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UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION  
+ + + + +  
NUCLEAR INDUSTRY CONSOLIDATION AND DEREGULATION  
ISSUES WORKSHOP  
+ + + + +  
MORNING SESSION  
+ + + + +  
THURSDAY,  
NOVEMBER 1, 2001  
+ + + + +

The NRC Nuclear Industry Consolidation and  
Deregulation Issues Workshop met at the Nuclear  
Regulatory Commission, Two White Flint North,  
Auditorium, 11545 Rockville Pike, at 8:30 a.m.,  
Francis "Chip" Cameron, Facilitator.

## A-G-E-N-D-A

**Welcome**

Francis "Chip" Cameron, Facilitator . . . . 4

Bill Kane . . . . . 11

**Overview**

Herb Berkow . . . . . 14

**Plant Operational Safety Issues**

Tony Mendiola . . . . . 22

**Licensing**

Tony Mendiola . . . . . 66

**Inspection Enforcement and Assessment**

Marc Dapas . . . . . 79

**Decommissioning Aspects**

Tim Johnson . . . . . 115

**Fuel Cycle Facility Issues**

Jeremy Smith . . . . . 121

**Financial**

Tony Markley . . . . . 128

**Other Issues**

Chip Cameron . . . . . 136

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

(8:41 a.m.)

MR. CAMERON: Good morning, everyone, and welcome to the first part of a two day meeting. This morning we're going to have a roundtable discussion on the potential impacts of industry consolidation. And Herb Berkow from the NRC staff will be explaining in a few minutes what the relationship of this industry consolidation roundtable is to the afternoon and tomorrow's session on deregulation.

My name is Chip Cameron, I'm the Special Counsel for Public Liaison here at the NRC. And I'm pleased to serve as the facilitator for the roundtable discussion this morning.

I wanted to say a few words about the process for the roundtable discussion before we get into the substance of this morning's discussion. And first I'd like to talk about the related issues of the objective of the roundtable discussion this morning and the format for this morning's discussion.

The objective of this morning's session is to enhance the information in the written comments that the NRC has received on industry consolidation. And we're trying to enhance those comments by having a discussion among the people who represent interests

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1 that are concerned and also knowledgeable about  
2 industry consolidation issues. And in a few moments  
3 we'll have introductions around the table.

4 The NRC has heard separately from many of  
5 you and from many of your organizations, and now what  
6 we'd like to do this morning is to have you  
7 communicate with each rather than just to the NRC so  
8 that we can see if there's any new information, find  
9 out what the priorities are here, the extent of  
10 agreement or disagreement, are there any issues that  
11 haven't been identified yet.

12 In terms of format, given this objective  
13 and also our limited time together this morning, what  
14 I'm going to suggest is for each topical area, and I  
15 think you -- if you do have an agenda and if you  
16 remember the *Federal Register* notice that the NRC put  
17 out on industry consolidation, there were a number of  
18 topical areas identified. For example, plant  
19 operational safety issues, licensing issues,  
20 inspection and enforcement and so on. And I'll talk  
21 a little bit more about that when I give you an agenda  
22 to review in a minute.

23 But for each topical area there will be a  
24 tee up of that area by the NRC staff, very brief, to  
25 give you some context. And what I'd like to do is ask

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1 the external participants to identify a major concern  
2 that they have in that area. And I'll list all of the  
3 major concerns, and then what I'd like to do is go  
4 back and have a discussion among all of you on that  
5 major concern.

6 We don't, obviously, have time to discuss  
7 all of the areas, all of the comments on industry  
8 consolidation. We already have your written comments.  
9 So what we'd like to do is just get some value added,  
10 so to speak, of having a discussion among you.

11 We do have some senior NRC people at the  
12 table with us today, and they are here to listen to  
13 the discussion, to provide information as necessary on  
14 areas that you might inquire about. And also to ask  
15 you questions about the recommendations and concerns  
16 that you may bring up today.

17 We have name tents, what are called name  
18 tents in front of each of you. You probably would  
19 need binoculars to be able to identify each other with  
20 these. But one purpose that they will serve if you do  
21 want to make a comment, if you could just put this up  
22 like this so that I'll know who wants to talk and you  
23 won't have to keep your hand up in the air  
24 continuously if you want to say something.

25 When you do speak, please give your name

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1 to us. We are having a transcript taken and this will  
2 help our stenographer to identify who is speaking.  
3 And if I could also ask you just please just one  
4 person at a time talking this morning.

5 And we will, even though we do have  
6 limited time, at least a couple times during this  
7 morning's session we'll try to go briefly at least to  
8 the people in the audience for any comments on what  
9 they have heard today.

10 Agenda, we're going to have a welcome from  
11 Bill Kane in a minute. Bill Kane is our Deputy  
12 Executive Director for Operations for Reactor  
13 Programs. And he's going to say a few words to us in  
14 a minute.

15 After that we're going to have Herb  
16 Berkow, who is at the table right up here. He's going  
17 to give a context on industry consolidation and if  
18 there are any questions, we can ask Herb those  
19 questions at that time.

20 Then we're going to get rid of this  
21 contraption, which is necessary but I think it blocks  
22 the communications, so we'll push that out of the way  
23 and we'll go through each topical area. We'll have an  
24 NRC staff person give you a context and then we'll go  
25 into our discussion.

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1           And I would just thank all of you for  
2           taking the time to be with us this morning. And what  
3           I'd like to do is just go around the table and ask  
4           each of you to introduce yourselves, tell us what your  
5           affiliation is and if you would like, give us a few  
6           sentences on what your interest or concerns in this  
7           particular area of industry consolidation is.

8           And, Jack, could we start with you?

9           MR. NEWMAN: Yes. I'm Jack Newman. I am  
10          a recovering lawyer and now Vice President for Federal  
11          Affairs with the Nuclear Management Company. As many  
12          of you know, Nuclear Management Company is a  
13          relatively new entity. It operates under contract  
14          eight nuclear power plants in the midwest. And we  
15          have a, obviously, an interest in the NRC's program  
16          for dealing with the issues that arise in  
17          consolidation because, in fact, we are aggregators.  
18          We have eight plants now, but we expect to have  
19          several more, and I'll address that later.

20          MR. CAMERON: Thank you.

21          MR. FLOYD: I'm Steve Floyd with the  
22          Nuclear Energy Institute, NEI is the organization that  
23          represents not only all the power plants, but all the  
24          material licensees that own and operate facilities in  
25          the country.

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1           We're obviously very interested in any  
2           activities that the NRC is undertaking as they look at  
3           the consolidation efforts to assess the impact that  
4           they might have on the various members of our  
5           organization.

6           MR. STENGER: I'm Dan Stenger with the law  
7           firm of Ballard, Spahr, Andrews and Ingersoll of  
8           Washington, D.C. We represent nuclear utilities and  
9           filed comments on the NRC's preliminary impact  
10          assessment.

11          Our chief concern try to make sure as the  
12          industry consolidates, that we gain benefit  
13          sufficiently so that we can align at reducing  
14          unnecessary regulations and achieving some other  
15          regulatory --

16          MR. CAMERON: Use your mikes, please.  
17          Thank you, Dan.

18          MS. FEDERLINE: Good morning. I'm  
19          Margaret Federline. I'm Deputy Director of the Office  
20          of Nuclear Material Safety and Safeguards here at the  
21          NRC. Of course, we have oversight responsibility in  
22          several areas that are related to the topics of  
23          decommissioning of nuclear power plants, spent fuel,  
24          transportation and storage and fuel facilities. So  
25          I'm here today. I'm very interested to hear the

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1 concerns of the parties that are meeting.

2 MR. LOCHBAUM: David Lochbaum, nuclear  
3 safety engineer for the Union of Concerns Scientists.  
4 Over the last five years one of our major focuses was  
5 on maintaining nuclear safety during deregulation, at  
6 least up until the time the NRC pulled the plug on the  
7 availability of information that was necessary to do  
8 that monitoring. So lately I've been catching a lot of  
9 movies and other things.

10 MR. CAMERON: Okay. Thanks, David.

11 Jon

12 MR. JOHNSON: Good morning. I'm Jon  
13 Johnson, Deputy Director of the Office of Nuclear  
14 Reactor Regulation. We're certainly interested in the  
15 safety performance of all our licensees and interested  
16 in any effects on our responsibilities to licensing,  
17 oversight of these facilities that might be affected  
18 by consolidation.

19 MR. CAMERON: Thank you.

20 MR. TOELLE: I'm Steve Toelle. I'm the  
21 Director of Regulatory Affairs for USEC.

22 MR. WHITE: I'm Greg White. Let me try  
23 that again. I'm Greg White. I'm with the Michigan  
24 Public Service Commission. I'm also representing  
25 today the National Association of Regulatory Utility

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1 Commissioners. We are first and foremost economic  
2 regulators. We have an intimate role in the  
3 deregulation of the electric utility industry,  
4 primarily as implementers but also as policy setters  
5 as well.

6 I appreciate the opportunity to be here  
7 and we do have in some states a safety component as  
8 well, but largely we are economic regulators. Thank  
9 you.

10 MR. KING: I'm Tom King, I'm a division  
11 director in NRC's Office of Research. We had  
12 sponsored a study which was recently published on the  
13 effects of deregulation on safety. It was done by the  
14 University of Wisconsin, which is the subject of this  
15 afternoon's session, but it's closely related to this  
16 morning's discussion as well. So, we're interested in  
17 hearing what the participants have to say.

18 MR. CAMERON: Thank you.

19 Marc

20 MR. DAPAS: I'm Marc Dapas, currently the  
21 Deputy Director in the Division of Nuclear Material  
22 Safety in Region 3. Prior to transition to the  
23 material side of the house a year ago, I've been  
24 involved in the reactor and inspection program for the  
25 past 11 years. I'm a member of the Industry

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1 Consolidation Working Group, and my area of focus was  
2 the impact of consolidation on the NRC's inspection,  
3 enforcement, assessment, and allegation program.

4 MR. BERKOW: My name is Herb Berkow. I'm  
5 the Project Director for Region 2 plants in the  
6 Division of Licensing and Project Management in NRR.  
7 And I headed up the working group that conducted this  
8 effort.

9 MR. CAMERON: Okay. Thank you, Herb.

10 I'd like to go now to Mr. Bill Kane, who  
11 as I mentioned, is the Deputy Executive Director for  
12 Operations for the area of reactor operations and Bill  
13 has some welcoming remarks for us. Bill?

14 MR. KANE: Thank you, Chip.

15 We'd like to, first of all, welcome you to  
16 the NRC's Nuclear Industry Consolidation and  
17 Deregulation Issues Workshop.

18 Until the past few years there was little  
19 change in the deregulation and consolidation in the  
20 nuclear industry. Since that time we've seen dynamic  
21 changes in how the industry is organized and the  
22 business environment in which it operates. Two  
23 phenomena are driving these changes.

24 First, economic deregulation of the  
25 electric power industry. About half the states have

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1 enacted deregulation or have legislation in place to  
2 do so. And two, of course, industry consolidation,  
3 specifically nuclear industry consolidation, which is  
4 largely a result of deregulation.

5 These two phonomania are occurring  
6 simultaneously and we not only need to be cognizant of  
7 the changing environment, but we must stay at least  
8 abreast with and preferably ahead of the wave.

9 Our principle concerns are how this  
10 changing environment might affect safety, in the  
11 performance of all of our licensees and whether there  
12 are areas of NRC oversight that might be significantly  
13 affected by consolidation and/or deregulation.

14 The staff undertook two complimentary but  
15 separate efforts to address concerns. One is an  
16 agency wide staff effort to identify and assess the  
17 potential impacts of industry consolidation on NRC's  
18 regulatory role and responsibilities. This morning's  
19 session of this combined workshop will focus on  
20 nuclear industry consolidation issues.

21 The second effort is the Office Research  
22 sponsored study effort to identify possible  
23 consequences of economic deregulation on the safety of  
24 nuclear power. This afternoon's session and  
25 tomorrow's session will focus on these issues.

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1           There's some obvious areas of overlap  
2 between deregulation and consolidation issues, and  
3 we've designed the sessions to minimize duplication.

4           As I was thinking about this earlier, of  
5 course, the tragic events of September 11<sup>th</sup> have also  
6 resulted in significant challenges to the industry and  
7 all aspects of what we do including security. I would  
8 like to encourage you to include this area in your  
9 discussions to the extent that that's practical.

10           We appreciate your participation and we  
11 welcome your input. These workshops are very valuable  
12 to the agency, and I hope to all of you. I hope you  
13 will find the next two days productive.

14           I'd like to thank you again for  
15 participating in this most important workshop.

16           Thank you. Chip?

17           MR. CAMERON: Thank you very much, Bill.  
18 And I would note that Bill mentioned security. Our  
19 last topical discussion this morning is going to be  
20 the probably overworked other issues, but there may be  
21 issues like security. There may be other things that  
22 weren't identified by the staff, NRC staff in the  
23 *Federal Register* notice that you want to bring up and  
24 talk about. And also if there are issues of  
25 interaction between industry consolidation and the

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1 deregulation study, please bring those up. And also  
2 the deregulation meeting; some of the panelists today  
3 are going to be on the panel for that meeting, but it  
4 also is open to the public. So we invite you to all  
5 attend that.

6 Let's get right into a context, and  
7 overview for this and go to Herb Berkow and then we'll  
8 go to you for some questions and then discussion.

9 Herb?

10 MR. BERKOW: Good morning. And let me add  
11 my welcome to everybody. We're very pleased to see a  
12 good turnout.

13 As Bill mentioned, this workshop is going  
14 to address two complimentary efforts, but efforts that  
15 were done separately and with different methodologies.  
16 There's obviously areas of overlap. This morning's  
17 session is consolidation. In doing the consolidation  
18 effort, we obviously ran into some deregulation issues  
19 also, and I'm sure that the deregulation effort also  
20 included some consolidation issues. We'll try to keep  
21 them separate to the extent that that's appropriate.

22 The effort that we're going to be covering  
23 this morning stems from a staff that was started last  
24 year at the recommendation of Commissioner Diaz, and  
25 it's nearing completion at this point.

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1           Our task was to identify and assess the  
2           potential impacts of nuclear industry consolidation on  
3           NRC's regulatory role and responsibilities. To put  
4           the effort in perspective, for those of you who are  
5           not familiar with what we did, I would like to just  
6           give a brief overview of what we did and how we got to  
7           where we are today.

8           We want to leave as much time as possible  
9           for the focus area discussions.

10          The next slide shows the focus area  
11          discussions. The first six are categories that we  
12          covered in our assessment, and as Chip pointed out,  
13          the final one is for miscellaneous things that come  
14          up.

15          We need your input today in order to  
16          balance our assessments. The first part of what we did  
17          was totally in house. We had little or no interaction  
18          with external stakeholders. And so this is an  
19          excellent opportunity for us to get your input.

20          When I'm finished with the introduction,  
21          the lead staff persons will give a brief overview of  
22          their categories and then open it up to discussion.  
23          Then Chip will give a recap and we're hoping to end at  
24          about noon time.

25          Okay. We formed a working group with

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1 senior staff members from just about every office in  
2 the NRC. We did a preliminary scoping effort to  
3 identify all of the regulatory oversight areas that  
4 could potentially be affected by industry  
5 consolidation and what those impacts might be. And  
6 then we did an assessment of their effects and  
7 significance.

8 For our definition, for our purposes, we  
9 defined consolidation as consisting of mergers,  
10 purchases, formation of holding companies, operating  
11 companies, alliances and other forms of restructuring.

12 Since 1998 we've received about 100  
13 applications for license transfers of all forms. And,  
14 as you know, the NRC must approve license transfers  
15 before they can be implemented. I should note that as  
16 part of our effort we are not attempting to resolve  
17 the identified impacts or to recommend changes at this  
18 stage, only to highlight what the potential  
19 significant impacts are and what needs to be done to  
20 consider them further.

21 We're in a period of very rapid and  
22 dynamic change. We have limited, very limited  
23 experience in interacting with consolidated cross  
24 regional licensees, and it would be premature at this  
25 point to propose any significant changes. However, we

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1 need to be aware of the changing external environment.  
2 We need to be proactive and at least take the  
3 necessary steps to understand what the possible  
4 effects might be on our regulatory role so that we can  
5 act appropriately when we need to.

6 The next several slides, actually, just  
7 show the eight areas that we covered, and we'll just  
8 run through them very quickly.

9 Plant operational safety, which of course  
10 is our number one area of interest, had six issues in  
11 it that we covered.

12 Licensing, which had four. Inspection,  
13 enforcement and assessment, the ROP, of course, our  
14 relatively recent ROP, nonreactor inspection programs,  
15 enforcements and allegations.

16 The next three were areas that had no sub-  
17 issues under them. They were just individual issues.

18 And financial which had six items to it.

19 And then finally for lack of a better name  
20 we called it non-NRC regulatory considerations.

21 For each issue we identified the positive  
22 and negative potential impacts with primary emphasis  
23 on consolidation. But as I mentioned before, some  
24 areas are impacted by consolidation and deregulation  
25 and it was difficult to separate the causes.

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1           There's great potential for positive  
2 outcomes in safety performance as a result of  
3 consolidation because of the opportunities that it  
4 offers for efficiency and innovativeness and ability  
5 of licensees with large numbers of plants to benefit  
6 from the economies of scale and to develop centers of  
7 expertise and experience bases that are more difficult  
8 to do in a dispersed industry. However, these  
9 potential positive outcomes can become negative  
10 outcomes if consolidation is not implemented properly.

11           Once we identify the impacts, we assessed  
12 their significance on our oversight functions. And  
13 then the next slide. We asked do we have our arms  
14 around the issue or do we need to consider changes or  
15 additional effort.

16           After the preliminary assessments for each  
17 of the 25 issues that we covered, we made a  
18 recommendation based on our preliminary assessment.  
19 Recommendation for follow-up effort. And the  
20 recommendations fell into one of three categories.  
21 Either we recommended no further action at this time  
22 because there's no impact or the current efforts that  
23 we have ongoing are adequate to address those impacts.

24  
25           The second category was we're really not

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1 sure at this time. It seems that there are potential  
2 impacts, but our current regulatory infrastructure  
3 appears to be adequate in the short term, and that we  
4 need to continue to monitor and evaluate lessons  
5 learned as we get more experience with consolidated  
6 licensees. The recommendations for most of the issues  
7 fell into the second category.

8 And the final category was that further  
9 staff evaluation or other effort is indicated in order  
10 to further define the need for possible changes. Some  
11 action is appropriate.

12 Following Commission review of our  
13 preliminary assessments we got permission to publish  
14 them in the *Federal Register* and on the external  
15 website for external stakeholder comment. We got a  
16 lot of very good comments and all of those comments  
17 including ones we get here today will be addressed in  
18 our final Commission paper either by modifying our  
19 assessment or explaining why we didn't in response to  
20 the comment.

21 We expect to get additional valuable  
22 perspectives today and based upon this input and the  
23 written comments, we're going to finalize our  
24 assessments and recommended follow-ups in a Commission  
25 paper, a final Commission paper summarizing the effort

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1 by the end of this year.

2 Even though we're looking more carefully  
3 at what we make available to the public these days,  
4 I'm pretty sure that these assessments will be made  
5 public and the transcript from today's session will  
6 also be publicly available.

7 Are there any questions on the process or  
8 what we did to get to where we are today? If not, we  
9 will go into the next --

10 MR. CAMERON: Well, let's see if there --  
11 yes, this is a time to ask about schedules and  
12 methodology, issues like that. And I guess if we  
13 could -- while we're doing the questions, maybe we  
14 could move the projector out. And Jay, who you will  
15 be meeting I think later on this afternoon, is the  
16 project manager, I believe, on the deregulation issue  
17 but has all sorts of duties and assistance that he's  
18 giving us today.

19 Questions for Herb on methodology, what  
20 the NRC is doing here, why it's doing it?

21 Dan, let me bother you by just saying I  
22 think if you could speak into this -- oh, this one  
23 isn't working. All right.

24 MR. STENGER: Herb, I was just wondering  
25 how many comments you received on the preliminary

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1 assessment?

2 MR. BERKOW: I believe we got something in  
3 the neighborhood of 75 comments, about half of which  
4 were in general agreement with what we did and they  
5 might have said, you know, we're in agreement but you  
6 know perhaps you should consider this or that. And  
7 about one-third of them I think took issue with some  
8 of the things that we said or had a different  
9 perspective.

10 We got comments from about ten  
11 organizations and a few individuals.

12 MR. DAPAS: We're also going to highlight  
13 the significant comments as we go through our  
14 individual area summaries for you.

15 MR. BERKOW: Yes. Yes, as we go into each  
16 focus area, we'll give a brief overview of what the  
17 significant comments were.

18 Okay. Thank you.

19 MR. CAMERON: Just one other point on the  
20 comment issue. Are those comments available for  
21 people to -- I know they're available, but where are  
22 those comments available if people want to look at  
23 them?

24 MR. BERKOW: I don't believe they're  
25 available on the external website. They will be

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1 discussed in the final Commission paper.

2 We can certainly make these comments  
3 available. I have them consolidated and if anybody  
4 wants a copy, I can mail a hard copy of them.

5 MR. CAMERON: Okay.

6 MR. BERKOW: But we've been using them  
7 just for our own purposes.

8 MR. CAMERON: All right. If you do need  
9 a hard copy of all the comments, please talk to Herb.

10 MR. BERKOW: See me and I'll see that you  
11 get them.

12 MR. CAMERON: For a copy of that.

13 MR. BERKOW: Okay.

14 MR. CAMERON: Okay. Thank you very much,  
15 Herb.

16 Let's move right into our first area,  
17 which is plant operational safety issues. And I'm  
18 going to ask Tony Mendiola from the NRC staff. Tony  
19 is also on the working group and he's just going to  
20 give you a brief context and then let's go and see if  
21 we can identify some major issues for further  
22 discussion.

23 Tony?

24 MR. MENDIOLA: Good morning, everyone.

25 My name is Tony Mendiola. I'm with the

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1 Office of Nuclear Reactor Regulation. I am one of the  
2 panel members and one of the people responsible for  
3 two of the six sections, the category sections that  
4 the working group has looked at.

5 The first section we're going to talk  
6 about, of course, is plant operational safety. It is  
7 one of the largest sections and one of the most  
8 commented sections of the preliminary impact  
9 assessment. And it is, fortunately because of its  
10 size, a little difficult to assess. I kind of had  
11 hoped we had left the slide up there on that category  
12 so we can refer to it.

13 What I intend to do at this point is to go  
14 through the various six main issues attached to that  
15 category and the preliminary findings and the  
16 significant comments we received. Because of its  
17 sheer size, this may take a few minutes and I will  
18 reiterate the main issues at the end, but I think all  
19 the main issues need to be put up or teed up, if you  
20 will, as Chip as used so we can discuss the entire  
21 category at one time versus the individual areas.

22 So, let me go through. The main six  
23 issues that we did assess were possible cost cutting  
24 initiatives, technology related issues, the spent fuel  
25 storage and transportation, low level radioactive

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1 waste management, emergency preparedness and reliable  
2 off-site power.

3 So, let me go to the first one, which was  
4 the possible cost cutting initiatives; basically the  
5 industry's pressures to operate efficiently. The  
6 preliminary findings and recommendations that came out  
7 of our report provided that, of course, that the NRC  
8 must remain focused on operational safety and be able  
9 to assess and react to industry activities that appear  
10 to have an adverse effect on safety.

11 It was felt that augmented staff expertise  
12 may be needed to implement oversight responsibilities  
13 in the face of changing industry environment.

14 The staff assessment process must have the  
15 flexibility to respond to adverse safety performance  
16 trends yet remain free from inducing unnecessary  
17 regulatory burden.

18 The recommendation on this area from the  
19 staff assessment, quite clearly was that we need to  
20 continue staff monitoring using our current oversight  
21 processes which we felt were adequate to provide early  
22 identification of issues that would need to be  
23 addressed. And, of course, take any resultant staff  
24 action which may come from the identification of new  
25 issues.

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1           The nature of the significant comments we  
2       received on that area involved the concern over the  
3       effects of economic concentration of the industry and  
4       the absence of human performance considerations for  
5       this issue. And to summarize, that was the possible  
6       cost cutting initiatives issue.

7           The second issue that was under this  
8       category was technology related issues which dealt  
9       with new advances and practices. The overall  
10      preliminary findings in this area found that the staff  
11      believed that there could be potential issues that may  
12      arise from the consolidation that would require more  
13      experience in operational information, and that this  
14      information and experience would be incorporated into  
15      our staff evaluations and hopefully provide confidence  
16      in our oversight or new technical challenges, and that  
17      these would be met effectively.

18          The staff recommended that we continue to  
19      emphasize and review the plant informational  
20      information and be alert for any indications of  
21      anything that's unexpected or something new to us.  
22      And then we would consider the proper program  
23      modifications, including those that we would pass on  
24      to research for long term review.

25          The nature of the significant comments we

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1 received on that issue involved primarily the  
2 financial takeover of older plants and the NRC's  
3 adoption of risk informed performance based regulatory  
4 approaches. And that was the area of technology  
5 related issues.

6 The third issue had to deal with spent  
7 fuel storage and transportation. The preliminary  
8 findings and recommendations in this area found  
9 basically the staff believing that the current NRC  
10 programs for independent spent fuel storage  
11 facilities, their licensing and spent fuel cask  
12 certifications are able to support the new  
13 applications and amendments that we are seeing and  
14 receiving. We'll continue, however, to work with the  
15 industry to obtain advanced notice of future  
16 applications and get a view of our resource needs for  
17 future case work.

18 The use of internal resource allocation  
19 process, otherwise known as PBMR, is expected to help  
20 us to react to unique circumstances that would require  
21 changes not only to our resource allocations, but also  
22 possibly our policies and regulations. Also the staff  
23 believes that the existing Part 71 and Part 72  
24 regulations as well as policies, guidance in this area  
25 are sufficient to support the industry consolidation.

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1           The nature of the significant comments we  
2       received on this category involved long lead times  
3       that the industry felt we had involving the issuance  
4       of licenses and cask certifications and amendments to  
5       those licenses. And also the potential for a large  
6       increase in spent nuclear fuel transportation. And  
7       that was the category spent fuel storage and  
8       transportation.

9           The fourth category dealt with low level  
10      radioactive waste management. The staff found that  
11      current regulations and policies are adequate and  
12      sufficiently flexible enough to allow for situations  
13      which could result from industry consolidation. We  
14      felt that industry consolidation should not have an  
15      impact on the availability of low level waste disposal  
16      sites or programs for handling and processing mixed  
17      waste. The NRC felt that we would need to consider  
18      the effects of license renewals when providing  
19      feedback to the Department of Energy, as well as to  
20      the states on projections of low level waste  
21      generation.

22           The nature of the comments we received in  
23      this area involved the potential for nuclear power  
24      plant sites becoming storage sites for low level waste  
25      generated by medical and other nonpower nuclear

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1 sources. And the potential difficulties for a utility  
2 seeking to set up a centralized facility for  
3 processing low level waste. That's the area of low  
4 level waste radioactive -- sorry. Low level  
5 radioactive waste management.

6 The fifth category dealt with emergency  
7 preparedness. Our overall preliminary findings and  
8 recommendations in this area indicated that the staff  
9 must remain alert for the potential safety impacts of  
10 the EP program and changes to the emergency  
11 preparedness program which could result from  
12 consolidation.

13 Issues such as centralized EP facilities  
14 and functions could present a number of challenges to  
15 the utility staff as well as to local and state  
16 authorities. There are a number of areas of other  
17 potential impact, including the use of standardized EP  
18 procedures, the consolidation of the emergency  
19 response facilities and changes to plans, procedures  
20 and organizations to accommodate consolidation.

21 The NRC staff resources, we felt, could be  
22 challenged by these activities. The staff must, of  
23 course, assure that the regulations and policies  
24 continue to be satisfied and staff resources will need  
25 to be assessed to assure that there would be

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1 sufficient resources and that they would be focused,  
2 of course, on emergency preparedness.

3 The nature of the comments we received  
4 involved the potential role of the NRC's reactor  
5 oversight process in flagging potential safety impacts  
6 of the licensee's EP programs and consolidation, as  
7 well as a discussion of the stockpiling potassium  
8 iodine. That area was, of course, emergency  
9 preparedness area.

10 The sixth area under this category  
11 involves reliable off-site power and the effect that  
12 would come from economic deregulation. The overall  
13 preliminary findings and recommendations in this area  
14 found that there was considerable attention, of  
15 course, focused on this. Communication has been  
16 improved with other government agencies which have  
17 regulatory responsibilities in this area. Various  
18 stakeholders have also been involved. It's expected  
19 that these improvements should provide timely  
20 information when safety issues do arise.

21 The staff will continue to monitor  
22 developments in this area and specifically take  
23 actions as necessary. Also, of course, other  
24 government agencies are involved as well as any  
25 industry initiatives in this area.

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1           The nature of the significant comments we  
2           received for this category involved the use of non-  
3           nuclear plants, power plants, power generation plants  
4           to provide off-site power reliability and the public  
5           availability, the industry's equipment performance and  
6           an information exchange system, otherwise known as  
7           EPIX, and the impact of regional transmission  
8           organizations or RTOs on off-site reliability.

9           So, to tee up the ball a little bit  
10          better, the six main issues under this category was,  
11          again, the possible cost cutting initiatives,  
12          technology related issues, the spent fuel storage and  
13          transportation, low level radioactive waste  
14          management, emergency preparedness and reliable off-  
15          site power. And those were the six main categories  
16          under the topic of plant operational safety.

17                 And at this point, I turn it over.

18                 MR. CAMERON: Okay. Thank you very much,  
19          Tony. And why don't you join us at the table for this  
20          discussion, too, please.

21                 Let's go to major points that you around  
22          the table are focusing on the external participants  
23          would like to bring to the NRC's attention. And then  
24          when we get all those out, let's have a discussion on  
25          that.

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1           Anybody want to start us off in this  
2 particular area? And these don't have to be points  
3 that you disagree with the NRC approach. They could  
4 be where you agree with the NRC approach, but items  
5 that you think are really particularly important for  
6 the NRC to pay attention to under this particular  
7 area.

8           I know there's a lot of ground covered on  
9 that, and note that the reliability, grid reliability  
10 issue is also cross referenced, I guess, in issue  
11 eight nonregulatory issues.

12           Anybody? Dan?

13           MR. STENGER: Yes. Chip, I would just  
14 emphasize, I think, maybe the lack of comment in this  
15 area is indicative of the fact that, at least in my  
16 humble opinion, the NRC was right on on many of these  
17 points. And we certainly didn't have significant  
18 comments in any of these areas.

19           In terms of kind of reenforcing your  
20 conclusion on some of these, we would -- when we talk  
21 about plant operational safety, I guess it's item one,  
22 possible cost cutting initiative. You do say the NRC  
23 will continue to remain sensitive to reducing  
24 unnecessary regulatory burden. We would just encourage  
25 that conclusion.

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1 I know that the NRC has a separate  
2 initiative underway, it's a workshop in May of this  
3 year on the initiative to take some specific actions  
4 in areas to reduce unnecessary regulatory burden on  
5 licensees.

6 It even goes to some extent to the issue  
7 of security, as we're all starting to focus on  
8 security and spending resources and time in that area.  
9 It's all still important to be able to shed some of  
10 the less important activities that may be going up to  
11 free up time and resources to focus on the things that  
12 truly really are important.

13 So, we would just reenforce that  
14 conclusion that that's continue forward on many of the  
15 good regulatory reforms.

16 MR. BERKOW: Perhaps one of the industry  
17 representatives would want to comment on the issue of  
18 possible cost cutting initiatives, its impact on  
19 safety and our concern in that area, and how you  
20 control those to minimize any adverse impacts on  
21 safety.

22 MR. CAMERON: And, Herb, could I just  
23 intervene here just mildly. Let's put that up as an  
24 issue. Get these issues up here and then go back to  
25 discuss the issues so that we can get some

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1 communication.

2 So I'll put that up here as cost cutting,  
3 right? All right.

4 MR. DAPAS: I also want to comment I think  
5 that closely related to these possible cost cutting  
6 initiatives, and we'll get into some discussion about  
7 this, is whether our inspection program is structured  
8 such that we will be able to identify any potential  
9 adverse impacts from any cost cutting initiatives  
10 initiated by a licensee. So I think when we get into  
11 the discussion of the reactor oversight process, we'll  
12 touch upon cost cutting initiatives and the potential  
13 outcome, separate and apart from initiatives that the  
14 industry has in place that would lead them to believe  
15 that there would not be an adverse impact from cost  
16 cutting initiatives.

17 MR. CAMERON: Okay. And, Marc, if you  
18 could remind us of that again when we get to that  
19 particular area.

20 Any other issues under plant operational  
21 safety. And, Dan, I won't forget to put the issue you  
22 did raise, which is if there are resources diverted  
23 from areas that are not high attention areas, those  
24 could be focused on security. Did I get that  
25 basically right?

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1                   Okay. Steve, you have an issue for us?

2                   MR. FLOYD: Yes. In many of the areas the  
3                   NRC said they were going to rely upon monitoring,  
4                   which we totally agree with to see if further changes  
5                   need to be made. The only caution we would have is  
6                   when you monitor and trend performance historically  
7                   what has been done is you look at the slope of the  
8                   curve of improvement that has been being achieved and  
9                   you project that ahead. At some point you need to  
10                  establish a threshold of what is acceptable  
11                  performance so that you don't try to drive everything  
12                  to zero error that's not appropriate.

13                  MR. CAMERON: Okay.

14                  MR. FLOYD: The other comment I would have  
15                  is in the area of adoption of risk informed  
16                  regulation, you know, we believe that things could  
17                  move along faster to improve some of the efficiencies  
18                  of the current regulations. We think as both the  
19                  safety focus improvement benefit from moving ahead a  
20                  little faster than what we have, as well as the  
21                  removing unnecessary regulatory burden for some of the  
22                  current requirements that we don't believe add very  
23                  much safety value.

24                  And I think the point here is we need to  
25                  look for innovative ways of not holding up the entire

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1 effort to try to get, you know, bundle a bunch of  
2 requirements together where you're held hostage to the  
3 most difficult one to resolve, but rather look for  
4 ways to innovatively split pieces up so that you can  
5 gain the advantages in the short term while you do the  
6 necessary analysis to support maybe some of the longer  
7 term changes.

8 MR. CAMERON: Okay. Thank you, Steve.

9 Greg, did you have something?

10 MR. WHITE: Yes, thanks, Chip.

11 I'm not exactly sure how to go through  
12 this. But for the most part we think that the staff  
13 did a good job identifying the issues, assessing them  
14 and we generally agree with the recommendations.

15 As I indicated before, we probably take a  
16 little bit different perspective because we do look at  
17 the economic side more. For example, we are looking  
18 at the reliability issue, and certainly I think it's  
19 been properly identified in both the staff piece and  
20 in the piece we'll be talking about later this  
21 afternoon and tomorrow on the deregulation; that there  
22 is a relationship between reliability and safety.

23 I'm just going to offer a couple of  
24 comments, Chip, if that's okay.

25 MR. CAMERON: Go ahead.

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1 MR. WHITE: For example, under the spent  
2 fuel storage and transportation. Historically  
3 reracks, the spent fuel pools and ISFSI are costs that  
4 have been born by ratepayers under regulation. In the  
5 situation where there's consolidation with industry  
6 where plants may be owned by companies operating  
7 outside of the jurisdiction of an economic regulatory  
8 body, there's a lot of question as to how those costs  
9 will be picked up. Also as states move towards  
10 economic deregulation.

11 I would just flag that as a potential  
12 concern how the market will handle those costs, how  
13 the industry will handle those costs. I, of course,  
14 have to make my plug that the ratepayers, of course,  
15 are continuing to pay through the 1 mil per kilowatt  
16 hour all the costs for the nuclear waste fund, that go  
17 into the nuclear waste fund.

18 Another issue, Chip, I wanted to mention  
19 was in regards to the emergency preparedness. At the  
20 state level we work very closely to the communities,  
21 perhaps closer and perhaps have a little bit different  
22 perspective. There is a perception, and I don't know  
23 if that's something that you can put into a  
24 qualitative analysis, but there's certainly a  
25 perception among state and local authorities that

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1 there is a greater risk when the local plants are no  
2 longer under the ownership and operation of local  
3 utilities. In those cases -- in most cases these  
4 plants have developed relationships with the local and  
5 state authorities over many, many years. The names  
6 and faces change, the location change.

7 I personally believe that perception is  
8 risk and there is certainly perception of greater risk  
9 at the state level.

10 Another one I wanted to flag is in the  
11 reliable off-site power. I think in the short term,  
12 I don't know how close your staff has been following  
13 the development of the regional transmission  
14 organization or RTOs, but the Federal Energy  
15 Regulatory Commission's goal of having the RTOs up and  
16 running by December 15<sup>th</sup> of this year I think is a  
17 pipedream. There is tremendous confusion and  
18 uncertainty in that area. I think in the short term,  
19 anyway, that could be a potential problem in ensuring  
20 reliable off-site power. In some cases ownership of  
21 the transmission facilities, in all cases the  
22 operation of the transmission facilities will be  
23 different than what it has been for the last anywhere  
24 from 50 to 100 years.

25 And I think in the long run the RTOs are

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1 a good thing. I know my state supports the move to  
2 the RTOs, particularly in the context of deregulation.  
3 But in the near term in the first couple of years I  
4 would urge the NRC to monitor that very carefully.

5 MR. CAMERON: Okay. Thanks, Greg.

6 Why don't we go through and discuss. We've  
7 got a number of issues here, why don't we see if  
8 there's any discussion to be had on these.

9 First one I guess, is a good one, NRC had  
10 the right approach, generally, to this area and I just  
11 wonder if anybody has anything that they would like to  
12 add on that.

13 We've heard concerns around the table.  
14 That doesn't necessarily mean that the NRC did not  
15 have the right approach. But is there anything else  
16 to be said on this? Does anybody think that the NRC  
17 did not have the right approach?

18 And, Dan, I guess when you say the right  
19 approach, maybe you could put a finer point on that  
20 for us.

21 MR. STENGER: Well, I generally think in  
22 many of these areas the conclusion drawn was fine and  
23 balanced, such as, you know, we need to keep a  
24 watchful eye on cost cutting initiatives, but at the  
25 same time it's in the long run the right thing to do.

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1           And, for example, on the license transfer  
2 process, I know that has been a challenge for the  
3 agency. There have been many license transfers, but  
4 frankly that process has, sort of like license  
5 renewal, has worked fairly well.

6           The standards, what needs to be provided  
7 in a license transfer application are pretty well  
8 understood. Every deal seems to be a little bit  
9 different, has a different wrinkle, but that's a  
10 process that seems to be working well, and it was the  
11 conclusion of the working group.

12           MR. CAMERON: Okay.

13           MR. STENGER: I'm not saying on every item  
14 we fully agree with -- but found it generally, I  
15 think.

16           MR. CAMERON: Okay. Good. Thank you for  
17 adding that.

18           Jack, do you want to talk about that?

19           MR. NEWMAN: I want to make one more  
20 observation. First of all, we do like being here,  
21 agree that the staff did a very good job, recognizing  
22 that consolidation, although it's been underway for a  
23 few years, is still a relatively new animal.

24           I think the Commission identified the  
25 potential problem areas and also indicated that many

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1 areas that it was not yet time to take further action  
2 and that things were going pretty well and should be  
3 monitored.

4 I would like to, though, point out that  
5 that's only in part the function or the result of the  
6 industry's activities. I think that the NRC  
7 regulatory process has improved and stabilized light  
8 years over the past several years. And so in its very  
9 improvement, it has enabled, I think, consolidation to  
10 move forward with far fewer problems than might  
11 initially been anticipated. I point to things like the  
12 reactor oversight process, which is clearly a more  
13 rational basis for regulating reactors than the  
14 previous system. I look at a large number of  
15 regulatory improvements and changes in terms of  
16 hearings, in terms of notice and so forth, all of  
17 which effect the timeliness of Commission actions.

18 And so I guess what I'm saying is that I  
19 think you were riding, to some degree, the crest of a  
20 vastly improved process, and that's good for the  
21 industry and it's good for the NRC.

22 Overall in terms of -- more specifically  
23 in terms of are we -- will there be cost cutting. In  
24 a company like NMC, which has been put together for  
25 the very purpose of creating more efficient operation

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1 of eight nuclear power plants and possibly some of  
2 them small enough so that they would not be viable  
3 entities in a competitive environment, we have taken  
4 a position and told our now 3,000 employees that we  
5 cannot achieve the efficiency and actually in some  
6 cases the continued operation of the plants unless  
7 they are operated with an outstanding safety  
8 performance. The reliability and the economics  
9 objectives cannot be achieved unless we operate with  
10 that kind of safety performance.

11 Finally, one further comment. I agree  
12 that emergency preparedness poses a difficult,  
13 potentially difficult problem. And it's one that  
14 we're wrestling with now. We can see certain  
15 advantages to consolidating the emergency off-site  
16 facility for our eight plants. We think we might be  
17 able to achieve better communication and so forth.

18 On the other hand, the point made that the  
19 emergency preparedness plans seem to have -- if  
20 they're effective, seem to have a strong element of  
21 local contact and local communication I think is a  
22 very, very valid point. And so what we are trying to  
23 do at the moment is to strike some sort of balance in  
24 which we take advantage of those things which can best  
25 be done in a centralized fashion, but do not lose the

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1 essential community contact that really underlies  
2 effective emergency preparedness.

3 MR. CAMERON: Okay. Jack, and we're going  
4 to go back to that emergency planning issue that Greg  
5 raised for further discussion. I guess I'd like to  
6 see if there's any other comments on the NRC had the  
7 right approach.

8 We did have cost cutting. You identified  
9 it, it has been mentioned by a number of people. Marc  
10 from our regional office had noted earlier that  
11 there's going to be a lot of things in the inspection  
12 area that's going to be relevant to this. I don't mean  
13 to put this off, but why don't we go to reducing  
14 unnecessary regulatory burden at this point and we'll  
15 come back and see if there's further -- if you want to  
16 make comments on cost cutting now or you want to wait  
17 until Marc's session.

18 Dan brought the issue up, unnecessary  
19 regulatory burden mentioned what the NRC has been  
20 doing in this area. Any comments, any further  
21 comments on that?

22 David, do you want to say anything on the  
23 right approach or unnecessary regulatory burden at  
24 this point? Okay.

25 Anybody on unnecessary regulatory burden

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1 and perhaps the related issue that Steve Floyd brought  
2 up about accelerating risk informed and innovative  
3 approaches, the bundling idea, not holding the whole  
4 area hostage? Why don't we open those up for  
5 discussion now.

6 Steve?

7 MR. FLOYD: Yes, Chip. I think I agree  
8 with just about everything that's been said so far. I  
9 think the regulatory infrastructure improvements  
10 certainly have helped. Most of those infrastructure  
11 improvements, though, have been in the policy and what  
12 we would call the regulatory process area, but not  
13 really fundamental changes in the regulations  
14 themselves. And I think that's an important area to  
15 look at as we move ahead to try to reduce unnecessary  
16 regulatory burden.

17 But I think there's a key step that really  
18 wasn't discussed too much in the paper, and that is  
19 the need to examine the rulemaking process that the  
20 agency has, and what is the right scope and level of  
21 detail that belongs in regulation versus what belongs,  
22 perhaps, in guidance.

23 And I guess this is where maybe you can  
24 get, I think, some innovative approaches that might be  
25 able to be made. I think you could put, perhaps, some

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1 top tier criterion in some of the regulations, but  
2 then give office directors within the agency the  
3 ability with a public oversight opportunity to grant  
4 approvals for methodologies that meet those top tier  
5 criteria rather than trying to come up with a  
6 comprehensive rulemaking that tries to bracket all the  
7 possible perturbations and combinations that might  
8 come in for different methodologies for meeting a  
9 regulatory requirement.

10 We have that provision in some of the  
11 regulations, and we think an expanded use of that  
12 would be useful. Where we have it today, for example,  
13 is in the in-service inspection and testing regulation  
14 where the office director of NRR can approve  
15 alternative methodologies for in-service inspection  
16 and testing. But we don't have that provision in very  
17 many other areas, and we seem to default to them  
18 trying to define in great detail what do you have to  
19 do in the regulation to meet the requirement as  
20 opposed to setting top tier criteria and then allowing  
21 a flexible approach from various licensees in  
22 proposing ways to meet that. And I think that would  
23 be more efficient and more timely, and would result in  
24 less need to change regulations.

25 But going back to the process itself, I

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1 think it just takes too long to change the rules right  
2 now. Probably the worst case we have in recent years  
3 is the three years it took to change "should" to  
4 "shall" on the maintenance rule. Now, that's a little  
5 bit disingenuous because there was a lot behind that  
6 change, but nonetheless, it shouldn't take three years  
7 to do something like that. We've got to work faster  
8 and be able to be more responsive to the need to  
9 change.

10 MR. DAPAS: Can you comment, Steve, how  
11 that ties into consolidation? I mean, I understand a  
12 comment relative to rulemaking, but it's not clear to  
13 me how that's a function of industry consolidation.

14 MR. FLOYD: I think as industry  
15 consolidates, I mean the reason why we are  
16 consolidating is to improve our cost performance. And  
17 what we need to have is a flexible regulatory process  
18 and a flexible set of regulations that as new  
19 technology comes along or the need to change the way  
20 we're doing business to be more competitive, we've got  
21 to have a regulatory process that can respond faster  
22 to those needs in a business environment. It didn't  
23 matter in the past when we had cost of regulation this  
24 much; if it took a long time and cost a lot, that got  
25 passed on to the customer. But we're in a different

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1 environment today, as many other industries are, and  
2 we need a regulatory process that can be more  
3 responsive.

4 MR. CAMERON: Okay. We're on unnecessary  
5 burdens/efficiency. Let's follow the thread that  
6 Steve and Marc were commenting on about too long to  
7 change the rules, perhaps have a different allocation  
8 between rules and guidance.

9 Dan, did you want to speak to that issue  
10 or another issue?

11 MR. STENGER: It was a specific example of  
12 what Steve was talking about.

13 MR. CAMERON: Go ahead then.

14 MR. STENGER: I wholeheartedly agree with  
15 Steve, which I usually do. But a specific example is,  
16 as Greg was mentioning, independent spent fuel storage  
17 installation, dry cask storage. An example of where  
18 the rulemaking process has really bogged things down  
19 is for amendments for a certificate of compliance for  
20 a spent fuel storage cask that has been certified  
21 where an individual licensee for a site needs a change  
22 in that certificate of compliance to accommodate site  
23 specific fuel characteristics, or what have you.  
24 There needs to be an amendment. That has to go  
25 through the rulemaking process because those

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1 certificates were developed and approved through a  
2 rulemaking process. And that's been a tremendous  
3 inefficiency the NRC has worked in the last couple of  
4 years to improve that, I think primarily through using  
5 direct final rules. But it goes to the cost issue as  
6 well, as Greg was mentioning, because many of these  
7 plants are going to be operated in the future as  
8 exempt wholesale generator, no longer rate regulated  
9 vertically integrated utilities. There has to be an  
10 efficient process because they are going to be in a  
11 competitive environment and they need to keep the cost  
12 as low as reasonably achievable.

13 MR. CAMERON: Okay. Thanks for that. And  
14 I guess there's probably a ton of regulations that  
15 people would have comments on, but that's offered as  
16 an example of the generic point that Steve mentioned.

17 David?

18 MR. LOCHBAUM: We just had some concerns  
19 about using guidance in lieu of regulation. Two  
20 examples this year that we would cite would be a  
21 letter we sent in dated April 13<sup>th</sup> to the Inspector  
22 General about an enforcement discretion granted to the  
23 Fermi reactor.

24 Region 3 didn't follow the guidance in reg  
25 guide 1.174 in granting that enforcement direction, so

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1 we're a little concerned that guidance is only good if  
2 it's followed.

3 More recently, on October 25<sup>th</sup> we sent a  
4 letter to the Chairman and the Commissioners about  
5 Region 1, the only plant that's ever gotten into the  
6 fourth column on the ROP which warrants heightened NRC  
7 attention is not getting that attention. Region 1  
8 decided not to do the inspection it promised the  
9 public in June of this year.

10 So, again, there's guidance explicitly  
11 spelled out and promised to the public in numerous  
12 forms that the staff is just not following.

13 We can also cite examples where regulations  
14 aren't being followed, but we've got a better shot at  
15 it, and would also point out that the regulations are  
16 on the website today, and all that other information  
17 is not. So we have a better shot at getting  
18 information until we return to Glasnost.

19 MR. CAMERON: Okay. So, David, I think  
20 you've spelled out the implication that seemed to be  
21 there is that there's a better chance of regulations  
22 being followed than guidance. So we noted that there.

23 Let's go to the issue that Greg raised and  
24 Jack Newman commented on, this whole idea that  
25 emergency preparedness and that there is at least a

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1 perception in the communities that when you change the  
2 actor that people are familiar with, that somehow  
3 emergency preparedness is going to suffer. You've  
4 heard the comments by Jack and Greg, does anybody have  
5 something to say on those issues?

6 Jack, do you want to just repeat that  
7 balanced approach that you talked about? I thought  
8 that was worth hearing.

9 MR. NEWMAN: Well, we're in something of  
10 a unique position, because unlike even some of the  
11 other large consolidators like Exelon, for example,  
12 there's not a uniform background culture and  
13 experience. We've bring together eight different  
14 nuclear power plants, each of which has a somewhat  
15 different relationship with the community that is in  
16 the nearby vicinity.

17 And part of what we like to do, of course,  
18 is to consolidate as much as we can the activities of  
19 our various members. And we are looking at, however,  
20 in this case probably to a larger extent deliberately  
21 decentralizing some of the work because we think that  
22 the contacts with the communities are so very  
23 important. And we'll continue and probably will  
24 develop broad communication and broad guidelines for  
25 emergency preparedness at the eight plants. But

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1 actual implementation may not be that much different  
2 than it is at the present moment. We're generally  
3 inclined to probably leave it where it is at the  
4 moment.

5 MR. CAMERON: Is there anything that the  
6 NRC should be doing in this regard anticipating or --

7 MR. NEWMAN: Well, I think actually that  
8 the staff study points out that issue. And I think  
9 it's appropriately identified because, you know, if we  
10 do reach the point at some places where people are  
11 operating 19 plants or ten plants, or whatever, and  
12 trying to consolidate emergency planning out of a  
13 single site for reasons for economics or efficiency,  
14 or whatever, you tend to compromise the value of the  
15 local communication. And so I think that this is an  
16 area where the NRC might take a closer look.

17 It may be that the large aggregators will  
18 be aware of this problem and deal with it  
19 appropriately, but it is worth, I think, tracking. I  
20 think it's a very, very important function and in the  
21 light of recent events, may be even more important  
22 than it's ever been. And I think that there's a degree  
23 of comfort that the community develops in dealing with  
24 the same people that it has dealt with for the past,  
25 you know, ten or 15 or 20 years.

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1 MR. DAPAS: There's a related aspect that  
2 I'd like to comment on. I think you pointed out about  
3 the consolidation of emergency operations facilities  
4 where you may have corporate headquarters serving as  
5 a location for and source of personnel to man those  
6 facilities, you may be sharing emergency news centers  
7 with licensee corporate personnel staffing those  
8 facilities. And we need to evaluate whether the  
9 reactor oversight process, inspection procedures  
10 address inspection of corporate emergency response.

11 Right now, the emergency preparedness  
12 inspection program as outlined in the reactor  
13 oversight process doesn't focus on corporate emergency  
14 preparedness training programs or emergency  
15 preparedness performance indicators from a corporate  
16 standpoint. It's more focused on site performance.  
17 And we need to evaluate whether the performance  
18 indicators as currently structured capture the impact  
19 of consolidated facilities.

20 So I agree with your point and we need to  
21 look at that and insure that we've got a mechanism in  
22 place that allows us to evaluate the impact of that.  
23 And I think NEI commented specifically on that aspect  
24 in response to the *Federal Register* notice.

25 MR. FLOYD: That's right. Steve Floyd.

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1           What we believe is you're absolutely right  
2           on the inspection module, the focus is on on site.  
3           But when you get to the performance indicators  
4           themselves, the ones for training of EP personnel and  
5           the ones for evaluating drill and exercise performance  
6           certainly aren't limited to just the site response,  
7           because it does cover both the control room response,  
8           the technical support center and the emergency  
9           operations facilities. So it does monitor all three  
10          aspects, which of course would include the corporate  
11          function as well.

12                 So I think if you look at the combination  
13          of the inspection program and the indicators, you  
14          would get a more complete picture, although I  
15          certainly do agree with Jack that it's an area that we  
16          need to pay attention to to make sure. And it's not  
17          so much from the performance side. I think the  
18          performance side of what would actually happen during  
19          a drill and an exercise or an actual event is  
20          effectively monitored through the performance  
21          indicator program. But I think that Jack's really  
22          focusing on is the community relations aspect, okay,  
23          and the team building that goes along with that. And  
24          I think that is an important area to stay alert to.

25                 MR. CAMERON: Okay. Thank you.

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1 Anybody else have a comment on the  
2 emergency preparedness aspects? And it was a  
3 highlight or a preview, I guess, of an issue that  
4 we'll get to when we get to Marc's area, which is the  
5 reactor oversight process and all sorts of management  
6 preparation.

7 Of the remaining issues that were  
8 identified, there was threshold of acceptable  
9 performance has to be defined for monitoring purposes,  
10 accelerate risk informed regulation. How about grid  
11 reliability and availability, short term attention.  
12 You used the word short term, Greg. Do people want to  
13 comment on Greg's point on reliability and  
14 availability of the grid? Anything to say on that?

15 Dan, do you want to say something?

16 MR. STENGER: Yes, related to that. I  
17 think Greg brought out a very important point.  
18 Probably the most significant development in the  
19 restructuring of the electric utility industry is the  
20 RTOs and, in particular more recently, FERC's  
21 directive, Federal Energy Regulatory Commission's  
22 directive that there be four RTOs formed in four  
23 quadrants of the United States, the last being very  
24 large one geographically with the possibility of  
25 Florida having its own RTO. But that is going to be a

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1 real change the way the grid has been operated in the  
2 past.

3 Coming at it from a different direction,  
4 we certainly emphasize to our nuclear licensee clients  
5 that own and operate nuclear plants as generators they  
6 will have certain unique interests that may be  
7 different from the transmission side of the house or  
8 the transmission entities. And that they should be  
9 taking a very active role as the RTOs are formed and  
10 begin to develop the rules and protocols that the RTOs  
11 will have in place in the future, because those rules  
12 can effect operations of all generating facilities,  
13 including operations of a nuclear plant.

14 You know, some well publicized examples.  
15 Diablo Canyon, I believe, having to back down power at  
16 certain times because of congestion in their region.  
17 I think Pilgrim had to do that. So there are things  
18 that can happen with the grid that affect operations  
19 of the plant. None of that, in my opinion, rises to  
20 the level of any kind of safety issue. It's primarily  
21 an economic issue, but it's an area where one could  
22 ask what rules should the NRC play on this. This is  
23 something that's being overseen by --

24 MR. BERKOW: What role should the NRC  
25 play?

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1                   MR. STENGER: Well, the NRC can play a  
2 healthy role I think. A few years ago the NRC  
3 developed a policy statement that addressed economic  
4 performance incentives that were established by state  
5 public service commissions. And I think that policy  
6 statement issued by the NRC that expressed some views  
7 that at a certain point hard economic performance  
8 incentives for operating nuclear plants could cross  
9 the line into presenting an operational, perhaps even  
10 a safety issue that of concern to the NRC.

11                   I think Greg had it exactly right. It's an  
12 area where the NRC should monitor and perhaps an  
13 expansion of that earlier policy statement might be in  
14 order. I think it's too early to tell exactly.

15                   MR. CAMERON: Let me ask the NRC staff do  
16 you have any questions on that recommendation about  
17 continued monitoring, expand the policy statement? Is  
18 it clear what the gist of both Greg and Dan were  
19 saying?

20                   Jon?

21                   MR. JOHNSON: Yes, I thought maybe a  
22 suggestion. I mean, when you say monitor primarily,  
23 I mean in Marc's area, in inspection and so forth, I  
24 mean we monitor primarily what goes on in the power  
25 plant, certainly the switch yard and the operatability

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1 of the off-site power lines. Over the last year or  
2 two there have been a couple of transients where we've  
3 had to engage with the utility management about their  
4 monitoring of the grid and how it would affect their  
5 plant. And I think we had done a study several years  
6 ago of the broad -- to relook at what we thought was  
7 the reliability of the grid, because certainly that  
8 can affect reactor safety.

9 But when you say two of you have indicated  
10 that we should monitor these RTOs, one of you indicate  
11 it's primarily financial, but from a reactor safety  
12 standpoint do you have any suggestions? We don't  
13 normally go off-site to do or conduct our inspections.  
14 So our inspectors are primarily on site. What would  
15 you recommend?

16 MR. CAMERON: Greg?

17 MR. WHITE: Well, I noted on the piece  
18 that I agree with the recommended follow-up that you  
19 put here, which is in fact monitoring, continuing  
20 monitoring. But I think you have to understand a  
21 little bit the relationship, as Dan pointed out, it is  
22 economic. There are contractual relationships, and I  
23 can use Michigan as an example.

24 Of course, we're a peninsula state. We  
25 have limited interconnection with the transmission

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1 system. The Michigan transmission system has been  
2 operated under a very, very tight power pool between  
3 Detroit Edison and Consumers Energy. That contractual  
4 relationship is almost a day-to-day; what was what we  
5 call Mex was dissolved. The contract was dissolved,  
6 in fact, and now it's operated on a more loose  
7 relationship as the movement towards the regional  
8 transmission organization has gone forward add what we  
9 call the Mid-West region.

10 In the Mid-West region there are 2  
11 generally competing RTOs being developed. The Mid-  
12 West ISO and the Alliance RTO. Unfortunately, for my  
13 personal perspective, Consumers Energy is one and  
14 Detroit Edison is in the other, so there are potential  
15 coordination issues involved.

16 These are all things that the FERC is  
17 looking very closely at. Now the FERC has said that  
18 they think there should be one -- well, not that  
19 clearly, but they've implied, I should say, that there  
20 should perhaps only be one RTO in the midwest. They  
21 haven't gone so far as to say there actually should  
22 be.

23 You know, I am a believer that these  
24 organizations will eventually operate well and do the  
25 job that they've been charged with, and that is the

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1 safe and reliable operation of a regional grid. But  
2 in the meantime, like I was saying, the relationships  
3 have changed, the contracts have changed and  
4 particularly you get into the consolidation area and  
5 now you've got the potential, and of course in our  
6 case, NMC is operating Palisades, but we don't have  
7 any actual sales. But let's say just for the sake of  
8 it that Exelon were to -- now you would have an  
9 organization outside of the state, outside of the  
10 former type power pool owning a power plant and  
11 operating it in a situation that -- it's just  
12 different. And that's why I just wanted to raise  
13 that.

14 And I certainly agree with the  
15 recommendation. I can't give you more specifics I  
16 think then you need to monitor that. And I really  
17 think that it's a short term issue. I think the FERC  
18 will eventually get it right. They've been giving  
19 some better guidance recently. And we're just going  
20 to continue to watch it very carefully on our side,  
21 because of our interest in the reliability.

22 MR. DAPAS: I just wanted to comment and  
23 as a follow-up to the comment Mr. Johnson made that  
24 the nexus for the NRC is evaluating the safety impact  
25 of any loss of off-site power. Right now if our

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1 inspector at a licensee's facility and identify a  
2 diesel generator that's inoperable, we evaluate that  
3 using the significance determination process. And  
4 part of that is looking at the initiating event  
5 frequency, which would in this case you'd be looking  
6 at the likelihood of a loss of off-site power while  
7 you have an inoperatable diesel generator. And you  
8 would come up with some risk assessment. And if  
9 organizations that are regulating the grid, that  
10 results in an increased incidents or loss of off-site  
11 power, that would be factored into the initiating  
12 event frequency and the significance determination  
13 process would then yield a different result that would  
14 reflect the fact that there have been increased  
15 incidents of loss of off-site power, however arrived  
16 it.

17 So, that's where I see the tie to reactor  
18 safety. We would have to actually see evidence that  
19 there was an increased incidence of loss of off-site  
20 power such that we would modify that initiating event  
21 frequency. And right now the significance  
22 determination process is not structured, as I  
23 understand it, to change initiating event frequencies  
24 based on a prediction of what could occur. It's a  
25 function of an actual like database, a generic

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1 database because there haven't been that many loss of  
2 off-site power incidents. And so that's where I see  
3 the tie potentially.

4 MR. CAMERON: Okay. Jack?

5 MR. NEWMAN: Chip, could I ask a question  
6 for the NRC staff?

7 MR. CAMERON: Sure.

8 MR. NEWMAN: Is a point of entry beyond  
9 monitoring the relationship with FERC? It seems to me  
10 that some years ago there was a practice of meeting  
11 with FERC and coordinating with them on issues like --  
12 and making clear to them what our safety interests  
13 were. Does that still go on?

14 MR. BERKOW: Perhaps research can address  
15 that.

16 MR. CAMERON: This is Tom King.

17 MR. KING: Yes, Tom King.

18 I'm not sure. I don't know of any  
19 meetings with FERC that take place regularly, but I'd  
20 have to check to be sure.

21 MR. CAMERON: Let's put that in as a  
22 recommendation.

23 We need to get on to licensing and then  
24 we'll give you a short break. But before we do that,  
25 since this is such an important area, just let me ask

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1 if anybody wants to say anything on some issues that  
2 were raised that we didn't discuss. There has to be  
3 a threshold for acceptable performance in order to  
4 monitor, the suggestion that risk informed regulation  
5 be accelerated and that we look for innovative ways to  
6 do that rather than, as Steve called, it bundling,  
7 waiting until everything can be bundled together. And  
8 Greg's point about spent fuel ratepayer concerns in  
9 terms of, I guess, cost recovery.

10 Anybody have anything to say on those  
11 before we go onto our next area of licensing? And let  
12 me just quickly ask, since this is an important area,  
13 anybody, you've listened to the conversation, those of  
14 you in the audience, does anybody have anything  
15 quickly that they want to comment or say on this  
16 discussion before we move on?

17 Yes. If you could just identify yourself,  
18 sir?

19 MR. ROGERS: Yes. I'm Ken Rogers. I used  
20 to be with NRC.

21 One of the things that troubled me a  
22 little bit about the discussion is that really it went  
23 way outside of the effects of consolidation. That's  
24 fine. But what I was concerned about was really the  
25 topic of the safety implications of consolidation.

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1 And one of the problems in seems to me that I didn't  
2 hear anybody talk about is the necessity of somehow or  
3 other monitoring the disparate, I'll call it  
4 engineering or corporate cultures of different plants  
5 as they're all brought together under one consolidated  
6 umbrella.

7 I mean, just such simple things as color  
8 coding, which may be very different in almost  
9 identical plants, can really cause problems from time-  
10 to-time, particularly when you take a work force now  
11 that you're going to start to spread around. Always  
12 focused in one plant and now becomes part of a large  
13 consolidated work force, has to work in a different  
14 situation with a similar plant, but there's really a  
15 different engineering culture, if you want, that's  
16 perfectly fine but now when you consolidate this whole  
17 thing there are discrepancies. There is an impedance  
18 match problem.

19 And it is a short term issue, I think,  
20 rather than really long term, but it still could be a  
21 very important issue and I haven't heard anything  
22 along those lines.

23 MR. CAMERON: Okay. Thank you, Ken. And  
24 we have that up there. Maybe we'll get into that.  
25 Maybe Marc sort of hinted at that about what the

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1 inspection and ROP program might have to do in that  
2 regard.

3 Herb, you look like you want to say  
4 something.

5 MR. BERKOW: We did address this concern,  
6 but it was elsewhere.

7 MR. CAMERON: Okay. Well, we'll get to  
8 that.

9 Anybody else? Yes. Let me go right here.  
10 If you could just identify yourself?

11 MS. BIER: Thanks. Vicki Bier, University  
12 of Wisconsin.

13 I just wanted to add one point which is in  
14 the business management literature. It's found that  
15 about 50 percent of mergers and acquisitions fail, and  
16 many of those failures are purely financial failures  
17 that we'll talk about later, I assume, under financial  
18 pressures. But I think in some cases there are  
19 mergers in other industries that have led to real  
20 operational problems because of things like  
21 incompatible information systems between the merged  
22 firms, things like that.

23 So, I would just suggest it might be a  
24 good idea to look at what the experience has been with  
25 mergers and other industries.

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1                   MR. CAMERON: All right. Thank you,  
2 Vicki.

3                   MR. JOOSTEN: Jim Joosten, Connect U.S.A.

4                   I just want to make sort of a small point  
5 that you have to be careful, I think, not to get  
6 caught up in the semantics of the word consolidation.  
7 Because with regard to the grid reliability, we're  
8 really talking about divestiture, and in another sense  
9 you're talking about the control of the grid or access  
10 to off-site power supplies being transferred from a  
11 licensee to a non-licensee. And the question is  
12 really, I think, what should the NRC's role be in that  
13 process.

14                  Until now they've sat on the sidelines  
15 pretty much as a bystander in the FERC and PUC  
16 hearings that are trying to structure that control  
17 process. But the question is should that remain --  
18 should the NRC remain a bystander in that process.

19                  I think that the argument for them to be  
20 a bystander focuses on the point that we have diesel  
21 generators as a backup supply and the NRC essentially  
22 regulates the diesel generators. But I think that  
23 concept has to be re-examined under Bill Kane's  
24 thinking that under the point he made, which is that  
25 under the new environment if we look at the terrorism

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1 issues, we can look at a long term loss of off-site  
2 power. And I think if you look at the diesel  
3 generator supplies, as an old diesel guy at one of the  
4 power stations, you'll see that they're designed and  
5 they're tested, and they're certified based on trying  
6 to cope with short term losses of off-site power. And  
7 long term diesel generator reliability has not been  
8 tested or established.

9 So I think if you throw the security issue  
10 into it, I think the importance of off-site power has  
11 to be reconsidered, and then you have to consider  
12 whether the NRC should play a role in that or not.

13 MR. CAMERON: Thank you for that wrap up,  
14 Jim.

15 And one of the NRC staff just pointed out  
16 to me that there was an NRC FERC meeting last week,  
17 and I would just underscore the point, though, that I  
18 think the recommendation was, and I think something  
19 that was also in Jim's comment, is there should be  
20 some continuing relationship perhaps established.

21 And, Tony, can you get ready to give us a  
22 tee up on licensing, and then we'll have a short  
23 discussion on that, and then we'll take a break and  
24 we'll have one last quick comment.

25 MR. BHACHU: Chip, I'm glad most of the

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1 effort had been on nuclear reactors, but there is also  
2 a similar effort I have observed on radiation  
3 radiators to Part 36, there is a consolidation going  
4 on that area. And there is some effort on making some  
5 of the operations to be automatic. And I was  
6 wondering whether that should be considered as part of  
7 the regulation in NMSS.

8 MR. CAMERON: Okay. Just give us your  
9 name, please?

10 MR. BHACHU: My name is Ujagar Bhachu. I  
11 am from NMSS.

12 MR. CAMERON: Okay. Thank you very much.

13 Tony, do you want to give us a tee up on  
14 licensing, please?

15 MR. MENDIOLA: Okay. The second category  
16 of the categories to be discussed is the category of  
17 licensing. As I mentioned, the category we just  
18 finished discussing about dealt with a large number of  
19 topics, basically outside the agency and how the  
20 agency was going to react to it. The category of  
21 licensing primarily deals with some of the roles and  
22 functions of the organization within the NRC, within  
23 NRR as well.

24 There were four main issues that we  
25 assessed, and those four issues are the license

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1 transfer process itself, new license application site  
2 approvals and reactivation of deferred plants. The  
3 third one was license renewal. And the fourth one was  
4 basically the NRC organizational structure.

5 As before, I was going to discuss the  
6 preliminary findings and the nature of the significant  
7 comments we had for each of the four categories.

8 Under the category of license transfer  
9 process, basically the general staff assessment was  
10 that the current license transfer process is effective  
11 and that lessons learned from the earlier transfers  
12 would be incorporated into that process in an effort  
13 to streamline it.

14 Staff oversight process and license  
15 transfer process would seek to ensure that all NRC  
16 regulations and license requirements are met. And it  
17 was generally felt that no special staff follow-up is  
18 recommended at this time.

19 The nature of the significant comments we  
20 received involved the incentives of owners to make  
21 plant repairs either before or after a license is  
22 transferred. And a discussion of the closure of  
23 license commitments prior to the license transfer.  
24 And that was the issue of license transfer process.

25 The second issue had to deal with the new

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1 license applications, site approvals and the  
2 reactivation of deferred plants. The staff felt that  
3 they needed to assure that NRC resources could be made  
4 available to support future activities in these areas.  
5 They felt that current regulations and processes would  
6 need to be reviewed and that new procedure and new  
7 guidances may be necessary in order to deal with these  
8 areas.

9 The staff has received direction from the  
10 Commission in this area, and in response has created  
11 the Future Licensing Organization, otherwise known as  
12 FLO. And their principle function thus far is the  
13 need to access the NRC capabilities in this area and  
14 to outline our future activities in this area. So,  
15 obviously, additional staff action is planned to  
16 support these concerns.

17 The nature of the comments received to  
18 date dealt with, hopefully, to make timely decisions  
19 from the scope of NEPA reviews and eventually the  
20 funding and staffing of the NRC Future Licensing  
21 Organization or FLO.

22 The third category we discussed was the  
23 license renewal category. The staff recognizes that  
24 there are potential resource impacts in this area and  
25 we are encouraging licensees to let us know their

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1 renewal plans as soon as possible in order to properly  
2 direct our resources in this area.

3 Since license renewal is a voluntary  
4 industry initiative, the NRC does not control the  
5 number, timing or coordination of the renewal  
6 applications. Therefore, we felt at this time there  
7 was no special follow-up action to be recommended,  
8 except to continue to ask and assess the applications  
9 or application plans as they became aware to us.

10 The nature of the significant comments we  
11 received dealt with the streamlining of the license  
12 renewal process. And, hopefully, to improve the  
13 efficiencies and the power uprate review process

14 The fourth category and the last category  
15 under this topic under this category had to deal with  
16 the NRC organizational structure. The staff felt it  
17 was somewhat premature to identify potential  
18 challenges to our organization or to consider because  
19 of that alternative organizational structures.  
20 Considering the licensees could operate across  
21 regional boundaries, we felt that effective NRC  
22 management oversight would seek to ensure a  
23 consistency as we implement agency programs across the  
24 regions and from headquarters.

25 A number of measures currently exist to

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1 ensure consistency, and we will gain, of course,  
2 significant experience with our consolidated licensees  
3 in the next few years and that measures would be added  
4 or altered as necessary in order to properly assess  
5 the impacts of consolidation on the NRC structure.

6 The recommended follow-up at this time is  
7 to establish a consistent agency wide process to  
8 monitor and document all our staff experience to date,  
9 as well as to take in any stakeholder feedback on this  
10 area, and hope to establish assessment criteria for  
11 future evaluation of this information, and then of  
12 course future staff action.

13 We also felt that this effort should begin  
14 in the very near term.

15 Significant comments received in this area  
16 of NRC organizational structure involved the  
17 consolidation of certain regional reactor oversight  
18 functions within NRC headquarters.

19 Those were the four categories. Let me  
20 reiterate the topics again. License transfer process,  
21 new license application site approvals and  
22 reactivations of deferred plants, license renewal, and  
23 of course, the NRC organizational structure.

24 Chip?

25 MR. CAMERON: Okay. Thank you very much,

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1 Tony.

2 Are there any burning issues around the  
3 table on licensing? The licensing issues identified  
4 that may have implications for consolidation?

5 Jon, do you want to start us off?

6 MR. JOHNSON: Yes, I wouldn't say it's a  
7 burning issue. But the comment was made earlier about  
8 the number of license transfers and stability in the  
9 transfer process.

10 Our licensing staff as well as the rest of  
11 the staff efforts and OGC efforts, the total effort of  
12 the NRC to review a license transfer is fairly  
13 extensive. And we go through a lot of effort to plan  
14 these and schedule them, and work them according to  
15 our expectation, the Commission's expectations and our  
16 NRR management's expectation. And it's pretty  
17 disruptive when we get phone calls with utilities that  
18 want to accelerate or jump ahead of other applications  
19 that have taken the time to plan and do these in a  
20 organized manner.

21 So, I'm just putting a pitch out for in  
22 order to continue, I guess what I would call order and  
23 stability, that it is very important overall for these  
24 to be certainly planned. They can't happen without  
25 planning, but it's very disruptive to other utilities

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1 as well as our own staff conducting these reviews when  
2 we get a barrage of phone calls saying that we need to  
3 speed our up or jump ahead of others that are in the  
4 line. And I think, you know, from a safety standpoint  
5 we need to take the time and effort to do the reviews  
6 thoroughly no matter what. So we do try to  
7 accommodate individual needs for utilities in timing  
8 and so forth, especially because they need to be  
9 coordinated with other regulators and other states,  
10 and so forth. But the planning and the -- we try to  
11 meet our expectations, the staff does with respect to  
12 the timing and the application. But I think it needs  
13 to have a significant amount of cooperation from the  
14 applications.

15 MR. CAMERON: Any comments on Jon's point  
16 from any of you around the table?

17 MR. JOHNSON: That same comment kind of  
18 goes with license renewal, but I think we have a lot  
19 of short term phone calls on some of these transfers  
20 that are particularly troubling sometimes.

21 MR. CAMERON: Okay. Anything on the NRC  
22 regional organizational issue? We heard from Ken  
23 Rogers and Vicki about consistency within disparate  
24 corporate organizations that might be coming together,  
25 sort of the same issue in a way for the regional

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1 organization. Anything on NRC regional consistency?

2 MR. BERKOW: Chip, I might just point out  
3 that although we put this particular issue under  
4 licensing, it really transcends. It's appropriate to  
5 everything, not just -- we needed a place to put it.  
6 We put it under licensing, but obviously one needs to  
7 consider the NRC organization in all aspects, not just  
8 licensing.

9 MR. DAPAS: I'm also going to comment on  
10 how inconsistencies and implementation of the reactor  
11 oversight process or allegation program or enforcement  
12 program could manifest themselves across the regions.  
13 And so I think there'll be some discussion on that  
14 when we get into the enforcement inspection and  
15 assessment process.

16 MR. CAMERON: Okay. Great. It looks like  
17 that will be a major discussion of the issues in  
18 there.

19 Dan?

20 MR. STENGER: I just wanted to come back  
21 to a couple of points. I don't want to hold up a  
22 break, though, that could be important.

23 MR. CAMERON: Yes, you're on dangerous  
24 ground, but why don't you do that and then we'll go to  
25 a break. Go ahead.

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1 MR. STENGER: Yes, I think Commissioner  
2 Rogers made an excellent point and it's related to  
3 Vicki's point as well, and that's something that we  
4 have seen. And it really goes to sort of post-merger  
5 integration and the real challenge once the merger is  
6 closed, and the real challenges begin. And where it  
7 does interact with safety is down at the plant level  
8 making sure that the cultures are brought together in  
9 a way that really achieves the safety benefit that  
10 everyone should be looking for. But I don't have any  
11 magic answer to any of that, but I just point out that  
12 I know from experience, but some of clients we have  
13 worked with, that that is the issue of highest  
14 importance at the top of management levels. They  
15 focus on that and it has been a challenge. They are  
16 extremely focused on merging cultures that achieve  
17 some real safety benefits.

18 MR. CAMERON: Okay. Great. And let me  
19 ask Marc, is that type of issue fit within what you're  
20 going to -- that particular area, inspection,  
21 oversight may be addressing?

22 MR. DAPAS: Yes.

23 MR. CAMERON: All right. Tom?

24 MR. KING: Yes, I just wanted to follow up  
25 on the point just made. The organizational influences

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1 on safety and risk, something that is being looked  
2 into fairly extensively in some countries. We, the  
3 NRC had had a program on that several years ago.  
4 We're not doing much now, and it was really a question  
5 for the industry participants, what are you doing in  
6 terms of looking at organizational influences on risk  
7 to identify the factors and make sure that those  
8 important factors are somehow dealt with when these  
9 mergers take place and these large organizations are  
10 trying to run a fleet of nuclear power plants? Is  
11 there some structured systematic programs underway to  
12 take a look at those issues?

13 MR. CAMERON: Steve?

14 MR. FLOYD: Yes, I can give some general  
15 comments and maybe Jack has some specifics. But, you  
16 know, we've got 18 performance indicators in the  
17 oversight process, but if you go to a typical power  
18 plant, they've got 90 or a 100 or more performance  
19 indicators at a much lower level that's capable of  
20 sorting out and identifying when issues arise at a  
21 much lower level before they're going to impact the  
22 ROP level of indicators at the plant.

23 Certainly the cultural reasons may only be  
24 one factor in not meeting a performance objective or  
25 target that's been established at a lower level. But

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1 I think the approach that the licensees are taking in  
2 general is that they're setting performance targets  
3 and then when you miss it, you evaluate, you do a root  
4 cause to determine why you missed it. It may be a  
5 cultural reason, it may be a weakness in engineering  
6 and it may be a human performance issue. I mean,  
7 whatever it might be, but you attack it. But you  
8 don't have to put necessarily a specific program to  
9 address a particular potential cause if you're not  
10 seeing any performance issues in that area. That's  
11 just not very efficient.

12 And we think that the performance targets  
13 that most of the utilities have set with this myriad  
14 of roughly 100 performance indicators is fully capable  
15 of identifying when a desired level of performance or  
16 a performance objective is not being met, and then  
17 they dig in to find out why it is and then attack the  
18 problem from that level, long before it can have any  
19 impact on plant safety at a higher level.

20 MR. DAPAS: I'm also going to comment in  
21 my discussion about how our inspection program  
22 evaluates things like safety conscious work  
23 environment, etcetera, because that is a potential  
24 impact from consolidation. So I think we'll touch  
25 upon this corporate issue or this cultural issue,

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1       excuse me, which could include engineering culture as  
2       well when we discuss our evaluation of the inspection  
3       program and relevant changes that stem from  
4       consolidation in terms of safety conscious work  
5       environment.

6               MR. CAMERON: Okay. And maybe that will  
7       be the time to explore this further with Jack, too,  
8       from particular company's perspective.

9               Any final comments up here on licensing  
10       and -- we'll come back to the audience later in the  
11       day. I want to give people a break at this point  
12       before we go to Marc's area, because it seems like  
13       there's a whole lot of things there. But let's take  
14       15 minutes, okay. And we'll start promptly in 15  
15       minutes rather than my usual slopping over to 20 or  
16       25.

17               (Whereupon, at 10:25 a.m. off the record  
18       until 10:45 p.m.

19               MR. CAMERON: We'll get started now with  
20       the next segment of this.

21               While people are still filtering back in,  
22       just let me inform people. The NRC has what's called  
23       a feedback form, and it's basically a meeting  
24       evaluation form. They're outside on the table. If  
25       you have any comments about how well or how

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1 effectively, I should say, this meeting was conducted,  
2 if you have any recommendations for improvement,  
3 please fill this form out. You can take it with you  
4 and put it in the mail, which means we probably won't  
5 get it I guess these days. But at any rate, it does  
6 have a metered no postage necessary on it.

7 To sort of give you a preview, we're going  
8 to go through an area now that Marc Dapas from our  
9 region is going to talk about, which is inspection,  
10 enforcement, assessment. Just remind all of you that  
11 there were two issues that we talked about during the  
12 last two sessions that are going to be very pertinent  
13 here. One is cost cutting. And then there was the  
14 whole, I think, what Tom King called organizational  
15 influences on risk. We heard about the disparate  
16 corporate culture problems, consistency. So I imagine  
17 that that will be a big discussion here.

18 We'll spend some time on this area. I  
19 think that decommissioning, fuel cycle facilities,  
20 even financial, those topics may move fairly quickly,  
21 but I do want to make sure that we get to the so-  
22 called other issues that were issues that the NRC  
23 didn't identify as having implications for safety from  
24 industry consolidation, but other people might. Okay.

25 So, Marc, could I turn it over to you?

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1           MR. DAPAS: My name is Marc Dapas. As I  
2           said, I'm the Deputy Director in the Division in  
3           Nuclear Material Safety in Region 3.

4           My area was inspection, enforcement, and  
5           assessment, as Chip mentioned. This category  
6           encompasses regulatory processes for which the regions  
7           have the lead implementation responsibility.

8           The first area I want to discuss is the  
9           reactor oversight process. We focused on evaluating  
10          the potential impact of industry consolidation on  
11          effective implementation of the reactor oversight  
12          process. We considered whether the reactor oversight  
13          process will provide the NRC with assurance that  
14          licensees are maintaining public health and safety in  
15          a consolidated and deregulated environment.

16          In our view, that translates to answering  
17          the question of whether the reactor oversight process  
18          enables the NRC to address adverse performance trends  
19          that might result from consolidation related cost  
20          cutting initiatives which could be driven by financial  
21          pressures or nonconservative changes to corporate  
22          policies, programs and procedures. Before they have  
23          all been to significant safety issues. We considered  
24          two scenarios in developing an answer to that  
25          question.

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1           The first scenario relates to longer term  
2           manifestation of licensee performance problems  
3           stemming from consolidation related activities. We  
4           reasoned that if a consolidation related cost cutting  
5           initiative or none conservative change in a corporate  
6           policy, program or procedure results in a performance  
7           issue, that issue would likely surface initially as a  
8           finding of lesser safety significance. The licensee  
9           in our view should then determine the extent of the  
10          condition and implement appropriate corrective action.  
11          If the licensee does not address the root causes for  
12          these issues of lesser significance, those problems  
13          would develop into more safety significant issues.  
14          The NRC should then detect this adverse performance  
15          trend and engage appropriately.

16                 The second scenario that we looked at  
17          involved in safety performance problems deriving from  
18          licensee actions in response to financial pressures.  
19          We considered whether significant financial pressures  
20          on a licensee could result in decisions to reduce the  
21          work force, revise the scope of and/or delay planned  
22          maintenance and modifications activities, shorten or  
23          delay plant outages, terminate licensing classes or  
24          training initiatives. And those are some examples of  
25          cost cutting initiatives that we examined.

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1           While these decisions may result in  
2 performance problems, it is not clear how significant  
3 these problems would be and in what time frame they  
4 would emerge. With respect to substantial short term  
5 effects, the question that we asked is whether the  
6 NRC's regulatory oversight framework, given its  
7 performance based indicative nature in contrast to a  
8 more diagnostic approach, could preclude the NRC from  
9 increasing the level of licensee oversight in a timely  
10 manner to assure that operational safety is being  
11 maintained.

12           In answering that question we  
13 preliminarily concluded that it may be prudent for the  
14 NRC to adopt a preemptive approach by initiating a  
15 targeted inspection model to assess licensee response  
16 to financial pressures. In response to that  
17 preliminary assessment, we received comments from four  
18 stakeholders. Two of the comments addressed the need  
19 for an inspection model or what we termed in our  
20 preliminary assessment a contingency plan similar to  
21 the strike contingency plans that a number of regions  
22 developed to address strikes of organizations that  
23 impacted operators and other workers; whether that  
24 inspection model was needed to facilitate NRC  
25 assessment of a licensee facing financial difficulties

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1 or pressures.

2 Two of the commentators stated that such  
3 an approach was not needed and provided reasons.

4 One of the comments addressed the issue of  
5 consistency and efficiency of NRC oversight for  
6 licensees that cross regional boundaries. The  
7 commentator stated that issues of NRC consistency and  
8 efficiency continue to exist and must be addressed  
9 regardless of industry consolidation.

10 One of the comments addressed the need to  
11 institute rulemaking that would require licensees to  
12 submit performance indicator information since  
13 submittal of a performance indicator information is  
14 currently voluntary. And there was concern about  
15 whether a licensee would in fact follow through with  
16 that information if that information highlighted  
17 performance problems that could ultimately result in  
18 a plant shutdown.

19 And we received a comment from a member of  
20 the public that asked us to take a closer look at  
21 upper level management changes.

22 So that summarizes the preliminary  
23 assessment context as well as the significant comments  
24 we received regarding the reactor oversight process.

25 The next area that I wanted to talk about

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1 was the area of other NRC inspection programs. I  
2 highlighted the reactor oversight process, but we have  
3 two other inspection programs that we evaluated. The  
4 first being revisions to the fuel cycle facility  
5 oversight process and the second being changes to the  
6 independent spent fuel storage installation inspection  
7 process.

8 Currently the NRC is in the process of  
9 developing revisions to both the fuel cycle facility  
10 oversight process, which includes inspection  
11 performance assessment and enforcement as well as risk  
12 informing and performance basing the inspection  
13 program for independent spent fuel storage  
14 installations.

15 Given that both of the fuel cycle facility  
16 oversight processes and the ISFSI, the Independent  
17 Spent Fuel Storage Installation programs are being  
18 revised, using the framework similar to the reactor  
19 oversight process, we concluded in our preliminary  
20 assessment that the new oversight processes would be  
21 able to accommodate the potential impacts of  
22 consolidation.

23 We also noted in our preliminary  
24 assessment that there's been a high degree of  
25 stakeholder involvement in the development of the fuel

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1 cycle oversight process in particular and any impact  
2 from consolidation we would expect to be communicated  
3 in that forum.

4 We received comments from one stakeholder  
5 regarding this particular area. The comment addressed  
6 the need for consistent application of the revised  
7 process for oversight of material licensees,  
8 particularly the significance determination process.

9 The next area I want to discuss is  
10 enforcement. Regarding enforcement, violations can be  
11 categorized into two groups. The first group consists  
12 of those violations that can be evaluated under the  
13 significance determination process with appropriate  
14 agency action determined by the agency action matrix.  
15 Violations in this group are addressed within the  
16 context of the reactor oversight process, and  
17 consequently the impact of industry consolidation on  
18 this aspect of the enforcement program was considered  
19 as part of our evaluation of the reactor oversight  
20 process.

21 The second group of violations includes  
22 those related to willfulness, which would involve  
23 discrimination as well. Our preliminary assessment  
24 focused on the impact of industry consolidation on the  
25 enforcement program as it pertains to violations in

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1 the second group.

2 As we had mentioned earlier, licensee  
3 efforts to increase efficiency of operations could  
4 result in changes to corporate policies, programs and  
5 procedures. We felt that since consolidation results  
6 in more reactor facilities under a single licensee's  
7 control, corporate wide changes affect more reactor  
8 facilities and more employees consequently. Depending  
9 on how a licensee manages these changes, there could  
10 be an increased number of allegations in our view.  
11 Similarly, efforts to increase operational efficiency  
12 or actions in response to financial pressures could  
13 result in staffing reductions which could lead to more  
14 discrimination complaints. Increased numbers of  
15 allegations would translate to an increased  
16 enforcement workload assuming that the NRC  
17 substantiates some percentage of these allegations in  
18 whole or in part based on the results of its  
19 investigations.

20 That was one potential scenario that we  
21 discussed. On the other hand, it is equally likely in  
22 our view that consolidation may result in a reduced  
23 volume of enforcement actions because of stronger  
24 licensees and better managed regulatory programs.

25 We also recognize that while measures and

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1 processes have been established to ensure consistent  
2 application of the enforcement program among the  
3 regions, and this includes audits, enforcement panels,  
4 counterpart meetings, etcetera, those inconsistencies  
5 in implementing the enforcement program that may exist  
6 in our view will be more apparent with cross-regional  
7 licensees. These inconsistencies may involve  
8 different thresholds for issuing noncited violations,  
9 distinguishing between minor and severity level 4  
10 violations, and reaching conclusions on alleged  
11 discrimination. This may necessitate more oversight  
12 from the office of enforcement to ensure similar  
13 issues are treated consistently among the regions.

14 In our recommended follow-up action, we  
15 indicated that the office of enforcement should  
16 maintain its oversight activities of regional  
17 enforcement program implementation to minimize  
18 inconsistencies and may want to consider additional  
19 oversight efforts in that regard.

20 The next area -- let me just speak. We  
21 did get one comment, or we got comments from two  
22 stakeholders regarding the NRC enforcement program.  
23 One commentator discussed the need for the NRC to  
24 audit implementation of its enforcement program to  
25 ensure that it is applied consistently among the

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1 regions stating that additional coordination and  
2 communication between the regions and program office  
3 is likely to be beneficial now and should not depend  
4 on some impact of consolidation.

5 With regard to our discussion in the  
6 preliminary assessment that the office of enforcement  
7 may decide to increase its audit activities in an  
8 effort to minimize inconsistencies among the regions  
9 in implementing the enforcement program, one  
10 commentator supported the staff's recommendation that  
11 the NRC obtain and assess relevant staff experience as  
12 well as stakeholder feedback concerning the impact of  
13 consolidation on the NRC's regional offices.

14 The last area that I wanted to talk about  
15 is the NRC allegation program. As I previously  
16 mentioned, in our view licensee efforts to increase  
17 efficiency of operations could result again in changes  
18 to corporate policies, programs and procedures. Since  
19 consolidation results in more reactor facilities under  
20 a single licensee's control, corporate wide changes  
21 would affect more reactor facilities and consequently,  
22 more employees. The impact of these changes could  
23 result in larger number of allegations relating to  
24 technical concerns. And our thought there are that  
25 many of the allegations that we receive is associated

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1 with a technical issue. We may receive an allegation  
2 that said I raised this safety concern associated with  
3 the performance of a heat exchanger and the component  
4 cooling water system, and as a result of bringing  
5 forward that safety concern, I was terminated or moved  
6 to another organization. We end up evaluating the  
7 particular technical concern as well to determine  
8 whether that has merit, and then we separately  
9 evaluate whether the discrimination complaint has  
10 merit, whether as a prima facie case, etcetera.

11 We also looked at corporate cultural  
12 initiatives, such as maintaining a safety conscious  
13 work environment. And we recognized that those  
14 initiatives could have a bigger impact on safety given  
15 the increased number of affected reactor sites. We  
16 thought that additional NRC inspection and/or licensee  
17 contracting for an independent assessment may be  
18 necessary to evaluate whether a safety conscious work  
19 environment exists or was adversely affected by  
20 changes in corporate policies, programs or procedures.

21 In addition, reductions in licensee staff  
22 could result in an increased number of discrimination  
23 allegations.

24 It is equally likely in our view that  
25 consolidation may result in a reduced number of

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1       allegations because of stronger licensee management  
2       and more effective regulatory programs. Again, using  
3       the same rational we applied to the enforcement  
4       program.

5               Comments that we received regarding the  
6       allegation program. We received comments from two  
7       stakeholders. Both stakeholders challenged the  
8       validity of the staff's preliminary conclusion in its  
9       assessment that consolidation could potentially result  
10      in an increased number of allegations, including those  
11      involving discrimination complaints.

12             Similarly, one commentator took issue with  
13      the conclusion that inspection activities may need to  
14      increase which could necessitate additional resources  
15      in order to validate the corporate cultural  
16      initiatives deriving from consolidation have not  
17      adversely affected the safety conscious work  
18      environment.

19             Another stakeholder, on the other hand,  
20      commented that consolidation calls forth a need for  
21      greater care in this area, in the area of being safety  
22      conscious work environment.

23             Another comment was related to whether an  
24      allegation received by the NRC should be referred to  
25      the licensee suggesting that the agency should revise

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1 its policies so that allegations will be routinely  
2 referred to licensees for resolution.

3 We received a comment regarding the NRC  
4 staff's recommendation that the NRC should continue to  
5 monitor the number of allegations received to evaluate  
6 the impacts of industry consolidation. The  
7 commentator agreed that the NRC should monitor the  
8 volume of allegations received as industry  
9 consolidation proceeds, but commented that the  
10 monitoring should also include the scope and nature of  
11 the allegations. We did not specifically reflect in  
12 our preliminary assessment that our monitoring would  
13 also include an evaluation of the scope and nature of  
14 the allegations.

15 Those were the comments.

16 One thing just getting back to the  
17 inspection program that I didn't mention. I wanted to  
18 comment on the recommended follow-up action.

19 We recognize that the NRC currently has  
20 limited experience with the effects of industry  
21 consolidation, on effective implementation of the  
22 reactor oversight process. And we felt that with  
23 additional experience changes that may be needed would  
24 become evident. And there is an annual self-  
25 assessment process that is part of the reactor

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1 oversight process which we thought would serve as a  
2 vehicle to evaluate any needed changes. And we  
3 concluded that the staff should continue to monitor  
4 consolidation activities and use the reactor oversight  
5 process self-assessment vehicle to periodically  
6 evaluate the effectiveness of the reactor oversight  
7 process in light of the changing industry and the  
8 environment.

9 So we essentially recommended continuing  
10 monitoring of the result of industry consolidation  
11 experience and the impact that has on the  
12 effectiveness of the oversight process.

13 One recommendation, as I mentioned before  
14 that we highlighted, was the need to initiate a study  
15 or further evaluate whether some type inspection  
16 module or contingency procedure is needed to assess  
17 whether a licensee's response to financial pressure  
18 such as facing bankruptcy would result in short term  
19 substantive changes to programs and processes that  
20 could have an impact on safety that is not promptly  
21 identified by the reactor oversight process such that  
22 the NRC effectively engages before a significant  
23 safety concern arises.

24 MR. CAMERON: Okay. Thank you, Marc, for  
25 that overview. Let's perhaps pick up on the

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1 preliminary recommendation. Is there any suggested  
2 issues for discussion in terms of what the NRC should  
3 do differently on these issues? Anybody?

4 MR. NEWMAN: Let me just try, Chip. It  
5 relates to getting the NRC involved in inspection and  
6 enforcement where the licensee appears to be facing  
7 financial pressures.

8 First off, I think that the problems that  
9 may arise in terms of performance and safety of  
10 operations will be identified through normal NRC  
11 oversight inspection and enforcement.

12 I am particularly concerned, however,  
13 about any sort of a module that would begin with an  
14 attempt to gain an insight into the utility's or the  
15 owner's financial circumstances.

16 I think somebody used the term diagnostic  
17 approach, and that indeed is what traditionally comes  
18 very close to what the NRC has done in the past in  
19 terms of so called diagnostic inspections. I think the  
20 diagnostic inspections were unbalanced, are negative,  
21 they were subjective. They largely got the NRC  
22 involved in areas in which the NRC has little or no  
23 expertise. In some cases that I recall, psychologists  
24 were brought in. Presumably in a case like this you  
25 would bring in some sort of financial experts because

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1 you really don't have any background in utility  
2 finance.

3 And so I think I would leave well enough  
4 alone. I think that the machinery for identifying  
5 deficiencies in performance already exists and I would  
6 not venture again into the area of subjective  
7 analysis, particularly where the Commission's  
8 capabilities are limited.

9 MR. CAMERON: Okay. Thanks, Jack.

10 And we're going to come back to that after  
11 we get some other issues to explore that in more  
12 detail with the people around the table.

13 Steve, you have another issue?

14 MR. FLOYD: You don't want me to comment  
15 on that one then?

16 MR. CAMERON: Not right now. Let's see  
17 what all the issues are that we want to discuss to  
18 make sure we get those all out.

19 David?

20 MR. LOCHBAUM: One of the issues we had in  
21 our written comments we filed on August 22<sup>nd</sup>, I think  
22 applies to this case. And that's the availability,  
23 public availability of information.

24 After we wrote the letter last week about  
25 Indian Point II and the NRC deferring supplemental

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1 inspections that had been promised, I got a call from  
2 Brian Holian out of Region 1 to explain why that had  
3 happened. And what Brian told me was that the  
4 licensee is undertaking or has promised to have an  
5 INPO site visit come in and a 19 member independent  
6 self-assessment done. So there was a feeling that  
7 there was an overlap and the NRC didn't need to look  
8 in those areas, that the plant owner was going to look  
9 at, because the scope was larger and a number of other  
10 reasons.

11 But what I pointed out to Brian was that  
12 neither of those reports is likely to become publicly  
13 available, whereas if the NRC went in there, the NRC  
14 inspection report would be available and posted on the  
15 website whenever the website returns to service.

16 Brian didn't even think of the issue in  
17 that light. It wasn't that he thought of it and  
18 rejected it or whatever, that's not an issue that's a  
19 factor in his decision making. And he's not alone in  
20 that. That's not a fault of Brian's. And that's why  
21 we thought that that specific issue, the public  
22 availability to information during consolidation  
23 needed to be on the table to remind the NRC staff that  
24 there are differences that may be the same  
25 technically, but from a public standpoint there's no

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1 credit given for an INPO review if the public doesn't  
2 see what the INPO looked at and what they found.

3 So I think -- you know, I was going to  
4 bring the issue up later in the other issues. I  
5 think it applies to the direct oversight program,  
6 particularly when these kind of trade-offs are  
7 contemplated.

8 MR. CAMERON: Okay. Thanks, David.

9 And we'll go back and explore that in the  
10 context of how some of these consolidation issues  
11 might be explored, whether there's going to be a lot  
12 of reliance on industry organizations or outside  
13 organizations than the NRC. But we'll come back to  
14 that one.

15 Is there another issue that we want to put  
16 on the table for discussion? We have already had some  
17 discussion on the organizational culture issues.

18 Steve, what did you want to put on? You  
19 want to go back to these two. Okay. Anybody else  
20 have an issue at this point?

21 Well let's go --

22 MR. DAPAS: Can I just ask a clarifying  
23 question of David? Is your concern that we are  
24 allowing a licensee initiative that might involve an  
25 INPO assessment to fulfil our need to evaluate a

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1 particular condition or performance issue? And if we  
2 do that, then the results of that independent  
3 assessment be it by INPO should be made available or  
4 are you separately suggesting that the results of an  
5 INPO evaluation be made available to the public,  
6 because as I'm sure you know, that historically has  
7 not been the case since the licensee has a contractual  
8 agreement or whatever with INPO to conduct an  
9 assessment. And we don't get involved unless there's  
10 significant safety issues that are identified as a  
11 result of that view.

12 MR. LOCHBAUM: It was a little of both.

13 MR. DAPAS: Okay.

14 MR. LOCHBAUM: But with a caveat and  
15 explanation. In the first part of that if a plant is  
16 in the fourth column, which is additional NRC  
17 oversight, it's not in the green column which is  
18 licensee performance ban. So having the licensee do  
19 self-assessments all that other stuff, that's green  
20 column type stuff. Red column type stuff is NRC  
21 presence. So, you're getting treated like a green  
22 band plant, you're in the red band. And so that was  
23 the concern on that part.

24 As far as the INPO report, INPO's 0 for 3  
25 going after us for using INPO reports, but we're not

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1 asking that INPO reports be made available, but if a  
2 plant owner relies on an INPO assessment to get out of  
3 an NRC inspection that would come up with a public  
4 available report, then that should be contingent upon  
5 that the INPO report is publicly available. So in  
6 that specific case, there's a one-for-one trade out,  
7 then yes.

8 MR. DAPAS: Understand.

9 MR. LOCHBAUM: But not in general INPO  
10 should not be made publicly available.

11 MR. DAPAS: Okay. Thank you.

12 MR. CAMERON: We'll keep on this thread  
13 and then we'll go back to the financial pressures  
14 issue.

15 Steve?

16 MR. FLOYD: Yes. Staying on this thread  
17 then, just a couple of observations.

18 I don't want to leave the impression that  
19 Indian Point 2 has not been subject to extensive  
20 supplemental inspection over the last several years.  
21 They've gotten roughly three times the baseline of NRC  
22 inspection effort. So, I mean, they're approaching  
23 6,000 hours of inspection effort over a 2200 hour  
24 base, so there's been a substantial amount of  
25 inspection done at Indian Point 2 plant.

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1           On this particular issue, I agree with  
2           Dave in some respects that if the regulator is going  
3           to substitute either licensee self-assessment or self-  
4           assessment done by INPO, then there has to be some  
5           mechanism for putting the information out there  
6           publicly if they're going to rely on those results.  
7           But I think there's ways to do it without putting the  
8           entire report on.

9           When you look at the new oversight  
10          process, the NRC does not describe fully the entire  
11          inspection effort that was done at the plant. What  
12          they do is they comment if they found anything that  
13          had some significance after they ran it through the  
14          SDP whether it's a green, white, yellow or red. So  
15          what might be appropriate here, obviously there's  
16          going to be NRC oversight of either the licensee's  
17          self-assessment or one that's coordinated through  
18          INPO. I would think what would be reasonable to  
19          happen there would be to have the NRC call that report  
20          or have cognizance of that report, and if there are  
21          any issues that they believe have significance,  
22          generate a separate inspection report which then  
23          highlights those items of significance that were found  
24          without the need to put the entire INPO evaluation  
25          report on it, which goes into areas which are really

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1 in some cases outside the regulatory purview, and  
2 therefore the public purview.

3 MR. CAMERON: Let me go back to David and  
4 ask David what he thinks of Steve's suggestion.

5 MR. LOCHBAUM: Yes, that's perfectly fine.  
6 In fact, when Brian and I had our conversation, we  
7 talked about that. Something that the NRC could put  
8 out that would be similar to what Steve suggested.

9 What we're trying to avoid is nothing  
10 versus get an NRC report or an NRC summary of a  
11 report.

12 MR. CAMERON: Okay. Thank you.

13 Other comments around the table on this  
14 particular issue?

15 And let me ask one thing to all of you.  
16 Is there something in the nature of the evaluation of  
17 industry consolidation issues, for example, cultural  
18 issues that increases the likelihood that there will  
19 be INPO licensee self-assessment, that that will be  
20 used more than the direct NRC evaluation? David?

21 MR. LOCHBAUM: Again, according to Brian,  
22 the reason that it occurred in this case was there was  
23 a due diligence review by the purchaser and that due  
24 diligence review suggested that there was some things  
25 ongoing that would be completed by now. When the new

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1 owner got in there he found that some of these things  
2 were optimistic in terms of the scheduling for some of  
3 these activities. And therefore, there's not been as  
4 much progress made as everybody would have liked. So  
5 that's part of the reason for the industry self-  
6 assessment team, I mean, is to give them a rebaseline  
7 of what the workload really is since they don't agree  
8 that it's what the seller thought it was.

9 So I think that misunderstanding or that  
10 lack of full understanding of what the scope of the --  
11 how deep the hole was is a result of the consolidation  
12 and the new ownership that wouldn't have been there in  
13 the past. The seller may not have known how deep it  
14 was, but now the new owner wants to know how deep it  
15 is.

16 MR. CAMERON: Okay. Thank you.

17 Steve, any comment?

18 MR. FLOYD: Yes. To go to your question  
19 directly, I think as industry consolidates there's  
20 certainly an interest on the part of industry to make  
21 greater use of licensee self-assessments in the  
22 regulatory process. It's got to be done in a very  
23 structured and disciplined way. I mean, the licensee  
24 certainly needs to make known to the NRC what areas  
25 they're interested in doing self-assessments on, the

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1 regulator would certainly have to take a look at the  
2 makeup of the team and see that there's sufficient  
3 independence, qualifications of the people are  
4 appropriate. And then there's the issue of how do you  
5 share the assessment results and fold those into the  
6 oversight process coming out the other end. But I  
7 think there's an opportunity for considerable  
8 efficiency in the process.

9 This was used successfully by the NRC in  
10 some of the engineering evaluation processes that were  
11 done years ago, I forget the exact manual chapter that  
12 had that procedure in it. But it was used very  
13 effectively with what we gathered was sufficient NRC  
14 oversight and comfort in the process because of the  
15 amount of oversight that they exercised. We think  
16 that you could expand that to a number of areas that  
17 are currently in the oversight process area.

18 And I think where this becomes important  
19 is mostly again from an efficiency perspective. What's  
20 happening right now is because of the new reactor  
21 oversight process, the licensees certainly see the  
22 value of having a very strong self-assessment and  
23 corrective action program. And there's been a number  
24 of initiatives in the industry to even further  
25 strengthen those. There's been some benchmarking

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1 activities sponsored by NEI, there's been some  
2 guidelines developed by INPO to help utilities further  
3 improve their programs. And what licensees are  
4 finding now is that they'll look at the NRC's  
5 inspection schedule and they'll see that there's a  
6 major, say, fire protection inspection coming up.  
7 Well, it obviously behooves you to find your own  
8 problems before somebody else finds your problems.

9 And, actually, the frequency of licensee  
10 self-assessment in some of these areas is greater than  
11 the NRC inspection frequency. So they go out and they  
12 do a very extensive self-assessment gathering  
13 resources in many cases from other utilities only to  
14 have that then followed up again by an NRC inspection  
15 that comes in and looks at basically the same things.  
16 And it looks to be a way to share resources, again, in  
17 a public way where anything that's significant found  
18 gets revealed if you're going to take credit for it.

19 MR. CAMERON: Okay. Thank you.

20 Dan?

21 MR. STENGER: Yes, just to pick up on  
22 Steve's point. A few years ago there was a temporary  
23 instruction, at least, that was developed by the NRC  
24 that came about towards the tailend of the electrical  
25 distribution system inspections, and sort of the

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1 lifeline of the inspection area, or something like  
2 that where there's a major team inspection program.  
3 Licensees would follow the results of all the  
4 inspections so that they would know what the issues  
5 were and they would do their own self-assessment.

6 MR. DAPAS: ESFSI was what it was, and  
7 there also was a service water inspection that we did  
8 where licensees would essentially use the inspection  
9 procedure that we had and we would oversee licensee  
10 efforts. And then our scope of inspection would be a  
11 function of how rigorous we thought the licensee's  
12 assessment was.

13 MR. STENGER: I thought that program  
14 worked very well and sort of culminated at one point  
15 in licensee performing a self-assessment in lieu of  
16 one of the diagnostic inspections. But I don't know  
17 really what happened to that program. When the  
18 maintenance rule baseline inspection program got  
19 kicked off, I think the NRC sort of shelved self-  
20 assessments in lieu of inspection because it wanted to  
21 perform a baseline maintenance rule inspection at all  
22 sites.

23 MR. DAPAS: I don't know the status of  
24 that anymore.

25

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1                   MR. CAMERON:       Let's get a quick  
2 clarification on that and then we'll go on to  
3 financial pressures. Yes.

4                   MR. JOHNSON: Thank you. Michael Johnson  
5 from the inspection program branch.

6                   You are correct as Steve alluded to and  
7 the gentleman just described. We did do -- did allow  
8 licensee self-assessment in lieu of NRC inspection.  
9 We did it for some of those big team inspections.

10                  With the onset of the ROP what we decided  
11 to do during the first year of initial implementation  
12 of the ROP was to set that aside. We thought it was  
13 important for us to get experience with the ROP, the  
14 baseline inspections, and how the process works with  
15 respect to that.

16                  We do have an initiative that we are  
17 beginning to work on that we've had some dialogue with  
18 internal stakeholders and external stakeholders that  
19 deals with allowing licensee self-assessments in some  
20 cases in lieu of NRC inspections. And you'll see that  
21 unfold in the near future in the years as we go out.

22                  Having said that, I just wanted to -- for  
23 a point of clarification to be very clear that that's  
24 not what Brian Holian was suggesting is happening at  
25 IP2. The effort at IP2 was really what we really want

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1 to happen with respect to a plant that is in that  
2 multiple repetitive degraded cornerstone column of the  
3 action matrix, and that is that we really do want the  
4 licensee to get an improvement plan, we want the  
5 licensee to be looking for their problems. And in  
6 this case what Brian was describing was that it makes  
7 sense for us to delay our inspection, not to not do it  
8 in lieu of license inspection, but to delay that  
9 inspection to allow the licensee to do their own self-  
10 assessment look first.

11 MR. CAMERON: Okay. Thank you, Michael.

12 Let's go on to the second issue that was  
13 identified by Jack Newman. Now Jack used the example  
14 of financial considerations, but I think the caution  
15 that he was raising could equally apply to any type of  
16 qualitative management issue, I don't know how you all  
17 want to characterize that. But let's go to Steve for  
18 comment on that first.

19 MR. FLOYD: Thanks, Chip. Yes, on this  
20 particular issue we don't see a need to have a  
21 separate inspection program set up for all plants on  
22 this.

23 And I do want to maybe correct one  
24 impression. The oversight process is not a purely  
25 indicative process. Certainly a plant that has all

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1 green performance indicators and green or low safety  
2 significance inspection findings is indicative. But  
3 as the plant starts to move across the action matrix,  
4 they transition from being purely indicative to one  
5 where now the NRC starts to evaluate the corrective  
6 actions that the licensee has taken, so it moves from  
7 being purely indicative to evaluative. And then if  
8 performance further declines and they move further to  
9 right in the action matrix, the NRC takes on a more  
10 diagnostic role.

11 And I guess consistent with the comments  
12 that we've made on some of these other softer  
13 qualitative areas, we think that's the appropriate  
14 role for the oversight process. You don't have to try  
15 to upfront inspect for something when there may not  
16 ever be an undesirable outcome against which to  
17 evaluate. You have time in the oversight process the  
18 way it's structured to see if there's an adverse  
19 impact developing and then if necessary go in and  
20 evaluate how good a job the licensee is doing in  
21 addressing it. And if they fail in that regard and  
22 performance further slides, then there's an  
23 opportunity to come in with a much more diagnostic  
24 look on the part of the regulator. And we think  
25 that's the appropriate way to go on this.

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1 MR. CAMERON: Okay. Let's test that idea  
2 out that the oversight program would give you -- the  
3 normal oversight program would give you an indicator  
4 of that.

5 David?

6 MR. DAPAS: Can I just comment on that  
7 before we go to David?

8 MR. CAMERON: Let's get David on and then  
9 we'll get comment.

10 MR. DAPAS: Okay. Sure.

11 MR. CAMERON: Go ahead, David.

12 MR. LOCHBAUM: I was comfortable either  
13 way.

14 I agree with Steve. I don't think there  
15 should be something up on the shelf to deal with  
16 certain contingencies. I think the oversight process  
17 needs to be made as thorough, and that should be the  
18 best public protection tool out there that the NRC  
19 has. If there's problems with that, it may be a  
20 problem with the plant is having financial problems,  
21 they need to address that. Because people living  
22 around a plant that's not having financial problems  
23 want to rely on that ROP as well. So I think the ROP  
24 should be a one size fits all thing.

25 Because you could dream all kind of

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1 scenarios where you might want to have a contingency  
2 plan on the shelf, but I think that that's not useful  
3 as putting all that money into the ROP and making it  
4 as useful as possible.

5 MR. CAMERON: Okay. And, Marc, I'm sorry.  
6 I wanted you to have an opportunity to be able to  
7 address David's too, but go ahead.

8 MR. DAPAS: I think it's important to  
9 point out what we were recommending was a further  
10 evaluation of the need to develop some type of  
11 contingency procedure. And I agree with your comment,  
12 Steve, that a licensee that is not facing financial  
13 difficulties, that has an effective corrective action  
14 program, we certainly would expect issues to manifest  
15 themselves at a lower safety significance level and  
16 the licensee to evaluate the root cause and implement  
17 appropriate corrective action. And if the licensee is  
18 not successful in identifying the root cause, those  
19 issues should lead to more significant performance  
20 problems, we would note the adverse trend and then  
21 engage more significantly. It may be a supplemental  
22 inspection if you had a white finding or a white  
23 performance indicator.

24 The concern that we had was a licensee  
25 that makes nonconservative decisions because they're

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1       faced with financial difficulties, potential  
2       bankruptcy where those are not conservative and they  
3       have substantive short term effects where the first  
4       time the NRC is aware that there's an issue is when  
5       you're dealing with a significant potential safety  
6       concern. And you have not had an opportunity for the  
7       reactor oversight process to flag that issue at a  
8       lower level and evaluate that.

9               And we don't have experience right now to  
10       validate whether that is a legitimate concern or not.  
11       But we are concerned about the indicative nature of  
12       the program.

13              And I thought it was -- one of the  
14       particular commentators, and I happen to agree with  
15       it, I think it was the Nuclear Management Company,  
16       talked about if this issue continued to be placed on  
17       the development and evolution of the reactor oversight  
18       process such that it serves as a leading indicator to  
19       performance problems, and we certainly agree with  
20       that, and that it would aid the NRC in identifying the  
21       need to review a licensee with financial difficulties.

22              I guess in our view we felt it was  
23       insufficient experience with implementation of the  
24       reactor oversight process in a consolidated industry  
25       environment to conclude we've evolved to that point

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1 right now. I don't think we have enough, in my view,  
2 experience to be able to conclude that specifically.

3 And in follow on, I know that in your  
4 comments you talked about like the plant status is one  
5 example where the NRC may be able to ascertain that a  
6 licensee is making decisions as a result of financial  
7 pressures. And when you really look at what that  
8 particular inspection module focuses on, it is not  
9 geared to assess decisions in that arena at all.

10 MR. CAMERON: Okay. Let's go to Dan and  
11 Steve, and then quickly check in with the audience.  
12 And then I think we have to get our other people on.

13 Dan?

14 MR. STENGER: I think Steve wanted to  
15 respond.

16 MR. CAMERON: Oh, go ahead, Steve.

17 MR. FLOYD: Thanks, Dan.

18 No, I just wanted to -- just so I'm clear,  
19 what you're basically saying is you would only  
20 exercise this or even consider exercising this if you  
21 thought a plant was about to go bankrupt or in  
22 jeopardy of going bankrupt? And how would you  
23 evaluate that? Just through normal public  
24 notification of those types of things happening?

25 MR. DAPAS: Well, I think with Southern

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1 California Edison and Pacific Gas and Electric we had  
2 an example of a licensee that was facing substantial  
3 financial difficulties. And I know we increased our  
4 inspection effort.

5 And I guess our question is is that  
6 increased inspection effort currently bounded by the  
7 reactor oversight process as it's structured, I think  
8 we as an agency effectively evaluated the impact of  
9 licensee decisions. But was that truly done within  
10 the confines of the reactor oversight process? Was  
11 that truly following the plant status as currently  
12 defined? And we're just suggesting that there be an  
13 evaluation of that to ensure that the process as  
14 currently structured addresses that particular  
15 scenario.

16 MR. FLOYD: Thank you.

17 MR. CAMERON: Does that help?

18 MR. FLOYD: Yes, it does.

19 MR. CAMERON: Okay. Good.

20 Dan?

21 MR. STENGER: Yes, I was just going to  
22 make a similar observation to what Marc just said. We  
23 have had two examples here recently, Southern  
24 California Edison and PG&E facing bankruptcy. And so  
25 there should be some anecdotal information.

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1           As far as everything I saw, there was no  
2           indication the licensees were cutting corners on  
3           safety in any way because of the financial pressures.  
4           But maybe that is an area that could be rolled into  
5           the final report. I think it would be useful to the  
6           public to have some discussion of the NRC's  
7           perspective on those two bankruptcy situations.

8           MR. CAMERON: Okay. So provide NRC's  
9           perspective on those two instances to illuminate this  
10          particular issue. All right.

11          Let me see if there's anybody in the  
12          audience before we go to Tim Johnson. Anybody have a  
13          comment on what you've heard discussed? Yes, sure, go  
14          ahead, Tony.

15          MR. MARKLEY: Tony Markley with NRR.

16          Just one quick comment on those two  
17          bankruptcies. I believe those were probably more  
18          accurately characterized as a function of perhaps  
19          botched deregulation as opposed to being a function of  
20          industry consolidation. Just a clarifying point.

21          MR. CAMERON: Okay. Thanks, Tony.

22          Tim, are you ready to give us an overview  
23          on decommissioning?

24          MR. DAPAS: Chip, do you have any comments  
25          on the enforcement allegation aspects?

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1           MR. CAMERON:     We'll give people an  
2     opportunity. This is sort of a -- people have an urge  
3     to give us a comment and then we'll discuss it.  
4     Because I don't think we can cover everything, but  
5     let's see.

6           Is there anything else that anybody wants  
7     to mention in this area that we didn't talk about?

8           MR. STENGER:    Again, on allegations and  
9     that sort of thing, maybe I think you ought to do some  
10    pretty sophisticated sifting of the data on those.  
11    I'm not sure what the data show in terms of  
12    allegations per plant. Has that gone up or has it  
13    gone down. I don't know.

14          MR. DAPAS:   We are monitoring that. Right  
15    now I would say there is insufficient information to  
16    really make a definitive conclusion whether we're  
17    seeing more or less allegations as a result of  
18    industry consolidation.     That was part of our  
19    preliminary assessment recommendation that we continue  
20    to monitor that. We look at the nature and scope of  
21    allegations as the Nuclear Management Company pointed  
22    out. And then based on that information, draw  
23    whatever assessment or evaluation we can from that and  
24    then respond accordingly. But right now we don't have  
25    that information. We were just highlighting a

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1 potential scenario and then looking at well is that a  
2 credible scenario.

3 MR. CAMERON: And, Dan, your point is keep  
4 running that program, so to speak?

5 MR. STENGER: It would be interesting data  
6 to show at some point.

7 MR. CAMERON: All right. Anybody else? Any  
8 other issues here? Yes, go ahead, Ed.

9 MR. BAKER: Ed Baker, I'm the agency  
10 allegation advisor for the NRC.

11 In response to Dan's questions, I would  
12 say we're not seeing a trend that comes directly from  
13 consolidation. What you tend to see are specific  
14 examples of communication issues going on with  
15 consolidation or miscommunications with employees that  
16 through a particular part of a consolidation or a  
17 particular event we do see an increase. But I would  
18 not attribute that to consolidation itself, but  
19 perhaps through some miscommunication.

20 MR. CAMERON: Okay. Ed, thank you for  
21 that clarification.

22 And, Marc, thank you for the overview on  
23 this particular area.

24 Let's move on to Tim Johnson from Office  
25 of Nuclear Material Safety and Safeguards is going to

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1 talk about the decommissioning aspects.

2 Tim?

3 MR. JOHNSON: Thank you, Chip.

4 When we looked at industry consolidation,  
5 we felt that there could be some changes from that in  
6 the decommissioning area. And what I'd like to talk  
7 about is a summary of our preliminary assessment and  
8 also to discuss some of the comments we received in  
9 the decommissioning area.

10 In our preliminary assessment we felt that  
11 consolidation could affect decommissioning in a couple  
12 of areas involving decommissioning scheduling and  
13 financial assurance. And these two areas are directly  
14 linked because any change in a decommissioning  
15 schedule could affect the way the licensee funds  
16 ultimately for dismantlement.

17 We felt that consolidation could affect  
18 early shutdowns. In some cases it could minimize  
19 early shutdowns. And an example of that is the Oyster  
20 Creek case where prior to being acquired by a  
21 consolidated group, was seriously considering early  
22 shutdown.

23 Consolidation might also do the opposite.  
24 If a particular plant isn't meeting the consolidated  
25 company's financial goals, it could result in them

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1 closing the plant early.

2 Obviously, these things can affect the  
3 scheduling of funding for decommissioning. A longer  
4 time of operation will result in a longer period of  
5 recovering funds for decommissioning.

6 The consolidation could affect potential  
7 stretchouts and dismantlement. An example of that  
8 might be a consolidated utility who has four or five  
9 plants that would come into dismantlement and they may  
10 decide to assemble a single decommissioning team that  
11 would work on the first plant, move on to the second  
12 one and so on. The benefit of that would be that you  
13 would have an experienced group of people doing  
14 decommissioning. That could result in more effective  
15 dismantlement and meeting of our radiological  
16 criteria, and it could also provide some cost benefits  
17 as well.

18 One of the difficulties in stretching out  
19 decommissioning schedules is the uncertainties  
20 involved in future low level waste disposal capacity  
21 and the potential for substantially higher disposal  
22 costs as a result of that.

23 The bottom line from our assessment was  
24 that we felt that the decommissioning program that we  
25 have with the regulations and guidance that we

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1 published is sufficiently flexible to accommodate  
2 these kinds of changes, so we don't expect any changes  
3 to result from the consolidation.

4 In terms of the comments we received, we  
5 received four comments in the decommissioning area.  
6 One was from the Nuclear Energy Institute and they  
7 agreed with our preliminary assessment.

8 We had a comment from the Nuclear  
9 Regulatory Services Group that commented on an action  
10 related to a public utility commission's event which  
11 had -- mandated a particular utility to decrease its  
12 funding level in anticipation of being granted a  
13 license renewal. And the Nuclear Regulatory Services  
14 Group encouraged the NRC to not allow that. In other  
15 words, not allow decreased funding level prior to  
16 issuance of a renewal. And we agree with that.

17 We also had a couple of comments from  
18 individuals. One indicated that all inactive nuclear  
19 power plants owned by bankruptcy filing operators  
20 should be immediately dismantled.

21 Our regulations allow a licensee some  
22 flexibility in how they go about dismantlement. They  
23 can immediately dismantle a plant upon shutdown. And  
24 for nuclear power plants, they can also delay  
25 dismantlement for a period of up to 60 years.

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1           In addition, our financial assurance  
2 requirements are applicable regardless of whether the  
3 utility or licensee earns a profit or it doesn't.

4           The other comment just requested an  
5 explanation for how ratepayer contributions to  
6 decommissioning funds would be protected. And our  
7 regulations are set up to make sure that  
8 decommissioning funds are set aside away from the  
9 normal activities of the licensee and they're  
10 restricted to uses and activities only related to  
11 decommissioning.

12           Chip, that concludes the summary.

13           MR. CAMERON: Okay. Thank you very much,  
14 Tim.

15           Is there anything that the NRC missed in  
16 its analysis? Is there anything that the NRC should  
17 be doing that it hasn't contemplated doing in this  
18 area, decommissioning and industry consolidation?  
19 Anybody want to suggest any issues for discussion or  
20 have we captured it?

21           Greg, you look like you want to say  
22 something.

23           MR. WHITE: I guess I would just throw out  
24 that the decommissioning is still in the learning  
25 curve, or at least we at the state level who deal with

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1 the rates are still trying to gain experience on costs  
2 involved with decommissioning. And you mentioned that  
3 one of the state PUCs commented on reducing the fund  
4 in light of a license extension. I can guess who that  
5 state may be. But talking to some of my colleagues  
6 around the country, I think that there is a lot of  
7 question out there, you know, obviously we're very  
8 concerned with adequacy of these funds, but we're also  
9 concerned with these funds being significantly more  
10 than is necessary.

11 And as we get into experience it, you  
12 know, we have a situation where a company has a number  
13 of plants that they're operating and they get into  
14 decommissioning, they gain experience as they go.  
15 They find that they can decommission these plants for  
16 costs significantly below the funds. Obviously, we  
17 have an interest in that.

18 MR. CAMERON: Okay. Thank you, Greg.

19 Anybody want to comment on Greg's point?  
20 Margaret, did you want to talk to that?

21 MS. FEDERLINE: Right. I just wanted to  
22 briefly comment.

23 One thing that we're seeing --

24 MR. CAMERON: Sorry about that, Margaret.

25 MS. FEDERLINE: One thing that we've

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1 noticed in that arena that we think is benefitting the  
2 process is the information exchange between utilities  
3 that's going on. Utilities who are currently going  
4 through decommissioning at this point in time, there's  
5 a lot of upfront discussion during planning and  
6 benefitting from experience that others have gone  
7 through.

8 Here at the NRC also we're trying to  
9 streamline the process. We see, you know, we have an  
10 opportunity to learn from those that have gone through  
11 the process to this time and date. And we're trying  
12 to strike a balance between, you know, an efficient  
13 process still maintaining safety.

14 So, I would just emphasize the need to  
15 continue the information exchange between utilities.

16 MR. CAMERON: Okay. Thanks, Margaret.

17 Any more on that issue or should we go to  
18 Dan? Anybody want to comment.

19 Dan, another issue?

20 MR. STENGER: I was going to pick up on  
21 Tim's point. We were the ones who made the comment  
22 for the Nuclear Regulatory Services Group about state  
23 PUC decreasing the level of funding for  
24 decommissioning based on the prospect of license  
25 renewal. And the concern there, Greg, was really in

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1 our view, and I was very familiar with one of those  
2 cases. There have been two examples of that. And the  
3 real concern there was that the state PUC were the  
4 consumer advocates definitely pushing something that  
5 would really amount to prejudging whether a licensee  
6 could get its license renewed by the NRC, which was a  
7 judgment by a federal agency, a safety regulator. So  
8 that was the real concern.

9 MR. CAMERON: Okay. Thank you on that.

10 Herb?

11 MR. BERKOW: Dan, we're clarifying our  
12 assessment based upon your recommendation. That will  
13 be clarified.

14 MR. CAMERON: Okay. Great. Thank you,  
15 and thank you, Tim.

16 Let's go to Jeremy. Jeremy Smith is going  
17 to give us an overview of fuel cycle facility issues.  
18 Thanks, Jeremy.

19 MR. SMITH: I'm with the Nuclear Materials  
20 Safety and Safeguards Office, Fuel Cycle Safety and  
21 Safeguards Division and was responsible for  
22 conglomerating all of the information on the fuel  
23 cycle impacts from industry consolidation.

24 Essentially in the original preliminary  
25 impact was that there is -- there has been quite a bit

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1 of consolidation already within fuel cycle industry.  
2 However, there's potential for this to still occur.

3 One of our main concerns was that there's  
4 now only one domestic source of ore conversion and  
5 also one domestic source of uranium enrichment within  
6 the United States.

7 Again, there may be potential for further  
8 consolidation, although it is a very narrow field  
9 already.

10 I'd go right to the comments. There were  
11 several comments received from USEC, NEI and the state  
12 of Illinois. They covered a broad range of areas  
13 from, again, the only domestic source of uranium, the  
14 view of international regulations versus domestic  
15 regulations, the potential for fee reductions and HEU  
16 downblending, among other issues. And if you'd like,  
17 I can go into each particular comment that we received  
18 or I can open it up to the floor since we're kind of  
19 running pressed for time.

20 MR. CAMERON: Why don't we give Steve  
21 Toelle the floor on this one. Steve? And then we'll  
22 see if anybody has comments on his observation.

23 MR. TOELLE: I'll keep my comments brief  
24 given the time. But there's some issues that we just  
25 want to quickly throw out.

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1           The first area of concern to us, and I  
2           think other major fuel cycle facilities, has to do  
3           with the area of fees and as it relates to  
4           consolidation. There are a lot of fee issues, but I  
5           want to keep it down to --

6           MR. CAMERON: Is that going to make it?

7           MR. TOELLE: Yes, I think that works.

8           I'll keep it narrowed down to the field of  
9           consolidation.

10           Right now there are -- I think there are  
11           probably on the order of eight major fuel cycle  
12           facilities that pay in excess of a million dollars  
13           annually for fee. I think that in the foreseeable  
14           future we can probably see that there's probably going  
15           to be down to seven or possibly six facilities that  
16           will be paying these major fees. And what that means  
17           to us is that we end up with a situation where we end  
18           up with an additional several hundred thousand dollars  
19           a year with the current methodology that's used to  
20           calculate these fees. And to us, several hundred  
21           thousand dollars a year, has a major impact upon our  
22           production costs.

23           In the commercial business, we're in a  
24           very competitive situation. And so what I'd like to  
25           suggest is that maybe the NRC needs to take another

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1 look, be a little bit more creative on how you deal  
2 with decrease in licensees. Maybe you just can't take  
3 the overhead burden that exists now and just spread it  
4 over a fewer number of people. Because when you're  
5 down to six or seven licensees versus, you know, what  
6 is it 103 reactors that you have, it has a major  
7 impact on us individually.

8 Frankly, we've had to in order to be  
9 competitive, we've had to take some fairly drastic  
10 actions to cut our production costs. And when you  
11 talk about cost cutting, we -- you know, that goes  
12 hand-and-hand with staff reduction. And I'm not  
13 suggesting that NRC have a staff reduction per se, but  
14 there may be some creative ways where you can  
15 breakdown some silos that exist now where people only  
16 work in certain little areas where maybe you can use  
17 your resources over a broader area within the NRC.  
18 That would include the region also. Because the  
19 current methodology is going to increase the fees in  
20 the foreseeable future for us, and we're in a position  
21 where those increases are becoming more and more  
22 unacceptable to us.

23 MR. CAMERON: Anybody want to comment on  
24 creative ways to reduce overhead? Margaret?

25 MS. FEDERLINE: Chip, I would just

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1 indicate to Mr. Toelle --

2 MR. CAMERON: I don't think --  
3 unfortunately, Margaret, I don't think you're coming  
4 through on that. All right.

5 MS. FEDERLINE: This one's working I  
6 think.

7 MR. CAMERON: Yes.

8 MR. DAPAS: We agree with the concern.  
9 We're facing this concern across NMSS with reduction  
10 of number of licensees also as a result of increase in  
11 number of agreement states. And we started an  
12 initiative to look broadly across the office looking  
13 not only at direct costs, but also indirect costs.  
14 Looking at creative ways that we could try and reduce  
15 those costs. Because we all know that changes and  
16 improvement in the regulatory process costs money as  
17 well and we're trying to look at, you know, how can we  
18 make those cost effective improvements in the most  
19 cost efficient way.

20 And it's a tough challenge. If anybody  
21 has any specific suggestions, I'd be happy to have  
22 them. But we are looking at that.

23 MR. CAMERON: Going to Margaret's point,  
24 anybody have any ideas, specific suggestions for the  
25 NRC along those lines? And then we'll go back to see

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1 if Steven has other issues. Steven, did you have  
2 something to say on this?

3 MR. TOELLE: Yes. One of the things that  
4 we've had to do, is we looked very, very hard at our  
5 work processes. And we found that in improving the  
6 work processes we've had to do just what I suggested  
7 that maybe you wanted to look at, and that is where  
8 we've had to make our employees more versatile and  
9 work in more than maybe just their little traditional  
10 area and breakdown some of the boundaries between  
11 organizations.

12 We've gone from two plant engineering  
13 organization to one engineering organization. We've  
14 had to do things like that to try to maximize  
15 efficiency of the employees that we do have.

16 MR. CAMERON: Anybody else want to comment  
17 on that?

18 Steven, do you have another issue?

19 MR. TOELLE: Yes. Really briefly. I  
20 heard earlier a comment about in regards to reactor  
21 licensing new technology. And, in fact, I just  
22 recently read a paper that was put out that addressed  
23 that issue about being ready for new reactor  
24 licensing. And I say this in this forum knowing full  
25 well that NMSS already is thinking about this, but

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1       there's new technology coming down the pike, certainly  
2       in the uranium enrichment business.

3               We have announced our plans to how we're  
4       going to go forward fielding an uranium enrichment  
5       plant based upon centrifuge. And I noted that there's  
6       been a recent letter from Exelon and Duke expressing  
7       an intention to field possibly an uranium enrichment  
8       plant based upon centrifuges.

9               So I think centrifuges are in the NRC's  
10       future, and so I think like the reactors who have to  
11       get ready, I think NMSS also needs to get ready. And  
12       I say that for you knowing that you're doing that.

13              MR. CAMERON: And is that something that  
14       might flow out of the move towards consolidation or  
15       that's going to happen anyway probably?

16              MR. TOELLE: I mentioned that because I  
17       heard it earlier today. Somebody was talking about  
18       new reactor licensing and getting ready for  
19       technology, and I just wanted to throw that out.

20              MR. CAMERON: Okay. Well, thank you.  
21       We'll put that up there.

22              And, Margaret, do you have anything?

23              MS. FEDERLINE: Yes. One of the  
24       challenges for us to try and keep our finger on the  
25       pulse. This is an extremely complex industry, you

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1 know, a lot of political dimensions, international  
2 dimensions as well. And we are trying through a  
3 number of initiatives to keep our finger on the pulse  
4 of what's coming down the road to make sure we are  
5 prepared.

6 MR. CAMERON: Okay. Great. Thank you.  
7 And thank you, Jeremy.

8 Let's move to Tony Markley for financial.

9 We will finish by 12:15, no later. We  
10 could finish earlier, but I want to make sure that we  
11 give Tony's area due, and also go to these other  
12 issues.

13 Tony?

14 MR. MARKLEY: I'm going to borrow the mike  
15 because I'm going to stand up and talk.

16 I am Tony Markley. I'm a project manager  
17 in NRR, and I work with the risk informed initiatives,  
18 and I was a member on this task force as well looking  
19 at the financial related areas.

20 Within the financial related areas, there  
21 are six questions, six areas that we looked at. One  
22 was foreign ownership, licensee fee structure,  
23 insurance, joint and several regulatory  
24 responsibility, bankruptcy protection and financial  
25 qualifications.

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1           With respect to the foreign ownership,  
2           we're seeing possibly as a result of consolidation,  
3           probably more deregulation worldwide, or what have  
4           you, there's a lot of interest in foreign ownerships  
5           of U.S. plants. Now recognizing that the Atomic  
6           Energy Act of 1954 significantly inhibits that, the  
7           challenge is how to deal with this and does it affect  
8           our regulatory processes to preclude foreign ownership  
9           domination and control of domestic power plants as  
10          provided for in the Act.

11           The nature of the comments that we  
12          received, some commentators, one commentator, an  
13          individual found it very troubling that a potential  
14          foreign owner who has regulatory problems in his own  
15          country would come over here and buy plants in this  
16          country. And there were industry commentators that  
17          indicated that we ought to be more flexible to provide  
18          different arrangements or structures, or things of  
19          that nature to allow foreign ownership to proceed  
20          irrespective of the Atomic Energy Act, or find some  
21          way to work with it or work around it, what have you.

22           With respect to licensee fees, we really  
23          only had one comment, and that was essentially that we  
24          were proceeding in the right direction but the caveat  
25          was is that the reactor side of the industry did not

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1 want to pay for services that they did not receive.  
2 But on the basis of how we assess our fees and how  
3 they're structured at this time, there were no real  
4 significant comments on this issue.

5 The next item was a little more  
6 interesting, and it deals with insurance and  
7 indemnification. It's both off-site indemnification  
8 and on-site. And our current regulatory structure  
9 provides for licensees demonstrating that they can  
10 cover industry retrospective premiums for off-site  
11 indemnification in case there were an accident. We do  
12 not currently have this in our structure for on-site  
13 indemnification.

14 And we did receive some comments. One  
15 commentator was concerned because of industry  
16 consolidation and new structures and arrangements, was  
17 there a potential for the corporate parent to shed or  
18 hide behind some liability, in other words, not  
19 transmit all the way through, that people could avoid  
20 liability if there were an accident.

21 Another commentor had concern for  
22 financial stress due to an accident at one facility.

23 And then the industry comments were  
24 predominately they believed that the things were all  
25 right in terms of maintenance, of insurance and

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1 indemnity such that consideration of rulemaking was  
2 unnecessary.

3 What we had put forward in the preliminary  
4 assessment was looking at considering a rulemaking to  
5 provide for demonstration of capability of supporting  
6 the retrospective rating premiums associated with on-  
7 site insurance. And that was the nature of this  
8 issue.

9 The next issue dealt with joint and  
10 several regulatory responsibility. There were some  
11 industry comments on this. The comment from NEI  
12 basically indicated that the position that we had  
13 adopted in our assessment was a appropriate and no  
14 further action was needed.

15 We had another industry comment that felt  
16 further clarification was needed as to what we meant  
17 by joint and several regulatory responsibility.

18 It should be noted that the Commission has  
19 issued policy statements. There was a petition for  
20 rulemaking on this issue and there is a good public  
21 record on this issue, so that is available for anyone  
22 to review.

23 The next issue dealt with bankruptcy  
24 protection. We looked at the ongoing issues out there  
25 and bankruptcy was touched upon earlier in our

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1 discussion today. And the situation in California with  
2 Southern California Edison and Pacific Gas and  
3 Electric. Those situations are more of a function of  
4 deregulation as opposed to groups that were buying up  
5 plants and the aggregation of plants under a single  
6 utility. So, while it's not industry consolidation,  
7 certainly the bankruptcy experience is pertinent.

8 And looking at the bankruptcy experience  
9 that we had had previously with some other utilities,  
10 both in New Hampshire and Louisiana, and experiences  
11 with those, our assessment was that regulations that  
12 we have on the books and our policies are sufficiently  
13 flexible to deal with this. And also to the  
14 experience that the bankruptcy courts have looked very  
15 favorably as decommissioning funding is having a  
16 primary call on the assets.

17 Basically our position was that there is  
18 no further action needed. The comments that we  
19 received with respect to this supported that.

20 The last item dealt with financial  
21 qualifications. Financial qualifications is important  
22 when a new licensee or entity wants to build a nuclear  
23 power plant, and it also becomes important in license  
24 transfers. And as discussed earlier, there is a  
25 process for reviewing financial qualifications and the

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1 issues involved in that, and the nature of the  
2 comments we had. Basically it didn't believe any new  
3 issues were raised regarding this so there was no need  
4 for regulatory initiatives. And then there was another  
5 comment that supported our initial assessment, but  
6 also indicated that as industry consolidation  
7 continues, we should continue monitoring to see if  
8 there's anything that would present a challenge with  
9 the financial qualifications area.

10 And that is a brief summary of the areas  
11 and the comments on those areas.

12 MR. CAMERON: Tony, why don't you join us  
13 at the table for this discussion.

14 Let's go to Dan. Dan?

15 MR. STENGER: Sure. I just wanted to  
16 amplify on the foreign ownership issue. That was an  
17 issue that we addressed at some length on behalf of  
18 National Grid U.S.A. and its operating subsidiary New  
19 England Power Company.

20 National Grid of Great Britain is the  
21 leading transmission entity in the United Kingdom.  
22 They two years ago merged with New England Electric  
23 Service and now former NEES is now National Grid  
24 U.S.A.

25 Now, this is a British company, I want to

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1 point out, our best ally. And that's quite  
2 significant. The NRC has certainly differentiated  
3 types of foreign ownership.

4 National Grid would like to invest in  
5 transmission in this country, and if you think we need  
6 more generation in this country, the transmission  
7 facilities have probably been even more neglected than  
8 new generation over the last 15 or 20 years. So we  
9 need investment in the transmission infrastructure.

10 National Grid is one company that wants to  
11 do that. They did that through their merger with  
12 NEES, the merge that's on the table now with Niagara  
13 Mohawk. And they were also selected to be the  
14 operator of the Alliance RTO Midwest. But they have  
15 run into impediments with their ability to move with  
16 these investments because of the foreign ownership  
17 restrictions of the Atomic Energy Act and NRC  
18 regulation.

19 National Grid U.S.A. is 100 percent  
20 foreign owned upstream by other National Grid in Great  
21 Britain. That can pose a problem if they were to  
22 merge with a U.S. utility that is a 100 percent owner  
23 or operator of a nuclear plant that we were -- our  
24 comments are designed to at least get some real  
25 thinking about -- you know, obviously if there can be

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1 some legislation that would resolve the problem. But  
2 the legislation has been hung up because of national  
3 security issues and prior to September.

4 There may be some creative ways that the  
5 NRC can allow some of this investment to go forward  
6 consistent with the limitations in the Act.

7 I just wanted to highlight that that's  
8 where we were coming from.

9 MR. CAMERON: Okay. Thanks, Dan.

10 Anybody have a comment on what -- the  
11 point Dan just raised? Okay. Ira?

12 MR. DENITZ: I'm Ira Denitz. I'm the  
13 insurance indemnity analyst. I'm not a financial  
14 analyst, but from what I read in the press, National  
15 Grid is having difficulty with a balance sheet now  
16 operating in the deficit. They're one of the  
17 companies I believe that wants to take over the  
18 regional transmission operations in this country for  
19 power grids for profit, is that correct? And what  
20 assurance does the public have that a company is  
21 having difficulty operating right now at a deficit is  
22 going to provide the assurance that we need as a  
23 country to demonstrate that ability to handle our  
24 transmission operation?

25 MR. STENGER: You're right, I'm not

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1 familiar with the circumstance you're talking about,  
2 so I really can't address that.

3 MR. CAMERON: Okay. Thank you. I guess  
4 the point, the generic point may be that there's all  
5 sorts of indicators that have to be analyzed besides  
6 being creative.

7 MR. MARKLEY: One comment I'd like to add,  
8 Chip, is that the NRC in its legislative agenda over  
9 the last two years has supported legislation to remove  
10 that barrier, and we also did come up with a means of,  
11 although it created a lot of work for us as well as  
12 the licensees involved in the Amergen situation in  
13 terms of finding a negation action plan that would  
14 preclude the foreign domination control that would  
15 allow that transaction to move forward.

16 It is a difficult area. And it's one that  
17 requires legislative support, I'm afraid.

18 MR. CAMERON: Okay. Thank you. And thank  
19 you, Tony. Good presentation.

20 I want to have some discussion of what we  
21 called other issues, and I don't want to minimize this  
22 category by calling it other or using that term.  
23 These are issues that the NRC might not have  
24 recognized or might not have highlighted in its  
25 preliminary assessment. And we wanted to provide all

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1 of you an opportunity to put those on the table for us  
2 also.

3 Are there any issues that fall into that  
4 category that anybody would like to bring up at this  
5 point? David? And that's a working mike, I hope.

6 MR. LOCHBAUM: We'll see.

7 MR. CAMERON: All right.

8 MR. LOCHBAUM: It's an issue that wasn't  
9 in our written comments, because I didn't read the  
10 NUREG that the research did until after I submitted  
11 the comments.

12 The Executive Summary and in the text of  
13 this NUREG CR6735, one of the findings or observations  
14 was that "The FAA experienced staff and budget cuts  
15 around the time of aviation deregulation and later  
16 find that its staffing levels were insufficient to  
17 meet the additional demands that arose from economic  
18 regulation." That's a quote from page 15 of the  
19 Executive Summary.

20 The NRC staffing level since 1993 have  
21 basically been downward spiraling. Somewhere in here  
22 they point out that the budget has been cut 25 percent  
23 since 1993 in real dollars.

24 I'd just withdraw the comment.

25 MR. CAMERON: All right. Did we finish

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1       that?

2                   MR. LOCHBAUM:   Yes, we did.

3                   MR. CAMERON:   Okay.  Let me just make sure  
4       I understand.  The implication is is that don't move  
5       too fast to cut resources in times of deregulation  
6       because you might turn out to be wrong, or did I miss  
7       that?

8                   MR. LOCHBAUM:   I withdrew the comment.

9                   MR. CAMERON:   Oh, you withdrew it?

10                  MR. LOCHBAUM:   I withdrew the comment.

11                  MR. CAMERON:   And why did you do that?

12                  MR. LOCHBAUM:   There's only one working  
13       microphone in this whole building.

14                  MR. CAMERON:   Well, maybe this has proven  
15       your point, though.  You know, this may be proving  
16       your point.

17                  MR. LOCHBAUM:   The comment was -- where I  
18       was heading was that it looked like the FAA was saying  
19       that they -- consolidation and deregulation gave them  
20       stress in terms of not having enough staff.  If you  
21       look at the charts, the NRC staff has been going down  
22       although the workload seems to be going up.

23                  So the concern was that based on this  
24       study was that maybe like FAA the NRC staff level  
25       wasn't right; wasn't high enough or wasn't matching

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1 the workload that's been placed on it.

2 We look at signs like how long it takes to  
3 process safety issues or get websites back up as  
4 opposed to process license renewal applications and  
5 say that perhaps there's a sufficient workload to do  
6 some things, but not other things. And wanted to know  
7 if, you know, the NRC staffing level also looks like  
8 it should be on the table, and money for microphones.

9 MR. CAMERON: Thanks for finishing that,  
10 David. And let's go for a discussion of that issue.  
11 It's not only resources matching workload, but  
12 resources matching all aspects of the workload. There  
13 is an issue of priority there, and I think David did  
14 tie that to consolidation for us I think.

15 Greg, do you want to comment?

16 MR. WHITE: I would just comment that as  
17 a staff person in an agency that's undergoing  
18 deregulation we've in fact seen our workload going up  
19 rather than going down, as with the NRC as with most  
20 agencies, regulatory agencies in particular. We're  
21 under a lot of pressure to reduce our staff and reduce  
22 our -- you know, there's intuitively you think if  
23 you're going to reduce regulation, you're reducing  
24 regulatory workloads. We haven't found that to  
25 necessarily be the case.

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1 I also would mention that as Dan pointed  
2 out that while -- didn't exactly point out. But  
3 really I would say that the consolidation of the  
4 nuclear industry and the consolidation of the electric  
5 utility industry as well really, in my opinion, began  
6 with the changes to the Public Utility Holding Company  
7 Act under the Energy Policy Act of 1992; that when we  
8 really started to see the forces gathering towards  
9 consolidation.

10 As something of a student of history, the  
11 Public Utility Holding Company Act of 1935 was created  
12 due to the fact that there were tremendous abuses in  
13 the industry. If I remember correctly, in 1928 or '29  
14 or so, about the time that Congress began to very  
15 closely study this issue, there were I think six to  
16 eight utilities controlling 65 percent of the electric  
17 utility business. And so they found tremendous  
18 abuses. There were pyramid schemes in the way things  
19 were operated.

20 I don't want to say that that's going to  
21 happen again. You know, first of all, we didn't have  
22 a nuclear business at that time. nuclear power is a  
23 very different animal. It is safety regulated I think  
24 very well by the NRC. And so I take a lot of comfort  
25 in the fact that things are not exactly the same as

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1 they were back in the '20s and '30s when PUHCA was  
2 enacted. However, I would comment that I think we  
3 need to just very carefully monitor the consolidation  
4 because we do have some history, because we have seen  
5 what had happened previously when there was a  
6 tremendous consolidation. And also to follow up on  
7 what David said, and that is that -- and has been  
8 pointed in other -- including Johnson study that there  
9 can be some real concern with staff reductions,  
10 budgetary reductions and the effect of monitoring  
11 regulation.

12 MR. CAMERON: Okay. Let's go to Marc and  
13 then we'll go to Steven.

14 Marc?

15 MR. DAPAS: I just wanted to comment that  
16 we didn't, David, specifically look at staffing  
17 reductions. We did evaluate the organizational  
18 structure of the NRC in the context of efficiency and  
19 effectiveness and discussed issues like are the  
20 regions able to implement an inspection program  
21 effectively when you have a licensee that crosses  
22 regional boundaries. A good example of that is  
23 Exelon, and I can comment that Region 1 and Region 3  
24 have had discussions. I think there's been meetings  
25 at headquarters where senior licensee management has

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1 come in and discussed, I'll call it status of the  
2 fleet, those type of initiatives.

3 But I can give you a regional perspective,  
4 and I think this applies to the program office as  
5 well. We exercise what we call our planning,  
6 budgeting and performance monitoring process or PBPM.  
7 We have to evaluate whether we're able to effectively  
8 implement the programs that we are responsible for  
9 with the resources that are provided. And we go  
10 through the budgeting processing and staffing plans,  
11 we look at were we able to accomplish the program  
12 objectives.

13 We have operating plan metrics that we  
14 report on to the Executive Director of Operations  
15 Office on a quarterly basis that outlines are we  
16 meeting program objectives. And we evaluate that on  
17 a routine basis.

18 We conduct self-assessments internal to  
19 the region to determine the quality of our efforts,  
20 inspection reports, event follow-up; those type of  
21 things.

22 So I think there's a mechanism in place to  
23 provide feedback when it appears that the resources  
24 that we've been provided are not sufficient. And we  
25 look at things like are we using resources that were

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1 programmed for one area to effectively accomplish the  
2 program in another area, to what degree do we rely on  
3 overtime, etcetera. So I do think that the agency  
4 looks at that very carefully, but we did not evaluate  
5 that as part of our consolidation working group  
6 effort.

7 MR. CAMERON: Steven?

8 MR. TOELLE: Just quickly, it's just not  
9 how many people you've got on your staff, but how you  
10 utilize what you've got.

11 We, in the past three years in our  
12 corporation reduced 25 percent. And the first  
13 reaction of our management when you present the idea  
14 that you've got to reduce staff is we can't do that,  
15 we can't accomplish our mission. But once you get the  
16 idea that well you don't have a choice, you've got to  
17 do that, today we're operating safely. We're a lot  
18 more efficient than we were three years ago. It's how  
19 you use the people you got.

20 Now, there is some critical mass that you  
21 have to determine, but the idea of staffing  
22 reductions, you've got to also consider work process  
23 improvements, too.

24 MR. CAMERON: Okay. Steve?

25 MR. FLOYD: Yes, I'd like to second that

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1 as well. I know most of the utilities have gone  
2 through fairly significant staff reductions over that  
3 same time period.

4 One of the most effective ways they did  
5 it, and I don't know -- I really don't know if the NRC  
6 has looked at this in a broad way or not, but that is  
7 looking at detailed process mapping that I think Steve  
8 made reference to before. It's an extremely useful  
9 tool for looking at where you have dual loops and  
10 inefficiencies in the way you conduct business within  
11 your organization. Just offer that as a suggestion as  
12 something you may want to look at.

13 And I'll pass on one other observation.  
14 The entities that tried to do it within their own  
15 organizational structure have found out that they  
16 can't do it, because of all the cultural barriers that  
17 never can identify an area of inefficiency in their  
18 area, only in somebody else's area. And where it  
19 became most effective is when you brought an outside  
20 consultant in to do the process mapping and ferret out  
21 for you.

22 MR. CAMERON: Okay. Thank you.

23 Let's go to Margaret and then Herb, and  
24 then I think we have to wrap up.

25 MS. FEDERLINE: Yes, I would just quickly

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1 note that these are good suggestions --

2 MR. CAMERON: Not that one. Not that one.

3 MS. FEDERLINE: I would just note very  
4 quickly these are very good suggestions. And we also  
5 have embarked on business process re-engineering, and  
6 we are using external experts in these areas to walk  
7 us through our processes. And we're actually seeing  
8 some efficiencies.

9 And I think to go to Dave's point, the  
10 main thing we're trying to focus on is how do our  
11 outcomes serve our priorities. And our most important  
12 priority is maintaining safety. And we better  
13 understand now the activities that are related to  
14 maintaining safety through this process.

15 MR. CAMERON: Okay. Thanks, Margaret.

16 Herb?

17 MR. BERKOW: I just wanted to note that  
18 there clearly are resource implications to the NRC as  
19 a result of industry consolidation, and we need to  
20 recognize that. We did, and I think it's something  
21 that we perhaps need to focus on a little more in the  
22 final assessments.

23 MR. CAMERON: Okay. And, Herb, I just  
24 want to assure everybody around the table and in the  
25 audience, the comments that you heard today will be

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1 noted and evaluated as part of the working group's  
2 assessment, including comments, all of the ones that  
3 we just heard right now. Is that correct?

4 MR. BERKOW: That is correct.

5 MR. CAMERON: Yes. We are collecting for  
6 the microphone fund and David's going to be the first  
7 contributor.

8 Anybody out here in the audience that  
9 wants to comment on -- we had a bunch of topics that  
10 we discussed right now. Anybody want to say any final  
11 words to us?

12 Okay.

13 MR. BERKOW: Chip, one more. Just a  
14 clarification to what you said. We will address the  
15 comments, those that pertain to industry  
16 consolidation. We covered a lot of other areas here,  
17 too, today.

18 MR. CAMERON: Sure. I mean, you have to  
19 put through your filter.

20 MR. BERKOW: Exactly.

21 MR. CAMERON: Right.

22 Well, I just want to thank everybody for  
23 taking the time to be with us today. And there is  
24 more this afternoon on related issues, and tomorrow.

25 And I guess I would just ask, Herb, do you

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1 have any final comments for us?

2 MR. BERKOW: No. I just want to thank  
3 everybody for the good participation. This has been  
4 very helpful to us.

5 MR. CAMERON: Okay. Thank you very much.

6 (Whereupon, at 12:15 a.m. the above-  
7 entitled matter was adjourned.)

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