparing our temporary instruction for
5 inspectors. This is the third TI that we have done in the last three years, and I'm
6 wondering if this is, indeed, the last one that we are going to need to do.

7 MR. DYER: I hope so. Commissioner, my intent was that if we get the
8 anticipated response from the generic letter which says that we have a common
9 understanding of what the regulations are, then I think we're back to a more
10 routine spot, where the kind of information that we're pursuing by TI and gathering
11 information will become routine as part of a normal inspection, the baseline
12 inspection program for the preparation for work or summer hot season.

13 COMMISSIONER MERRIFIELD: We are in the process of finalizing the
14 rulemaking related to 50.48, which was going to allow the voluntary use of NFPA-
15 805.

16 We have pulled back more recently on some of the issues associated with
17 manual actions, although we have certain instructions that have gone out to our
18 licensees.

19 I am very supportive of that -- I've been as strong a supporter of anyone of
20 NFPA-805. It wasn't intended as a voluntary program, as a voluntary alternative,
21 and I have been getting some inklings lately of some concern that because of the
22 activities we have been taking with manual actions, combined with the direction we
23 are going in with NFPA-805, that although people are volunteering for that, some
24 folks feel as if they're not really volunteering, that we're somehow directing them a
25 little bit too much into NFPA-805. I'm wondering if you agree with that, disagree
26 with that, and if so, why?

1 MR. HOLAHAN: I'd first like to clarify that the rulemaking actually is in
2 place. 50.48©) is in place. What we are working on is the Regulatory Guide for --

3 COMMISSIONER MERRIFIELD: I'm sorry, I misspoke.

4 MR. HOLAHAN: Just for the record.

5 I think that a number of the plants, particularly the older plants for which
6 fire protection was a backfit when the original 50.48 was issued in about 1980, '81
7 -- there are issues and there have been issues over the years with circuit analysis,
8 and with fire barriers, and with manual actions, and all of these issues.

9 We consider 50.48©) the 805 as a tool that they can use to come to
10 closure on those issues and to bring their licensing basis to a level of clarity that
11 we didn't have before. I think the issues themselves are a sufficient incentive for
12 most of those utilities to have volunteered to take it.

13 There are plants which probably don't need to use 805. The more modern
14 plants where fire protection issues were built in and the level of separation was
15 clear in the latter plants, in our discussions, for example, with Palo Verde, a later
16 plant with a more modern design, they are standing back, thinking that maybe we
17 don't need this, maybe we don't need to invest 2- or \$3 million in order to
18 accomplish this.

19 So we consider that acceptable. Where there are issues that need to be
20 dealt with, they can deal with them inside the 805 or outside of it. In most cases,
21 utilities are choosing to use it. In some cases, utilities are choosing for their whole
22 fleet to do 805, not just for their older plant, but to do it for them all to have a
23 common licensing basis.

24 MR. REYES: If I could just briefly add: We are aware of an effort through
25 NEI where there is going to be a workshop, and I have been approached to

1 address the group in an attempt to have the whole fleet go to 805. So they are the
2 ones approaching us, saying we would like the whole fleet to go 805; will you
3 participate in an exchange on that subject? And I said yes, without any waiting.
4 So that's the best information we have.

5 COMMISSIONER MERRIFIELD: Like I said, I was very supportive of 805,
6 and I think it's an important rule that we have put in place. It was an alternative.
7 And if NEI as a whole may have some inner workings which allow – if a certain
8 percentage of them decide they want to do something and they all agree to do it, if
9 they want to go down that road, fine.

10 But I think, for our part, having said that we were going to allow it as a
11 voluntary approach, we really shouldn't be in a position to say that you have to do
12 it.

13 MR. HOLAHAN: It seems that NEI's intent is similar to the utilities who
14 have decided that because one of my plants is going this way, it makes more
15 sense from a licensing basis, for consistency, and the simplification, to do them all.
16 I think that's their thought on a larger scale, is to have a single licensing basis for
17 all utilities, if that's what they choose to do.

18 COMMISSIONER MERRIFIELD: Thank you.

19 COMMISSIONER JACZKO: Just a couple of quick things. Gary, you
20 mentioned that you are looking at some ways to try to accelerate the Standard
21 Review Plan completion. Can you just give a couple of examples and if there are
22 things we can do from the Commission, from a resource standpoint, to help out
23 with that?

24 MR. HOLAHAN: Yes. Primarily, we're working with the technical staff.
25 The Standard Review Plan is not this monolithic thing. It's really 270 pieces. So

1 we're working with many of Brian's technical branches.

2 What we're doing is, we're taking part of the \$20 million that Congress
3 provided for infrastructure development and pre-application activities in the '06
4 budget and we're making that available to support this activity.

5 To facilitate that, we have been working with the National Laboratories on
6 developing a consortium among the laboratories to allow us to put tasks out and to
7 have the laboratories identify quickly and efficiently their technical resources that
8 could support that activity.

9 So I think we have the resources to accelerate the Standard Review Plan
10 activities. We already have Commission interest and encouragement to do it. So I
11 think we're in the right place. We just need to execute it.

12 MR. REYES: If I can only add that, in addition to that, we are working with
13 the future applicants to understand which ones they think are a higher priority. We
14 may have our own version of things, but they use -- these Standard Review Plans
15 are used every day for every licensing action.

16 So the companies who are applying, who are all experienced and already
17 have a fleet, feel more comfortable with certain review plans than others. So they
18 are telling us, from our perspective, from a customer point of view, here are our
19 needs. And that's been included.

20 COMMISSIONER JACZKO: Okay. Good.

21 CHAIRMAN DIAZ: Commissioner Lyons?

22 COMMISSIONER LYONS: Maybe two quick points and one
23 question. In the time I've been here, I have been incredibly impressed with the
24 way NRC rotates people and provides a diversity of assignments and tries to shift
25 managers among different positions.

26 I would very much encourage that that continue, in spite of the

1 pressure that you are going to have to maintain stability and to go full speed ahead
2 on the licensing activities.

3 In my mind, continuing that diversity and continuing that personal
4 development is really important. One point.

5 Another point, perhaps more for Brian -- Perhaps I'm putting too
6 much emphasis on this, but it's starting to worry me that I keep seeing more and
7 more concerns raised related to different vibration issues, whether it's the steam
8 dryer issues, whether it's Palo Verde taking what seems to be an incredible
9 amount of time to figure out the vibration issues in pipes, and maybe they have
10 solutions on the horizon now. But at least it has raised the question in my mind,
11 whether this is getting to the point where this should be a serious research focus
12 to try to get a better handle on this.

13 Maybe I'm overstating the issue. But it just seems like there are so
14 many issues lately which have their basis in poorly understood or misunderstood
15 or not understood vibration issues. It's more a question than a comment.

16 And then the question I would have, on the hiring graph -- and this
17 may be for Cindi. This is a very nice hiring graph that you provided. I'm curious in
18 there whether this is showing only people that have come into NRC or whether this
19 is reflecting transfers within NRC. Part of this is wondering whether, if you will, the
20 allure of the new licensing is pulling people from other places in NRC that perhaps
21 are having more trouble back filling.

22 MS. CARPENTER: The hiring graph shows people coming into
23 NRR, to the Office of Nuclear Reactor Regulation. So it's from all parts of
24 everything that we are receiving, and it's technical and administrative. But only
25 about 75% of those people are from outside the agency. So a large volume of

1 those that we're bringing in is still from outside for the hiring. So only about 20,
2 25% of that is within the agency, and they're all for promotional opportunities.

3 COMMISSIONER LYONS: I still wonder if that presents a challenge,
4 maybe at Luis' level, to try to appropriately manage, whatever the right word is, the
5 allure of the new licensing. At the same time, we need to maintain a host of other
6 functions.

7 MR. REYES: It is a challenge. But we're hiring in almost every unit
8 in the agency because some of the people are going to NRR. It's part of our
9 succession planning. We do want them to have those experiences, so it's all not
10 negative. But the point you're making is a very good point, which is that we are a
11 rapidly growing organization, and NRR needs legal support and they need
12 administration support and they need human resources. So we are in a growth
13 mode in almost every unit. This chart is only NRR, but we're tracking the whole
14 organization.

15 MR. DYER: Commissioner, the one other thing is, on that same
16 chart, we also track the attrition. And that's both leaving the agency and the office.
17 Where you look at a normal 6% of attrition, we're well above that -- to reflect the
18 office. So we're losing and we're gaining, too.

19 MS. CARPENTER: Right.

20 COMMISSIONER LYONS: Thank you.

21 CHAIRMAN DIAZ: All right. Thank you.

22 Let's see. Let me try to make a quick supplementary or complementary comment
23 to Commissioner Merrifield on the issue of not raising the bar too much in the
24 high-quality applications.

25 I think, for the record, I really have not been worried about getting a

1 perfect application from the industry.

2 (Laughter.)

3 CHAIRMAN DIAZ: But if I were to be worried about it, I'll be
4 delighted that they actually got that far. But we understand that the acceptance
5 review becomes a critical component of that issue. So I think putting the
6 appropriate importance on the acceptance review will actually provide us with a
7 proper balance to have a high quality application, but not continue to raise the bar
8 or make demands that are not appropriate.

9 COMMISSIONER MERRIFIELD: Mr. Chairman, I appreciate that
10 comment. I think we as a Commission have been very focused on transparency,
11 predictability, and making it very clear our expectations.

12 I think part of the issue that we are grappling with today is that we
13 have had some actions that's we've taken against some licensees in last year
14 because they haven't brought us good applications.

15 You and others have spoken publicly about the desire to have
16 high-quality applications. So I think there's some question in their minds about
17 what do we really mean by that. I think a lot of it can be dealt with through our
18 efforts in the Standard Review Plan and in clear communication as to our
19 expectations.

20 CHAIRMAN DIAZ: And I believe that is quite appropriate, that the
21 Commission discusses the issue, because fundamentally our expectations are that
22 people will provide us with high-quality applications, but that they will be
23 reasonable, that they can be reviewed.

24 The issue is, can it be docketed with reasonable assurance that you
25 can take an action on it. That's always been the issue. Yes, sir?

1 MR. HOLAHAN: What I would like to add is, in order to facilitate this
2 process, we make ourselves available for pre-application discussions. It's not as
3 though the applicant hasn't had the opportunity to discuss what they would send
4 and what kind of information would be available and its completeness before the
5 application.

6 So pre-application activities ought to be helpful in getting this sorted
7 out.

8 CHAIRMAN DIAZ: Correct.

9 The last point -- and I think Luis was commenting on the fact that all
10 of these activities have always and will continue to necessitate the support from
11 other offices.

12 How are we developing the plans with OGC? Is SECY doing what
13 she needs to do?

14 MS. VIETTI-COOK: I'm asking for more FTE.

15 COMMISSIONER MCGAFFIGAN: I think Luis has previously
16 promised us that the old knock our socks off with the various sizes in requests --

17 MR. REYES: That's a different issue.

18 COMMISSIONER MCGAFFIGAN: I think you're going to dazzle us
19 on the size of your request in order to do your job.

20 CHAIRMAN DIAZ: Are we working in step with the other offices?

21 MR. REYES: Yes. As we speak, we are working on the FY-2008
22 budget, and every office is an active participant on that.

23 But if I could go back, in the up coming senior managers' meeting, of
24 the topics we're going to talk about, one is knowledge transfer. It talks a lot about
25 what Gary is doing and the Standard Review Plans, among other things --

1 Reg Guides, Office of Research, et cetera, et cetera.

2 But one of the topics is to leverage our experience in terms of
3 recruitment. NRR has taken a lot of initiative in using the maximum extent of our
4 flexibilities to hire. One of the topics at the senior managers' meeting is to look at
5 what has worked there, how can we leverage that through all the offices, and then,
6 for the things that haven't worked that well, how can we deal with that?

7 So we are looking across the campus, and we are trying to keep all
8 the offices together because we do have the same challenge in almost every unit.
9 The degree of the challenge is different, but in the same direction.

10 CHAIRMAN DIAZ: Okay. Thank you. Commissioner McGaffigan?

11 COMMISSIONER MCGAFFIGAN: Thank you, Mr. Chairman. One
12 quick point, and I'll conclude on advanced reactors.

13 The workshop that you're having later this month on Part 26 and
14 work hour controls -- and I know it's going to raise other issues -- construction and
15 fitness for duty. But I urge you to make sure that everybody is invited to that who
16 commented on the proposed rule and not -- I mean, I know industry will show up. I
17 know Mr. Davis will be there with bells on. But I hope that others who commented
18 who may not necessarily agree with industry are also represented at that
19 workshop.

20 MR. DYER: Commissioner, we went specifically out to them.

21 COMMISSIONER MCGAFFIGAN: Okay. Good.

22 Now, with regard to advanced reactors, Commissioner Merrifield
23 earlier said something about us being a better agency, and I think we are a better
24 agency, and I think license renewal, as he pointed out, proved that we are a better
25 agency in many respects than in the past.

1 But we went into license renewal with a couple of early applicants,
2 Oconee and Calvert Cliffs, and then we worked through the normal distribution of
3 applications, and we were able to do generic aging lessons learned. Instead of
4 having a core experienced staff, as I think about it, four years from now, 40% of
5 our staff is going to be less than four years with the agency.

6 So we might be a better agency. It depends on how well we do with
7 those 40% of our staff who are going to be with us less than four years. I hope
8 we're a better agency, but a lot of stuff has to go right for that to happen.

9 Let me get to the question. Prioritization, I heard you guys tell us in
10 November that you were going to give us a paper about prioritizing all these initial
11 applications that we're going to get because we probably can't handle them all. I
12 mean, Gary, you mentioned earlier about making commitments once we docket
13 something to a schedule. I don't know how you make commitments if 11 people
14 show up the same day at your door because you're not going to have the
15 resources to make the commitment to those folks, particularly – there's all this
16 focus on the designed-centered approach, but the problem is going to be the
17 EIS's, and we know the problem is going to be the EIS's, and we know we are
18 very contractor-dependent on EIS's. And we know, unless you pull off miracles,
19 one contractor's approach to EIS may be different from another contractor's.

20 So where is the prioritization paper that you promised us back in
21 November that's going to help us sort through what the art of the possible is and
22 how we're going to cue these people up in case we don't get tens of millions of
23 dollars of extra money from the Congress, in case our hiring doesn't come
24 through, in case we have a safety issue that diverts appropriately resources back
25 to it, like we had with some of the generic letters we talked about earlier.

1 Where is that paper?

2 MR. HOLAHAN: Well, I don't think we have a commitment to a
3 prioritization paper.

4 MR. REYES: We're now working on one. My miracle worker here to
5 my left --

6 COMMISSIONER MCGAFFIGAN: But I remember the conversation.
7 I remember Jim Dyer saying at that November meeting that he was hoping to get
8 at least one across the finish line by 2010.

9 I mean, I can quote to you from what you guys said that day. You
10 led me to believe that there was a prioritization paper coming.

11 MR. REYES: We haven't yet identified the need to have a
12 prioritization paper.

13 COMMISSIONER MCGAFFIGAN: Your staff at the Reg Info
14 Conference says that if all of this stuff goes right, we possibly, conceivably, maybe
15 can do this stuff. I think that's the right tone. That is exactly the right tone --
16 possibly, conceivably, maybe. But in case we possibly, conceivably, maybe can't
17 get it all done, we presumably need to start thinking and communicating with the
18 applicants, this is how we're going to prioritize it.

19 MR. HOLAHAN: We are right now in the budget preparation process
20 for 2008. The planning and budgeting is what we're using in helping us to figure
21 out how much we can do.

22 At this point -- and I know the Commission hasn't seen the '08
23 budget yet, and EDO hasn't seen it yet. We're still in the process.
24 So our feeling is, with the identified workload, and with our hiring capability, or with
25 our infrastructure work, and with the continuing discussions among the National

1 Labs, that we will be capable of doing the currently identified work.

2 COMMISSIONER MCGAFFIGAN: Is that based on the 2007 budget
3 as proposed last month to the Congress, or the 2007 budget plus x tens of millions
4 of dollars that we hope the Congress might provide to us?

5 MR. HOLAHAN: That's correct.

6 COMMISSIONER MCGAFFIGAN: So it's our budget plus tens of
7 millions of dollars?

8 MR. REYES: Yes, we're counting on that.

9 COMMISSIONER MCGAFFIGAN: Well, I don't think that's good
10 planning, to be honest with you. I think you're better off not planning today on an
11 action that may occur. And if they give us the tens of millions of dollars extra, and
12 your budget goal next year goes from 350 new-hires as an agency to 550, we're
13 having trouble doing 350. So how are you going to do 550?

14 MR. REYES: In the senior managers' meeting in the spring, we are
15 going to talk about the success in recruiting, how we can leverage that, things that
16 didn't work well, and how we're going to fix it.

17 COMMISSIONER MCGAFFIGAN: Okay. Whatever.

18 CHAIRMAN DIAZ: If I may just enter in first, we are getting to the
19 end. But the issue is that at the present time, it is really probably not appropriate
20 to try to come with a prioritization paper because all the information is not there,
21 not that we have all of the budgets and all of the other things. I think,
22 fundamentally, the staff would eventually, once we get to a certain point, we will
23 have to have some alternatives, and the staff should be thinking ahead and
24 providing the Commission with some potential alternatives once we see how the
25 budget situation comes off.

1 I think that what the staff has been saying is, with what we're seeing,
2 if we are good at what we do and we get the support of the Commission and the
3 support of the Congress, it's still manageable, okay? It's not ideal, but it's
4 manageable.

5 However, Commissioner McGaffigan is concerned that as time goes
6 on and we learn more, the staff should be aware that there might be some
7 alternates that might have to be laid out in front of the Commission. I think that is
8 a very good point.

9 COMMISSIONER MCGAFFIGAN: I only say, Mr. Chairman, that I
10 think we are planning for perfection at the current time. Human institutions don't
11 often achieve perfection, and I think we also are potentially misleading applicants
12 with the notion that we are going to be able to process them all simultaneously.
13 and swell-ly. But I'll leave it at that.

14 COMMISSIONER JACZKO: Mr. Chairman, if I can just add, I do
15 have some concerns about what we're doing in planning -- We have submitted a
16 budget. That's what we can plan for. If we get additional resources, that's a
17 benefit, and I think we can have contingencies for that. But we won't know about
18 the 2007 budget until, if we're lucky, October 1st. But, more likely, November,
19 possibly December.

20 That, in my view, is too late to be at a point to say we didn't get the
21 resources we need, we now have to take an alternative approach. It will be too
22 late if we do it at that point. So I think right now, the assumption has to be that we
23 plan with the resources that we have or that we, at least, have been bugged for
24 and then go from there.

25 COMMISSIONER MERRIFIELD: Well, Mr. Chairman, on that score,

1 I think we have a well-established budgeting process in the PBPM process that we
2 use to make decisions around here.

3 I think the staff, as part of its efforts leading up our making our
4 budgetary decisions this year, should lay out, if we don't receive some of this
5 money, what are some of the decisions that the Commission and staff would need
6 to make to deal with that alternative.

7 I agree with you, I think that can be wrapped into that program.

8 CHAIRMAN DIAZ: All right. With that, if my fellow Commissioners
9 do not have any additional comments --

10 COMMISSIONER MERRIFIELD: I have one last one, Mr. Chairman.
11 I think the staff has done an excellent job with recruitment. I think one of the
12 things that Luis has demonstrated is that in order to meet what we need to meet,
13 we need to broaden the net wider. We have done that with the University of
14 Puerto Rico.

15 I was up at Tufts, my alma mater this week, which is a great
16 engineering school, which I think will help us. We need to think about reaching out
17 to some places we haven't done before. Last note I would make, the Secretary
18 talked about increasing their staff. We have gone from a low point of about 2700
19 up to about 3200 and growing. I would make a note, the Offices of the
20 Commissioners are the same number that they have been when we got here,
21 despite all the increased --

22 (Laughter and simultaneous discussion.)

23 COMMISSIONER MERRIFIELD: Thank you, Luis. That was very
24 nice. Your performance evaluation will certainly reflect that level of support.

25 Thank you, Mr. Chairman.

1 (Laughter.)

2 CHAIRMAN DIAZ: Thank you, Commissioner Merrifield. I do want
3 to thank the staff. I think it's been a very productive morning. As always, the
4 Commission profits from engaging the staff with the interchanges. I am sure that
5 the variety of opinion enriches your life. I know that sometimes you can stand with
6 less enrichment, but that comes with the territory.

7 With that, thank you very much. We're adjourned.

8