



UNITED STATES  
NUCLEAR REGULATORY COMMISSION  
REGION V

1450 MARIA LANE, SUITE 210  
WALNUT CREEK, CALIFORNIA 94596

SEP 1 1990

MEMORANDUM FOR: James M. Taylor  
Executive Director for Operations

FROM: John B. Martin  
Regional Administrator

SUBJECT: STATUS OF STAFF ACTIONS RELATED TO THE DIAGNOSTIC  
EVALUATION AT PALO VERDE

In my memorandum to you dated June 14, 1990, I stated that I would provide a status report regarding the actions related to the Diagnostic Evaluation performed at Palo Verde. The present status of these actions is summarized below.

Actions 1 and 3: Review and evaluate the adequacy of the licensee's response to the DET report. Conduct detailed discussions of the licensee's business plan.

Status - The licensee's response to the DET report (Palo Verde Business Plan) was received on August 3, 1990. As discussed with NRR and AEOD management, and members of your staff, a formal reply to the licensee's August 3, 1990, submittal was not considered warranted. Region V will be conducting a management meeting with APS on October 3, 1990, in the Region V office to discuss the Business Plan. Additional management meetings will be conducted as the Business Plan is further developed.

Action 2: Evaluate and issue any enforcement action.

Status - A Notice of Violation, which included several Severity Level IV violations, was issued to APS on July 17, 1990. The licensee's response to the Notice was received on September 4, 1990. The licensee disagreed with 4 of the 11 violations. Region V has had discussions with AEOD staff regarding the contested violations and will be further evaluating and coordinating the NRC reply with AEOD and NRR. The NRC reply is expected to be issued by the end of September 1990.

Action 4: Review the implementation of the licensee's corrective actions to the DET findings and conclusions and enforcement actions.

Status - Region V will verify the licensee's corrective actions for the significant issues raised in the DET report. Region V will also perform a review of the licensee's corrective actions related to the violations issued on July 17, 1990. An updated status of the Region V review of the licensee's corrective actions will be provided by January 1, 1991.

*John B. Martin*  
John B. Martin  
Regional Administrator

SR.

cc: T. Murley, NRR  
E. Jordan, AEOD  
J. Partlow, NRR  
D. Crutchfield, NRR  
B. Boger, NRR  
J. Dyer, NRR  
C. Trammell, NRR  
S. Peterson, NRR  
M. Slosson, OEDO  
S. Rubin, AEOD

bcc:  
Docket File  
Project Inspector  
Resident Inspector  
G. Cook  
B. Faulkenberry  
J. Martin  
M. Smith  
J. Zollicoffer

REGION V

HWong *HJW*  
9/14/90

*SR*  
SRichards  
9/14/90

*KP*  
KPerkins  
9/14/90

*RZ*  
RZimmerman  
9/14/90

*JM*  
JMartin  
9/14/90

REQUEST COPY	REQUEST COPY	REQUEST COPY	REQUEST COPY	REQUEST COPY
YES / NO	YES / NO	YES / NO	YES / NO	YES / NO

SEND TO PDR
YES / NO



UNITED STATES  
NUCLEAR REGULATORY COMMISSION  
WASHINGTON, D.C. 20555

Action: Murley, NRR  
Cys: Taylor  
Sniezek  
Thompson  
Blaha  
Nash, NRR  
Scroggins, OC  
Meyer, ADM  
Shelton, IRM

October 4, 1990

MEMORANDUM FOR: James M. Taylor  
Executive Director for Operations

FROM: Samuel J. Chilk, Secretary

SUBJECT: SECY-90-288 - POLICY STATEMENT ON ECONOMIC  
PERFORMANCE INCENTIVE REGULATION AND  
ASSOCIATED MONITORING ACTIVITIES

The Commission (with all Commissioners agreeing) has approved publication of the proposed Policy Statement for public comment in the Federal Register. The attached editorial changes should be entered prior to publication.

(~~SDG~~) (NRR) (SECY Suspense: 11/16/90) 9000094

Chairman Carr believes this policy statement is not necessary at this time, but has approved its publication for public comment. He intends to reserve judgment on the final policy statement until public comments are received and evaluated and a final recommendation is forwarded to the Commission.

Attachments:  
As stated

cc: Chairman Carr  
Commissioner Rogers  
Commissioner Curtiss  
Commissioner Remick  
OGC  
GPA

SECY NOTE: THIS SRM, SECY-90-288 AND THE VOTE SHEET OF  
COMMISSIONER CURTISS WILL BE MADE PUBLICLY AVAILABLE  
10 WORKING DAYS FROM THE DATE OF THIS SRM

9010290313 4pp.

10-4-90  
11:15 A

A14

**Title:** 1991 National Survey of Natural and Social Scientists and Engineers. **Affected Public:** Individuals.

**Responses/Burden Hours:** 39,839 respondents; 10 minutes per response.

**Abstract:** The data collected in this survey enable NSF to partly fulfill the legislative requirement which obligates the agency to develop data on the Nation's scientific and technical population of the United States. The information provided allows for policy and planning activities by officials of government, private industries, and academic institutions.

Dated: October 22, 1990.

Herman G. Fleming.

NSF Reports Clearance Officer.

[FR Doc. 90-25314 Filed 10-25-90; 8:45 am]

BILLING CODE 7550-01-8

#### Collection of Information Submitted for OMB Review

In accordance with the Paperwork Reduction Act and OMB Guidelines, the National Science Foundation is posting this notice of information collection that will affect the public. This collection is a revision of the Foundation's process for receiving and awarding of proposals. Interested persons are invited to submit comments to the following individuals within 30 days of the published date of this notice. Comments may be submitted to:

1. **Agency Clearing Officer:** Herman G. Fleming, Division of Personnel and Management, National Science Foundation, Washington, DC 20550, or telephone (202) 357-7335.

2. **OMB Desk Officer:** Office of Information and Regulatory Affairs, ATTN: Dan Chenok, Desk Officer, Paperwork Reduction Project (3145-0058), OMB, 722 Jackson Place, Room 3206, NEOB, Washington, DC 20503.

**Title:** Survey by the U.S.-Japan Task Force on Access of U.S. investigators who have done research in Japan since January 1, 1968.

**Affected Public:** Individuals.

**Responses/Burden Hours:** 200 respondents; 30 minutes per response.

**Abstract:** Annex II to the "Agreement between the Government of the United States of America and the Government of Japan on Cooperation in Research & Development in SAT" authorized a Task Force on Access to survey major government-sponsored research & development in the U.S. & Japan. The extension of the approval of NSF Form 1265 is needed to enable information on U.S. researchers spending time in Japan to be recorded until the end of the above agreement.

Dated: October 22, 1990.

Herman G. Fleming.

NSF Reports Clearance Officer.

[FR Doc. 90-25314 Filed 10-25-90; 8:45 am]

BILLING CODE 7550-01-8

#### NUCLEAR REGULATORY COMMISSION

**Possible Safety Impacts of Economic Performance Incentives; Draft Policy Statement**

**AGENCY:** Nuclear Regulatory Commission.

**ACTION:** Draft policy statement.

**SUMMARY:** This statement presents the policy of the Nuclear Regulatory Commission (NRC) with respect to the possible safety impacts of economic performance incentive programs established by State commissions regulating electric utilities. The policy statement (1) contains a discussion of the potential impact of the policies and actions of State regulatory bodies, emphasizing that such actions can have either a positive or negative impact on public health and safety; (2) reflects the Commission's concern that certain forms of economic performance incentive regulation have the potential for adversely affecting nuclear plant operation and public health and safety; (3) specifically identifies those methods or approaches that are of particular concern (e.g. use of sharp thresholds, measurement of performance over very short time intervals, lack of "null zone," and inappropriate reliance on SALP scores); (4) indicates that the NRC will continue to monitor the application of economic performance incentives and performance criteria to nuclear power plant operations; and (5) urges licensees and State regulatory commissions to apprise the NRC of economic performance incentive programs that are being considered for application to NRC licensees.

**DATES:** The comment period expires on December 10, 1990. Comments received after this time will be considered if it is practical to do so, but assurance of consideration cannot be given except for comments received on or before this date.

**ADDRESSES:** Mail written comments to the Secretary, U.S. Nuclear Regulatory Commission, Washington, DC 20555, Attention: Docketing and Service Branch. Deliver comments to One White Flint North, 11555 Rockville Pike, Rockville, Maryland between 7:30 a.m. and 4:15 p.m. Federal workdays. Comments may also be delivered to the NRC Public Document room, 2120 L

Street NW, Washington, DC, between 7:45 a.m. and 4:15 p.m. Copies of comments received may be examined at the NRC Public Document room.

**FOR FURTHER INFORMATION CONTACT:** Anthony T. Gody, Sr., Chief, Policy Development and Technical Support Branch, Office of Nuclear Reactor Regulation, U.S. Nuclear Regulatory Commission, Washington, DC 20555. Telephone: (301) 492-1254.

#### SUPPLEMENTARY INFORMATION:

##### Introduction

After reviewing the information on economic performance incentive programs put in place by State regulatory commissions that regulate the economic returns of utilities operating nuclear power plants, the Commission has decided that it would be appropriate to set forth its views on the possible safety impacts of such programs in a Commission Policy Statement.

##### Background

In the exercise of their jurisdiction over the economics of the generation of electricity, a number of State regulatory commissions and the Federal Regulatory Commission have established economic performance incentive programs relating to electric power plants. Some programs have existed unchanged for a number of years, whereas others have been substantially modified or are newly established. They can play an important role in improving the economic performance of electric power plants. They can also have an impact on the safety of nuclear power plants. The NRC monitors and evaluates these incentive programs to determine their possible impact on the safe operation of nuclear power reactors. The NRC firmly believes that these programs should not create incentives to operate a plant when it should be shut down for safety reasons.

##### Statement of Policy

The Commission's views on economic performance incentive programs are as follows:

##### Potential Impacts

The NRC recognizes that the existing programs vary considerably from State to State and that the plans are not easily classified, especially as to their possible impact on safe plant operations. However, certain general characteristics of programs can be evaluated and found to be either desirable (or at least neutral) or undesirable in their safety impact.

A desirable plan provides incentives to make improvements in operation and maintenance that result in long-term

improvement in the reliability of the reactor, main generator and their support systems. An undesirable plan provides incentives to operate a facility with potential safety problems or to start up before fully ready merely to meet an operational goal.

A desirable economic performance incentive rewards a utility for a sound operations and maintenance program and for correcting recurrent or predictable failures or other potential problems that could lead to an operational transient, unplanned plant outage or derating. Such an incentive is desirable because a well run plant and prompt correction of problems enhance safety. Unanticipated transients and shutdowns challenge operators and safety systems and, although a low probability, could initiate a more serious event. Improved performance in a utility's operational organization, which can be encouraged by economic performance incentives, can be conducive to improving both safety and economic performance.

The current influence of incentive plans on reactor safety is believed to be small. However, the Commission's concern with incentive plans is that, in the interest of real or perceived short-term economic benefit, utilities might hurry work, take short cuts, or delay a shutdown for maintenance in order to meet a deadline, a cost limitation, or other incentive plan factor. Such a program could encourage, directly or indirectly, the adoption of actions designed to maximize measured performance in the short term at the expense of plant safety (public health and safety). If a licensee keeps a reactor online when it should be taken down for preventive or corrective maintenance and uses shortcuts or compressed work schedules to minimize down time, these actions could adversely impact safety.

#### Potential Adverse Impacts on Plant Operation and Public Health and Safety

Some specific features of incentive plans now used by some States could adversely affect public health and safety. These features are (1) sharp thresholds between rewards and penalties, (or between penalties and null zones, or rewards and null zones) and (2) performance measurements having short time intervals.

A sharp threshold occurs when a licensee misses a target capacity factor and must bear a large part or all of the resulting replacement power costs. A sharp threshold provides an incentive to continue plant operation to achieve a target capacity factor to avoid the large replacement power cost or to earn a substantial profit. This type of

incentive could divert attention from safe plant operation.

Performance measurements for short-term intervals provide incentives to focus on a short term target, such as a higher capacity factor or availability factor. This target could become the primary focus, diverting attention from long-term goals of reliability and operational safety. In contrast, performance measurements for long-term intervals provide incentives to the utility to follow sound maintenance and operational practices and make system and component changes so that the licensee improves operating performance in terms of availability and capacity factors.

Short-term measurements tend to make safety and economic goals conflict; long-term measurements tend to make the two goals complementary.

#### Specific Features That Cause NRC Concern

Sharp thresholds and short-term performance measures can adversely impact safety. In addition, plans that use NRC periodic performance assessments and performance indicators of the NRC or industry as a basis for rewards or penalties present several major concerns. First, the NRC's Systematic Assessment of Licensee Performance (SALP) was developed to assist the NRC in assessing the performance relative to the safety of individual facilities and to serve as a basis for communicating to the licensee. It therefore addresses selected areas of licensee activity, but does not necessarily cover all significant performance areas. Further, the scores are not based on absolute quantitative considerations, and therefore the significance of the actual numerical score is limited. The NRC staff expects licensees to focus on the facts in the SALP report, the issues identified, and the apparent root causes of problems. The prospect of financial rewards or punishments for licensees based on SALP ratings causes concern in that it may change the focus of the SALP process from the underlying issues, where it should properly be, to the numerical ratings themselves. If the issues identified in a SALP report are obscured by concerns over the financial consequences incurred as a result of that rating, the process may not achieve the desired objective and may instead result in a licensee adopting corrective actions which produce rapid results rather than those which yield the highest increase in safety in the long term.

Similarly, performance indicators were developed to assist the NRC and licensees in identifying trends and areas

of performance that should receive a more detailed assessment. Inappropriate emphasis on these indicators in an incentive program could direct a licensee's attention toward improving the scores by possibly inappropriate means rather than toward identifying and correcting underlying safety conditions.<sup>2</sup>

#### Continued NRC Monitoring Program

The NRC will periodically survey State regulatory commissions having rate regulation over power reactors and the Federal Energy Regulatory Commission (FERC) to identify any new programs or substantial changes in existing programs and to ascertain how the programs have been implemented, in particular whether large penalties have been imposed.

We plan to update the survey annually. We will periodically assess the frequency of the surveys to determine the need for schedule adjustments.

#### Licensees and Utility Commissions Urged To Inform NRC of Program Initiatives

The NRC needs to be apprised of economic performance incentive programs that are being planned by State regulatory commissions and that can impact safety. Frequently, these programs are developed in coordination with regulated utilities. Therefore, the NRC will be requesting that licensees report whenever these commissions are developing or substantially revising economic performance incentives. The NRC also will be asking FERC and the State utility regulatory commissions to discuss with the NRC initiatives to impose or change an economic performance incentive program that applies to an NRC licensee. The objective will be that the NRC be informed of the principal features of the program so that its likely impact on plant safety can be assessed. Further, the NRC will be requesting licensees to report the penalties assessed through these programs as they occur. A free exchange of information between the

<sup>2</sup> For further information on existing economic incentive programs and the possible impact of such programs on nuclear safety, see NUREG/CB-6008, "Incentive Regulation of Nuclear Power Plants by State Public Utility Commissions", 1988. Copies of NUREG/CB-6008 may be purchased from the Superintendent of Documents, U.S. Government Printing Office, P.O. Box 37082, Washington, DC 20535-7082. Copies are also available from the National Technical Information Service, 5300 Port Royal Road, Springfield, VA 22161. A copy is also available for public inspection and/or copying at the NRC Public Document Room, 2139 L St., NW, Washington, DC.



NRC and the agencies with economic jurisdiction will assist the NRC and those agencies to work together in their pursuit of the goals of safe and economical operation of nuclear power plants.

Dated at Rockville, Maryland, this 22nd day of October, 1990

For the Nuclear Regulatory Commission,  
Samuel J. Chalk,

Secretary of the Commission

[FR Doc. 90-25376 Filed 10-25-90, 8:45 am]  
BILLING CODE 7890-01-6

## OFFICE OF PERSONNEL MANAGEMENT

### Request for Extension of OF-300 Submitted to OMB for Clearance

AGENCY: Office of Personnel  
Management.

ACTION: Notice.

**SUMMARY:** In accordance with the Paperwork Reduction Act of 1980 (title 44, U.S. Code, chapter 35), this notice announces a proposed unchanged extension of a form which collects information from the public. Optional Form 300, Qualifications Analysis and Appraisal of Candidates for Supervisory Positions, is completed by the employers and/or co-workers of applicants for supervisory positions throughout the Federal Government. The qualification standard for supervisory positions in General Schedule occupations (GS-15 and below) contained in the Qualification Standards Handbook, recommends the use of this form to facilitate the collection of information used in evaluating supervisory candidates. Approximately 400 forms are completed annually and require about 15 minutes to complete for a total burden of 100 hours. For copies of this proposal, call C. Ronald Trueworthy on (202) 606-2281.

**DATE:** Comments on this proposal should be received within 10 working days from the date of this publication.  
**ADDRESSES:** Send or deliver comments to:

C. Ronald Trueworthy, Agency  
Clearance Officer, U.S. Office of  
Personnel Management, room 8410,  
1900 E Street, NW., Washington, DC  
20415,  
and

Joseph Lackey, Information Desk  
Officer, Office of Information and  
Regulatory Affairs, Office of  
Management and Budget, room 3002,  
New Executive Office Building,  
Washington, DC 20503.

FOR FURTHER INFORMATION CONTACT:  
Stephen Perloff (202) 606-2557.

U.S. Office of Personnel Management,  
Constance Barry Newman,  
Director.

[FR Doc. 90-25377 Filed 10-25-90, 8:45 am]  
BILLING CODE 5300-01-6

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-28556; File No. SR-CBOE-  
90-08)

Self-Regulatory Organizations; the  
Chicago Board Options Exchange,  
Inc.; Order Approving Proposed Rule  
Change and Notice and Order Granting  
Accelerated Approval to Amendments  
No. 3, 4, 5, and 6 Relating to Trading in  
Stocks, Warrants, and Securities Other  
Than Options

### I. Introduction

On April 27, 1990, the Chicago Board Options Exchange ("CBOE" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to establish rules governing the trading of stocks, warrants, and other securities instruments and contracts on the CBOE. Amendments Number 1, 2, 3, 4, 5, and 6 submitted on June 19, July 24, September 14, October 16, October 17, and October 19, 1990, respectively, proposed additional changes to the proposed rule change.<sup>3</sup>

<sup>1</sup> 15 U.S.C. 77b(1) (1980).

<sup>2</sup> 17 CFR 240.19b-4 (1989).

<sup>3</sup> In Amendment No. 1, the CBOE proposed, among other things, a requirement that issuers have a minimum stock price of \$5 per share and a minimum public market value of \$5,000,000 to list an equity security on the Exchange. The changes proposed by the CBOE in Amendment No. 2 include the addition of rules governing the trading of odd-lots, modifications to the Exchange's alternate listing criteria for research and development issuers, and clarification of the Exchange's margin requirements for market-makers. Amendment No. 3 provides that advanced Intermarket Trading System ("ITS") bids and offers will be used to execute odd-lot market orders and requests accelerated approval. Amendments No. 4 and 5, which are both non-substantive amendments clarifying points that were included already in the CBOE proposal, make clear that the CBOE will trade stocks and related options on separate trading floors and that the Exchange's listing criteria are fixed requirements which are not discretionary as to their application. Amendment No. 6 also deletes Interpretation and Policy 32 to Rule 30.60, to correct an error in the original proposed rule change. The CBOE requests accelerated approval of Amendments No. 4 and 5. In Amendment No. 6, the CBOE proposes to establish a requirement that all CBOE-listed companies have an audit committee comprised entirely of independent directors. The CBOE requests accelerated approval of Amendment No. 6.

The proposed rule change and Amendments Number 1 and 2 were published for comment in Securities Exchange Act Release No. 28015 (May 14, 1990), 55 FR 21280 (May 22, 1990) and Securities Exchange Act Release No. 28290 (July 31, 1990), 55 FR 32161 (August 7, 1990). One comment letter was received by the Commission on the proposal.<sup>4</sup>

### II. Description of the Proposal

The CBOE currently is an options marketplace listing and trading options on more than 200 listed and over-the-counter equity securities, index options based on the Standard & Poor's ("S&P") 100-Stock Price Index ("S&P 100") and the S&P 500-Stock Price Index ("S&P 500"), market baskets, and options based on United States treasury bonds and notes. The CBOE proposes to expand its current market by authorizing the trading on the Exchange of stocks, warrants, and other securities instruments and contracts, other than options, on either a listed or unlisted basis. To facilitate the trading on the Exchange of these securities instruments, the CBOE proposes to amend substantially the existing rules of its Board of Governors.

Currently, the CBOE rules in chapters I through XIX govern the trading on the Exchange of options.<sup>5</sup> Under the CBOE proposal, these rules would be expanded to include two new chapters setting forth the rules that would govern the trading and listing on the Exchange of stocks, warrants, and other securities instruments and contracts, chapter XXX, entitled *Stocks, Warrants and Other Securities*, and chapter XXXI, entitled *Approval of Securities for Original Listing*. These two new chapters would consist of rules governing, among other things, trading procedures and practices on the Exchange floor, the ITS Plan, procedures for the settlement of securities transactions, original listing and maintenance criteria, suspension, and delisting policies, and listing application procedures and fees. In addition to adding two new chapters, the CBOE proposes to modify several of its existing options rules to make them applicable to the trading of securities other than options.

Under the proposal, in addition to the trading of options, and options products, the Exchange would trade stocks, warrants, including currency and index

<sup>4</sup> See note 12, *infra* and accompanying text.

<sup>5</sup> The complete CBOE rules are comprised of chapters I through XXVI, with chapters XX through XXVI setting forth specific rules governing options products, such as Index Options and Market Baskets.