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UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

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ALL EMPLOYEES MEETING
MORNING SESSION

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WEDNESDAY,
MAY 26, 2004

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ROCKVILLE, MARYLAND

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The All Employees Meeting convened on the Green at
One White Flint North, 11555 Rockville Pike, Rockville, Maryland, at
10:30 a.m., Nils J. Diaz, Chairman, presiding.

PRESENT:

- NILS J. DIAZ, Chairman
- EDWARD McGAFFIGAN, JR., Commissioner
- JEFFREY S. MERRIFIELD, Commissioner

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

(10:31 a.m.)

1
2 MR. NORRY: We are very pleased to have everyone
3 here today. Now I would like to turn the meeting over to Chairman Diaz.
4 We have Commissioner Merrifield and Commissioner McGaffigan also.

5 CHAIRMAN DIAZ: Good morning. I was hearing some
6 good music when we came in. Maybe we could keep the music on, and,
7 you know, maybe we can get better questions. I have been --

8 (Music in audio feed interrupts briefly.)

9 (Foghorn sound interrupts)

10 CHAIRMAN DIAZ: That is the cicada song.

11 (Laughter.)

12 CHAIRMAN DIAZ: Our format this morning will be the
13 same as in the past. Following my brief remarks, I will ask whether my
14 fellow Commissioners have any remarks, and then we'll turn the meeting
15 over to you. We really want to encourage you to use this time to
16 communicate with us. We value these opportunities, and I hope you
17 also value them.

18 I want to, at this time, welcome the members of our staff
19 who are located in the regional offices and the technical training center
20 in Chattanooga and at all the sites throughout the country, all of whom
21 are linked to our session this morning as well as will be this afternoon at
22 the second session.

23 We have accomplished some very important objectives
24 since our last meeting last year, and several new challenges are about
25 to begin or are in the immediate horizon. I intend to be very brief and
26 very selective in what I cover this morning, so if I fail to mention an
27 activity in which you personally are spending lots of time it is not a sign

1 that you are not important. You might be too important to make it to the
2 list. That's the other way of looking at it.

3 Let me just briefly state at the very beginning that, for
4 the benefit of the regional employees, that there is nothing before the
5 Commission involving reorganizing the regions. So we hope we will
6 eliminate about 15 questions at this moment from that comment. This
7 is, of course, a subject of concern and generates questions and
8 concerns every year.

9 It is not that we do not think that efficiencies can be
10 achieved, but there is no issue in front of the Commission regarding
11 reorganizing the regions.

12 As you know, the terrorist attacks of 9/11, although not
13 directed at NRC or at NRC licensed facilities, have generated some
14 profound change at the NRC -- in the nuclear industry, in the public
15 perception about security, in the nation as a whole. In fact, on several
16 occasions this year you have heard me say that the NRC of today is no
17 longer the NRC with which you are familiar. We are no longer just a
18 safety agency but, rather, a safety, security, and preparedness agency.

19 Since 9/11, we have enhanced security requirements at
20 nuclear facilities and for radioactive materials in many ways. This
21 includes a series of orders imposing new requirements on our licensees.
22 By the way, in many ways the issues of orders was kind of a unique
23 change in the way we do things. We always have been looking at
24 rulemaking and making changes in a much more processed way.

25 This was kind of a unique type of opportunity, if you
26 want to call it, but it really was a challenge. We needed to go ahead and
27 issue orders, and we did.

1 We have worked on the design basis threat. We really
2 have worked significantly and have improved our coordination with
3 Federal, state, and local officials, and we have organized the NRC to put
4 us in a better position to implement the necessary changes. It has been
5 a very intensive, exhausting, but a very productive period. We have
6 done our job well, we have addressed what needed to be done, and we
7 have done it.

8 My Commission colleagues and I are proud of what the
9 NRC has accomplished, and we are grateful for all of your hard work.

10 I do believe also we are approaching a period of stability
11 in the security arena, and I am sure we are all eager to get there and to
12 have stable and effective processes to deal with every aspect of security,
13 at least all of those we can foresee.

14 The Commission and I hope -- and I hope you all realize
15 that, unlike Dorothy in the Wizard of Oz, we do not have the option of
16 returning back home to Kansas. These issues are going to be here for
17 a long time, and we're going to have to be able to deal with this.

18 Security is something that the nation is facing. And as
19 any of us can foresee, we will need to ensure that our new security
20 requirements continue to be implemented effectively, and that is part of
21 a charter that this year is on NSIR and the senior managers' work.

22 Fundamentally, we must keep in mind that we do have
23 a continuing role to play in promoting the common defense and security,
24 but that role needs to be seen in a balanced perspective with our other
25 responsibilities now that we have taken the steps necessary to enhance
26 security.

27 What we need to do now is to continue to integrate

1 security with everything else that we do, with all areas of the agency, like
2 safety and preparedness, in a logical and just natural way. This is
3 natural because the concerns raised in the security arena involve many
4 of the same issues involved in avoiding and mitigating accidents. The
5 safety solution will be the same for both cases -- shut the reactor down,
6 cool the core, maintain the integrity of protective areas.

7 Our approach to safety, security, and emergency
8 preparedness is, therefore, an integrated activity that will ensure
9 protection of the public. When our defense-in-depth procedures to
10 accomplish these ends are employed onsite, we consider defense-in-
11 depth to be in the realm of reactor safety. When we apply them offsite,
12 we consider defense-in-depth part of emergency preparedness.

13 In the reactor arena, we, of course, have dealt with the
14 Davis-Besse hole in the head issue, and the plant is now operating at full
15 power for the first time since February of '02. It is critical that we prevent
16 a recurrence of such a challenge to reactor safety. For this reason, we
17 must expeditiously implement the remainder of the task force
18 recommendations.

19 We are also moving forward with risk-informed and
20 performance-based regulations to ensure a more focused attention on
21 what is truly important to safety. Our materials program is also in the
22 midst of a significant change in focus. We are, of course, facing Yucca
23 Mountain.

24 We are, of course, facing all of the other issues with
25 large facilities' licenses -- the MOX, the fuel enrichment facilities. We
26 expect another application in August of this year. All of these activities
27 are breaking ground for the NRC.

1 We have implemented most of the changes in our senior
2 management assignments that we recently announced. These changes
3 have already taken place or soon will take place.

4 I have personally experienced the disciplined manner in
5 which senior management changes are done in the NRC when I took
6 over as Chairman after former Chairman Meserve's departure.

7 You might not know this, but I took over at midnight on
8 April 1st. By 10:00 in the morning, the Office of the Chairman was
9 functioning, and two days later it was fully staffed and it was functioning
10 across the agency. This, to me, was a tremendous, tremendous
11 surprise. And when we tackle an issue together, we can make it
12 happen.

13 The same thing is happening, with the changes in the
14 senior managers. I am very pleased and proud of the manner in which
15 our senior managers have addressed and are discharging their new
16 responsibilities.

17 In remarks I delivered to a meeting of all senior
18 managers earlier this month, I stressed the need to bring a new sense
19 of commitment and awareness to their new responsibilities, to retain
20 what seems to be working, and to change what is not, and to manage
21 issues and personnel to a new level of effectiveness and efficiency.

22 I challenge the senior management, and I challenge all
23 of you today, to make the NRC work even better than before as an
24 integrated safety, security, and preparedness agency, where enhanced
25 internal communications are being used to manage issues better, and
26 enhanced external communications are being used to keep the
27 American people better informed.

1 We do have a lot on our plate this year. We have issues
2 associated with the new power reactor license, license renewals, power
3 uprates, fuel enrichment facilities, high-level waste disposal, oversight
4 of license security, and on and on and on.

5 I have only mentioned a few in detail. I know you deal
6 with these issues every day. But I want to stop here and open the
7 meeting to questions from the floor.

8 I want to conclude by emphasizing, once again, that the
9 Commission has the utmost confidence in the ability of the NRC staff to
10 meet the challenge before us. I also want to thank all of you personally
11 for the support you have given the Commission and for the services you
12 are providing to the American people.

13 Do my fellow Commissioners have any comments?
14 Commissioner McGaffigan?

15 COMMISSIONER McGAFFIGAN: Thank you, Mr.
16 Chairman. I'm just going to make a couple remarks. Number one, I
17 want to absolutely reiterate what you said about no consideration being
18 given at the moment to any reorganizations in the regions. This comes
19 up because NEI has raised it, including in testimony before the Senate
20 Environment and Public Works Committee last week.

21 We sent a very good report to the Appropriations
22 Committees last year, which I believe is on our webpage somewhere,
23 that summarized why we are comfortable -- and not only comfortable, we
24 think that the regional setup we have is a very effective way to deliver
25 our services to the American people.

26 The other item I just wanted to mention to folks -- again,
27 it may be partially in response to some of the testimony that we had last

1 week. I want to tell you how much I appreciate staff debating issues
2 openly and how dedicated we are at this table to ensuring that staff raise
3 -- and I'm sure the EDO and all of his deputies -- raise issues regarding
4 safety and security in an open, constructive manner.

5 I think the folks in this agency -- we have a very -- we
6 have non-concurrences at the moment on the 50.46 paper we are
7 considering. We had differing opinions last year on the 50.69 paper, and
8 I can think of numerous other instances. And I think the agency is better
9 for having that vigorous debate.

10 We make better decisions when all aspects of the
11 decision are considered, but we value -- and I want to stress that -- we
12 value those people who raise issues, and I appreciate them doing it.
13 And I can think of a lot of them by name, and they are known by name
14 to me because they did it. And I think very positively of them.

15 Thank you, Mr. Chairman.

16 CHAIRMAN DIAZ: Thank you, Commissioner
17 McGaffigan.

18 Commissioner Merrifield?

19 COMMISSIONER MERRIFIELD: Thank you, Mr.
20 Chairman. I would certainly concur with the remarks of my two fellow
21 Commissioners.

22 The only thing I think I would add this morning -- we
23 have been working in concert with the CFO and the EDO on crafting a
24 new strategic plan for the agency. I think the level of activity shown by
25 the Commission as a whole on development of that plan is as extensive
26 as it has ever been in the history of this Commission.

27 Right now that is out. The Commission has sent out an

1 SRM encompassing its views on that plan. The EDO and the CFO and
2 their staff will be working on packaging that in preparation for our
3 delivery of that product to Congress. And that will be in a format that will
4 be available widely to the staff probably in a period of four to six weeks
5 thereabouts.

6 The only thing I would want to say is I think it is an
7 important document that demonstrates a vision and encompasses a plan
8 for us to move forward as an agency. And when that document does
9 come out, I hope members of the staff take the time to really look
10 through those materials, to really understand those materials, because
11 it very much will encompass our moving forward as an agency over the
12 course of the next three to five years.

13 So I did want to put that plug in there. I think it is an
14 important issue, and certainly one I hope when it comes out you all focus
15 on very closely.

16 Thank you, Mr. Chairman.

17 CHAIRMAN DIAZ: And with that, you can go ahead and
18 start firing. But don't take that literally.

19 (Laughter.)

20 Commissioner McGaffigan, would you take over the
21 meeting for a minute?

22 COMMISSIONER McGAFFIGAN: Why don't we get a
23 question -- one of the written questions if we don't have anybody who
24 would like to go to -- oh, here. Sorry. You get first priority. Anybody
25 who goes to a microphone gets first priority.

26 QUESTION: This question is from one of the regional
27 offices. Should the agency make decisions solely on the basis of good

1 science, even when this might go against public opinion? I'm thinking
2 specifically about abandoned initiatives like "below regulatory concern".

3 COMMISSIONER McGAFFIGAN: Well, that's a -- we
4 are a scientific and technical agency, and our credibility as an agency
5 rests on the soundness of the science and engineering judgments that
6 we make. In the case of the below regulatory concern episode of the
7 early '90s, we had specific legislation that overrode an effort by a
8 Commission at that time to respond to Congressman -- the late
9 Congressman Mike Synar's request that we define where we believed
10 the threshold was, where that Commission believed the threshold was.

11 And the term "below regulatory concern" I think actually
12 originated in Congressional report language. But the Congress, in 1992,
13 after there was a large amount of intervention with the Congress, told
14 us to abandon that effort.

15 So at times politics does trump what a Commission
16 believes is the right thing to do from a scientific and engineering
17 perspective. That is a very infrequent event, and I think the Commission
18 is dedicated -- I have been on the Commission eight years now, and I
19 can't think of a single Republican/ Democratic issue in the eight years
20 I've been on the Commission.

21 We do try to make our judgments based on the best
22 engineering judgment that we have available, and obviously sometimes
23 our engineering judgment improves after effect -- like in the Davis-Besse
24 case, unfortunately. But for the most part -- or I can't think of a case
25 where I have not been proud of a decision we have made based on
26 science and engineering.

27 So occasionally we get trumped, but that is a very

1 infrequent event. In the 28-year history of the Commission, I think it has
2 only happened that one time.

3 COMMISSIONER MERRIFIELD: Yes. If I could jump
4 in on this one, I think the question goes to two very fundamental issues.
5 The first one of which is: why do we have a Commission? Meaning,
6 why do we have a group of Commissioners? And the second one goes
7 to the issue of our independence. And those are related.

8 When this agency was created in 1975, the notion was
9 that we would have an independent entity who could take information
10 available to it, judge that information, and make a determination that was
11 in the best overall public interest.

12 Congress very much wanted to make sure that we
13 weren't influenced in terms of being part of another department, being
14 too intimately tied to a given political administration, but that we had an
15 independent ability to weigh these issues.

16 We were made a Commission because of the notion
17 that we wanted to have a group of individuals from varying backgrounds
18 who would be able to weigh those issues and come up with a judgment.
19 It is not so simple as to say, if you put all of the scientific data into a
20 computer, you'd come out with a scientific answer, because ultimately
21 what we do as Commissioners is that we weigh a lot of different inputs
22 and information.

23 Certainly, first and foremost, in terms of what we review
24 is the scientific information provided by our staff. That is at the heart of
25 how we go about deciding our opinions. But recognizing that we do not
26 as an agency live in a vacuum and as a Commissioner, and each
27 Commissioner does this somewhat differently so I will speak from my

1 own standpoint, I try to bring into my thought process what are the
2 impacts that our decisions are going to have on a variety of stakeholders
3 with whom we interact. People who live around the facilities or material
4 that we regulate, individuals who work in or around those materials or
5 facilities. People in general who live in the United States and what some
6 of their thoughts are going to be about what we do. What's the reaction
7 going to be in the political environment here in Washington. What are
8 some of the impacts in the international community in which we are a
9 member of as a regulatory agency. What are some of the reactions of
10 the regulated users. What are the reactions of individuals who feel
11 strongly on non-governmental organizations. What are some of their
12 reactions. All of that, plus a whole lot of other things, gets put into the
13 filtration system. And hopefully at the end of the day through that we
14 can make good decisions.

15 But it's not really so simple as saying, what's the
16 calculus of coming to the best scientific conclusion, because it's not
17 always going to be that. We have to be reflective on everything else
18 that's in our environment. And so from my standpoint, I think that's how
19 ultimately we have to go forward with the decisions we make.

20 Sometimes that means that the Commission will agree
21 with the scientific recommendations made by our staff, and sometimes
22 that means we don't. But that's why we're hired and why we're
23 appointed as Presidential appointees, to do what we do.

24 COMMISSIONER McGAFFIGAN: If I might just to give
25 the Chairman a break -- I don't want to have it sound like there's a
26 difference between Commissioner Merrifield and me, there really isn't.
27 Many of the issues -- I think both of us, if it's a purely technical or

1 engineering issue would agree that we are likely to go with that science
2 or engineering judgment.

3 But many of the issues, as Commissioner Merrifield
4 said, have facets to them that go beyond the science and engineering.
5 We certainly don't make consciously judgments that are strictly
6 engineering or scientific that are meant to be wrong or aren't supported
7 by good science. In fact, you know, we've talked in the past about how
8 important it is that our scientific reports be of the highest quality.

9 I was talking with one of the senior managers recently,
10 and one of the things I appreciate about our staff that isn't necessarily
11 true in all other agencies is that our staff does give us their absolute best
12 judgment as to what the right thing to do is based on policy
13 considerations, and not trying to anticipate politics. This particular
14 person was talking about a colleague in another agency who seemed to
15 be much more interested in talking about politics as opposed to what the
16 right thing to do from a public policy perspective.

17 Leave the politics to us. And I think the staff does a
18 very, very good job of leaving political considerations to us and just
19 making the recommendations to us that they feel are best supported by
20 the considerations that are under their control.

21 COMMISSIONER MERRIFIELD: Well, yes, I don't --
22 and by way of clarification I think Commissioner McGaffigan has picked
23 up on a important point, I hope no one takes my comments that it's
24 merely a put your finger in the wind decision that we make. I think this
25 Commission recognizes, like all of you, we were sworn in to protect the
26 best interests of the people of the United States. Sometimes that will
27 mean that we take a position that is politically unpopular, and we may

1 make a decision that a whole lot of people really don't like. And that's
2 why we're independent. And that's why we were given fixed terms, and
3 that's why we have the opportunity to say what we feel.

4 So, and sometimes people are going to like it, and
5 sometimes people aren't. And if they don't, obviously they have the right
6 to seek redress as Commissioner McGaffigan has outlined to go to
7 Congress and overturn what we do, but we have to do what we believe
8 is in the best interests overall of the American people. And, it's not a
9 popularity contest.

10 CHAIRMAN DIAZ: I believe that my two fellow
11 Commissioners are doing so well that I could go to lunch.

12 (Laughter.)

13 I just wanted to tell you because you might be surprised
14 that I left. That was Senator Voinovich on the telephone to set up a
15 meeting with me to clear up those things, and that is the only reason
16 that I would leave this meeting is because it was an expected call. Now
17 you know why I left.

18 All right.

19 COMMISSIONER MERRIFIELD: Mr. Chairman, we
20 were in questions, we received one from the floor.

21 COMMISSIONER McGAFFIGAN: That was from the
22 Region. We'd love to have questions from the floor.

23 COMMISSIONER MERRIFIELD: And also, and
24 because we -- one of the things we should have done, and, I don't know,
25 normally Pat Norry whether you do this or others, we do usually have
26 volunteers on our staff who are kind enough to be willing to read out
27 some of the questions. And we should identify those individuals for their

1 willingness to do that, or at least perhaps have them identify themselves
2 at the appropriate point.

3 CHAIRMAN DIAZ: All right.

4 QUESTION: I have a question from headquarters, from
5 the floor here. Regarding the electrical grid blackout of last year are we
6 pursuing new requirements for plant electrical capabilities?

7 CHAIRMAN DIAZ: Thank you. I like that one.

8 (Laughter.)

9 The answer is we are analyzing to see whether
10 additional requirements are needed. As, you know, you all know very
11 well, many years ago we realized that station blackouts were a serious
12 safety issue. And the agency probably, you know, came out with the first
13 risk-informed rule, or we probably didn't call it like that. But it actually
14 addresses those issues.

15 The blackouts have consisted of, really, two parts. The
16 NRC has participated in the national and the international, with Canada,
17 preparation of an analysis and now on the face of recommendations to
18 deal with the overall issue of the blackout. In parallel, the agency has
19 been pursuing what do we need to do, if anything, to make sure that the
20 grid reliability does not cause a safety question to our plants. And that
21 work is continuing.

22 We might have to have some additional issues that
23 might meet requirements, or we might just be strong enough to say all
24 we need to do is really increase the awareness of what operators need
25 to do, and so it might be in a procedural space rather than any other type
26 of space.

27 All right?

1 COMMISSIONER McGAFFIGAN: Might as well just
2 keep the people who have questions at microphones, the ones that are
3 reading them.

4 QUESTION: I have a question here from the region.
5 Recent pressures on the regions resulting from some shortfall in the
6 number of qualified inspectors and tight travel budgets have impacted
7 the ability of the journeyman level regional staff to participate in
8 developmental activities such as rotations, details, and non-mandatory
9 training. Do you anticipate some relief in this area?

10 CHAIRMAN DIAZ: Jesse has been after me to provide
11 some relief in this area. I must tell you that the travel shortfall, including
12 the shortfalls in relocations, have been a significant surprise to the
13 agency this year. And the answer is, yes, we are providing relief, but I
14 think everybody should understand that we don't have unlimited
15 resources.

16 And we all need to make an effort to make sure that we
17 limit this extra budgetary mid-year advances into our funds. It is no
18 doubt this year much more significant than in other years.

19 Yes, we are, and we do consider, of course, the fact that
20 the regions have to have the travel funds that they need to do their job.
21 On the other hand, we need to be better at budgeting and forecasting
22 and putting them early in the budget, so we don't come up with
23 significant issues in the middle of the year.

24 COMMISSIONER McGAFFIGAN: Mr. Chairman, I
25 would only add that I encourage the staff to use video-conferencing and
26 those sorts of capabilities to the maximum extent possible to replace
27 travel. It's a much more cost effective thing to do. If it's possible, it isn't

1 possible to do a rotation by video-conference, but it is possible to do
2 some of these meetings that we have by video-teleconference.

3 CHAIRMAN DIAZ: Yes?

4 QUESTION: This is a question from headquarters. The
5 recently-released General Accounting Office report on the Davis-Besse
6 incident recommended that the NRC take more aggressive action in
7 several areas, including how it assesses plant performance. Does the
8 Commission intend to reevaluate the revised reactor oversight process?
9 And what impact will this have on the initiative to risk-inform Part 50?

10 CHAIRMAN DIAZ: We, of course, do pay very serious
11 attention to the reports of the GAO. We disagree with the GAO in some
12 of the conclusion or at least some of the depth in which the conclusions
13 are addressing shortcomings.

14 We believe we have done most of the things that
15 needed to be done in many of these areas, but we do believe that there
16 were shortcomings regarding the way that we communicated regarding
17 the issues of Davis-Besse. I think we didn't do all we needed to do. I
18 think that the task force has addressed most of these issues.

19 The Commission is I think on top of everything that we
20 need to do to ensure that oversight is ever done better. There are
21 issues with the reactor oversight program that are being addressed.
22 There are some issues of some of the indicators that probably needs to
23 be done. We always knew that it was a work in progress.

24 I don't believe that Davis-Besse, by the way, specifically
25 is really an issue that is just purely the oversight or deals with our
26 capabilities or lack of for doing risk-informed analysis. It really is a much
27 more serious issue. It is the fact that there was information by the

1 licensee on what was happening.

2 There was information that the NRC had that there were
3 issues that were happening, and those were not communicated, they
4 were not analyzed properly. I am sure that the staff at all levels is very
5 conscious that that should never happen again. And I think we have
6 addressed the issues very properly, but we will consider the GAO report
7 and provide whatever additional issues we believe are proper to be
8 addressed.

9 COMMISSIONER MERRIFIELD: I think that when we
10 originally adopted the revised reactor oversight program some years
11 ago, we reflected that was going to be a living program, that it would
12 continue to evolve. I think throwing the baby out with the bath water is
13 not where we need to go. You know, are there enhancements we can
14 make to the ROP? I think that's a question we've asked the EDO and
15 his staff to come back to us on. That's an ongoing question and
16 reflection.

17 But I don't -- you know, like the Chairman has outlined,
18 I don't think this effort would need to cause us to completely throw that
19 whole program out. Quite the contrary -- I think that overall the program
20 has worked quite well. You've got some gaps; you need to fix those.

21 COMMISSIONER McGAFFIGAN: Mr. Chairman, I
22 would just add, I agree with both of you. But the -- one of the
23 recommendations of the GAO report was in this area. And it said, you
24 know, it would be nice to have, that they weren't sure that the reactor
25 oversight process was perfect yet, and it wouldn't be able to detect
26 everything in advance.

27 And I think that that holds the reactor oversight process

1 to a standard that is impossible. We are unanimous on this panel, and
2 I think much of the staff, that the reactor oversight process is a distinct
3 improvement over what we inherited in the old inspection, SALP, watch
4 list sort of processes that were extremely subjective.

5 I remember Mr. Jordan, when he was the Deputy
6 Executive Director for Operations, testifying before a Commission panel
7 and talking about the search for leading indicators. And I think he said
8 something like he had, you know, explored in his long tenure with the
9 NRC something on the order of 30 possible leading indicators. And it
10 turned out that all of them were leading indicators of a lot more.

11 There were too many false positives, and so he had
12 previously been head of the AEOD, the office for the analysis of
13 operational data, and we -- if we had leading indicators, if any regulator
14 -- nuclear regulator on the face of the earth had good leading indicators,
15 we would use them.

16 We had a very good discussion with Luis and the other
17 folks recently at the annual ROP meeting. As Commissioner Merrifield
18 says, we are looking for improvements. One of the areas that all of the
19 regional administrators told us they were looking at is this issue of
20 corrective action programs and whether the weaknesses and corrective
21 action programs, problem identification and resolution programs, needed
22 to be somehow looked at more.

23 All of the regional administrators for the plants that seem
24 to have problems in their corrective action program, and haven't yet
25 manifested themselves in a problem elsewhere in our action matrix, in
26 our inspection findings or performance indicators, the regional
27 administrators watch those places. And we are -- we are searching for

1 things.

2 It may turn out that the corrective action program
3 deficiencies are not a very good leading indicator either. But if they turn
4 out to be a leading indicator, after the staff studies it, I am sure they will
5 make a recommendation to us to make the appropriate change in the
6 ROP.

7 But what happens in a lot of these studies -- I could go
8 on about safety culture, but the Chairman wouldn't want me to --

9 CHAIRMAN DIAZ: No.

10 (Laughter.)

11 COMMISSIONER McGAFFIGAN: But what happens in
12 many of these studies is where a sort of perfection standard is sought,
13 and the question that a Commissioner -- at least this Commissioner asks
14 -- is for an existence proof. Give me an existence proof of a leading
15 indicator, and I'll grab it. Give me an existence proof of something that
16 would be effective in safety culture and implementable, and I might grab
17 it. But I haven't found existence proofs in those area.

18 Thank you, Mr. Chairman.

19 CHAIRMAN DIAZ: Thank you. All right. We are doing
20 well.

21 Please.

22 QUESTION: This question is from headquarters. What
23 are the new communication initiatives? And how do you anticipate
24 deploying these initiatives?

25 CHAIRMAN DIAZ: I refuse to answer because it will
26 tend to incriminate me.

27 (Laughter.)

1 We are now getting to the point of really analyzing what
2 our communications initiatives are going to be. We have put out some
3 concepts. We discussed them with the staff. But I'm not going to be
4 disingenuous with you. We do not have a final program that I can say,
5 "This is what we are going to do."

6 But what I can tell you is that when the fall comes
7 around, by the end of this summer, we will have a communications
8 program, series of initiatives, and, of course, I can assure you that the
9 staff will be the first to know. We are working on it. We have the people
10 in place now to do it. And I think the Commission and I are committed
11 to improve both our internal and our external communications.

12 All right?

13 COMMISSIONER McGAFFIGAN: And, Mr. Chairman,
14 I would only add I think we have made some incremental improvements.
15 You know, we have a lot of new things that we're trying, and I particularly
16 think in the area of internal communications we have made some very
17 significant improvements. And I think that there is an intention, and in
18 some cases performance, that we're going to improve our external
19 communications as well.

20 CHAIRMAN DIAZ: Yes. We have done, you know, the
21 risk communications analysis. There are many things. But we don't
22 have what I will call a wholesome program that we can sit with the senior
23 managers and then communicate to the staff what we're going to do.
24 But it is coming. All of the bases are here, and I think we're ready to
25 move forward.

26 COMMISSIONER MERRIFIELD: Yes. As my two fellow
27 Commissioners know, this is a topic in which I have had some interest

1 over the years. The Chairman had asked me to lead a panel that
2 included Ellis Merschoff and a variety of other folks in the agency to look
3 at how we do communications within and external to the agency.

4 That panel, which comprised a variety of folks
5 throughout the agency, identified a number of areas where we have
6 gaps, made some initial recommendations that the Chairman can move
7 forward with to improve and close those gaps. I think the recent addition
8 of some new people at the top level reporting to the Chairman on
9 communications will be a good first step in that.

10 And the Chairman has stated to us repeatedly an effort
11 to keep the Commission engaged collectively in trying to make sure we
12 can enhance this. We've got some real gaps, and we really need to fill
13 those. And I am fully behind the Chairman in trying to come up with a
14 plan to make sure we can improve that area.

15 COMMISSIONER McGAFFIGAN: Mr. Chairman, I might
16 just add -- it may be late. I don't know whether I'm a day late and a
17 dollar short here. But I think there are some positions being advertised
18 at the moment to work for the Deputy Executive Directors for Operations
19 that I think are among the most exciting positions that you'll ever find in
20 the agency.

21 So if there are some folks out there who are considering
22 -- and if it is still open for bidding for those positions, these are I think
23 advertised as Technical Communications Assistants to the Deputy
24 Executive Directors for Operations -- one for Bill Kane, one for -- well, it
25 will be Ellis Merschoff, one for Marty Virgilio, paired with Mindy Landau
26 who already works for Pat Norry.

27 These are very exciting positions that I think will put you

1 -- if you are successful in being selected for those positions -- at the sort
2 of cutting edge of improving internal and external communications of this
3 agency. So we hope very, very good people will come forward and
4 compete for those positions.

5 CHAIRMAN DIAZ: Thank you, Commissioner
6 McGaffigan. That's an excellent point. We are trying to round up what
7 we think will be the core staff that will be dealing with these issues day
8 in and day out, support the EDO, the Chairman, and the Commission in
9 dealing with these issues. I think we're getting there.

10 Let me make, you know, a short statement in here,
11 because, you know, I have been concerned with some of the delays in
12 these issues. As you know, I made communications one of the things
13 that I wanted to move forward.

14 I want the staff to realize that I and the Commission
15 have been consumed for months -- months and months and months,
16 actually years -- with the issue of subsuming security into a process that
17 the agency can work with, and to deal with it in a manner that is prompt,
18 it creates the right effects out there, and that has been a major effort,
19 including the efforts to maintaining both the Executive Branch and the
20 Congress, and the states, not only aware but cognizant and a participant
21 in our efforts to increase the security of our facilities and of our materials.

22 Those efforts, I believe, are coming to fruition. We
23 should be coming to a period of stability, as I said in my remarks. I
24 intend to start putting some distance between the day-to-day running of
25 those issues, which consumes me every day, and really go back into a
26 more standard way of running the agency and participating in all of the
27 other policies, issues, and so forth.

1 And I think there is no doubt that that has had an impact
2 on all of us. I am sure it had a tremendous impact on the staff, and I
3 think right now we are at a point that we should be ready to move
4 forward. All of the powerplants, security plans, are here.

5 I am told that the information has been deemed to be
6 adequate for practically all of them. We are moving into the other areas.
7 We are now doing what the NRC does best. We have sized what the
8 issues are, and we are putting them into a form that we can deal with
9 them in a good procedural form. And that should signify that we can
10 now go back into a -- not normal mode of operating but a more
11 distributed mode that all of the other issues can be looked at.

12 Yes?

13 MS. NORRY: Following up on Commissioner
14 Merrifield's suggestion, I forgot -- he pointed out I forgot to tell you the
15 names of the people who are reading the questions. I'd like to do that
16 now. We have Susan Cusseaux, Steve Poole, from the Office of
17 Administration, and Sue Dickerson from Research, and Rick Baum from
18 the CFO's office. They will be reading the questions.

19 CHAIRMAN DIAZ: We thank you.

20 All right.

21 QUESTION: Question from one of the regions. How do
22 the priorities that you recently issued in the Chairman's May 3rd memo
23 fit in with the strategic plan?

24 CHAIRMAN DIAZ: Well, if they don't fit with the
25 strategic plan, there is something wrong with the strategic plan.

26 (Laughter.)

27 So I think that the -- all of the priorities, but essentially

1 all of them, okay, actually are bringing to the forefront things that we
2 have been dealing with. We just wanted to ensure that the right extra
3 attention and schedules are put into those issues, because they are the
4 things that we needed to really do right now to make sure the agency is
5 facing the right issues. But they are compatible, very compatible.

6 All right.

7 QUESTION: This question is from headquarters. Can
8 you share the efforts that are being made to resolve the space issues at
9 Two White Flint North?

10 CHAIRMAN DIAZ: Pat? Grab the microphone.

11 Absolutely.

12 (Laughter.)

13 I know where danger is.

14 (Laughter.)

15 MS. NORRY: We are well aware of the fact that the
16 agency, incredibly enough, is potentially going to run out of space.
17 When that happens or where that happens exactly remains to be seen.
18 It's not going to happen this year or next year or even the year after.

19 But we are looking at some long-range alternatives for
20 how we could address that problem, and there are some alternatives.
21 So we -- it's well under way. Mike Springer and his staff are working on
22 a plan, and that, of course, will be communicated to the Commission.
23 And there will be options and alternatives, and we know that it can
24 become a problem within a few years.

25 CHAIRMAN DIAZ: Thank you.

26 QUESTION: This question is from the regions, and
27 there are two parts to the question. The first part is: is there any word

1 from the White House on whether we will get new Commissioners? The
2 second part is: is it possible Congress is considering reducing the size
3 of the Commission or eliminating the Commission altogether?

4 (Laughter.)

5 COMMISSIONER MERRIFIELD: Answer in reverse
6 order.

7 (Laughter.)

8 CHAIRMAN DIAZ: I am going to start in reverse order.
9 I wish.

10 (Laughter.)

11 No, no. I don't think there is any such plans whatsoever.
12 I think the White House continues to work on the issue of addressing the
13 needs of the Commission. I think the Congress has a significant interest
14 on the issue. We keep being informed about what is going on. You
15 probably have as much information as we do.

16 We do hear interest in moving forward, but we don't
17 know what the process is. I think that the Commission always has
18 functioned well, because we have a great staff to support us, and we will
19 continue to do so.

20 COMMISSIONER MERRIFIELD: The only thing I'd say
21 is it's a function of the political process. Even if you look at the three of
22 us seated here at the table, I think the Chairman -- it took you, what,
23 about 18 months --

24 CHAIRMAN DIAZ: That's correct.

25 COMMISSIONER MERRIFIELD: -- in the political
26 process. It took me about seven months. Commissioner McGaffigan
27 was probably five or six maybe. So these things --

1 CHAIRMAN DIAZ: I pulled him through.

2 (Laughter.)

3 COMMISSIONER McGAFFIGAN: Or vice versa, as the
4 case may be.

5 COMMISSIONER MERRIFIELD: This is a process to
6 which we are subject, and I think in the meantime the three of us are
7 going to work as hard as we can to make sure that there is no gaps in
8 the accomplishment of this agency. And I think what we have done over
9 the last year shows that we can do it.

10 CHAIRMAN DIAZ: Absolutely.

11 All right.

12 QUESTION: This question is from one of the regional
13 offices. Do you see the results of the upcoming emergency exercise at
14 Indian Point as having the potential to affect all operating reactor sites?

15 CHAIRMAN DIAZ: I don't think that it will affect directly
16 all operating reactor sites immediately. But I do believe that there will be
17 a need to conduct, as part of our biennial exercises, additional ones that
18 consider the terrorist element in it.

19 I think that what we will find out, hopefully, is that the
20 emergency planning is adequate. It is getting better. We are making
21 efforts to make sure that if there are any issues out there that we are
22 resolving it. You know we have reorganized internally to address the
23 issue of emergency preparedness.

24 Certainly we will learn some things from Indian Point,
25 and some of those lessons will be applicable to other sites. And we will
26 conduct additional emergency preparedness exercise on other sites that
27 will actually contain the element of terrorism.

1 But I still insist that the potential for a terrorist act against
2 any one of our facilities to have significant radiological impacts is very,
3 very low. We need to be able to continue to deal in the real -- real world,
4 that we deal with every day with all of the other issues that could imply
5 the need for emergency preparedness. And those go beyond the
6 terrorist element.

7 COMMISSIONER McGAFFIGAN: Mr. Chairman, I
8 would just add I think there is some potential for, as the Chairman said,
9 of affecting other sites. Indeed, I think the vision that we have at the
10 moment, at the staff level, is that there are sort of three legs to the stool.

11 And I have heard the Chairman say it -- so I am stealing
12 from him -- there is a leg where we do a force-on-force exercise. There
13 is a leg where we do an emergency preparedness exercise with the
14 terrorism component. And then there is a leg that involves an integrated
15 response exercise or a tabletop that brings in the whole government to
16 think about.

17 Indian Point will be the first site that has all three legs of
18 the stool having been exercised at it, in addition to our normal inspection
19 processes. And I think that we're going to learn things, that there are
20 going to be some adjustments made for these not likely events but ones
21 that -- our whole emergency preparedness area is predicated on whether
22 it's in the safety or the security realm on very unlikely events that drive
23 us to having to exercise it.

24 But it's an important element of defense-in-depth and
25 one that we take very seriously. Witness, as the Chairman said, the
26 changes that he has made and where the -- the resources given to
27 emergency preparedness within the agency, where it is placed within the

1 agency, and the challenge that he has given them to rethink, under Bill
2 Kane's direction and Luis' direction, a lot of the fundamental tenets of
3 emergency preparedness.

4 CHAIRMAN DIAZ: Okay.

5 COMMISSIONER MERRIFIELD: Yes. I think -- I mean,
6 in the main, I think the Chairman has recognized that we think we're in
7 the right ballpark in terms of our understanding of our vulnerabilities.
8 And this exercise is part of our effort to make sure we have a full grasp
9 on our ability to respond to those interactive with folks who work in the
10 utility and the local communities that are involved.

11 You know, at the end of the day, anyone who has ever
12 participated in an exercise recognizes that you're going to find new
13 things. I mean, that's, after all, the reason we do exercises is to
14 continually improve our way of doing business.

15 So I would expect there will be some things that we find
16 that could enhance our way or others ways of doing business, and we
17 will respond to those accordingly.

18 CHAIRMAN DIAZ: All right.

19 COMMISSIONER McGAFFIGAN: One of the things --
20 while we're waiting for the question, one of the things in the security
21 realm that really will be tested I think for the first time in the Indian Point
22 exercise is the interface with the Department of Homeland Security.

23 And that clearly is something that in the coming years
24 we're going to -- we're working out, and I give NSIR credit for having
25 worked at a very high level -- Mr. Stefan and his staff at the Department
26 of Homeland Security -- to put in place standard operating protocols for
27 how the two agencies will interact. And they have run through some

1 tabletops and gotten a lot of things far along.

2 In fact, a credit to this staff, which I always like doing, is
3 we are so far ahead of most other agencies of government in working
4 this interface with the Department of Homeland Security that it's not
5 funny. You know, and I am proud of it. You know, I think when we do
6 these tabletops everybody else says, "Oh, my gosh. Can we do what
7 NRC did with you, Mr. DHS?" You know, and that happens all the darn
8 time.

9 CHAIRMAN DIAZ: Yes. There is no doubt that we are
10 the role for many of the critical infrastructures in how we're dealing with
11 these issues. And we have brought -- and the staff initiated a very high
12 level dialogue. Mr. Brown from FEMA and I met several times.

13 We just went together to New York to make sure that
14 things were in place, that we communicated, not only our interest, but
15 our intentions to conduct this exercise as well. And I think this will have
16 a significant impact in the way that we look at the exercises, the way we
17 integrate it.

18 Hopefully the impact on the industry will come slow as
19 lessons are learned. I don't see a significant change in the way we do
20 emergency planning, but I do see improvements.

21 QUESTION: This is a question from headquarters here
22 in the tent. Are members of the new communications staff here today?
23 And if so, can we meet them?

24 CHAIRMAN DIAZ: Excellent question. The answer is
25 yes. I have Mr. Bill Outlaw -- please stand up. He is the new Director of
26 Communications, the Office of the Chairman. And let me see if I see
27 Elliott. He might save himself.

1 PARTICIPANT: He'll be here at this afternoon's
2 session.

3 CHAIRMAN DIAZ: All right. Beth is here. But he will be
4 in the afternoon, so we'll showcase him in the afternoon. Thank you.

5 PARTICIPANT: Thank you.

6 COMMISSIONER MERRIFIELD: And for those who
7 aren't aware, the way the Chairman has set up the structure, now both
8 the head of the Office of Public Affairs, Elliott Brenner, who is new to the
9 job, and Dennis Rathbun, and their folks, report up through Bill Outlaw
10 to the Chairman.

11 CHAIRMAN DIAZ: All right.

12 QUESTION: This is a question from the region. Do you
13 foresee any substantial change in the near future in NRC recovering
14 essentially all of its budget from user fees?

15 CHAIRMAN DIAZ: I think the Commission is unanimous
16 in the fact that we would like the Congress of the United States to
17 appropriate the money that is not directly related to the users. We have
18 -- we are going to be up to 10 percent this coming year. We are going
19 to try to make an effort to have that reissued or maybe even push it to
20 get it a little more.

21 There are things that are, you know, equity and fairness
22 issues that we want to be addressed by the general revenue. Those
23 include our international programs, state programs. There's a series of
24 things.

25 So we would like to go ahead and keep the good way
26 that we've been doing things and the right direction in the budget, so that
27 the agency has the funds to address these very important issues without

1 impacting our licensees.

2 COMMISSIONER MERRIFIELD: I would add, Mr.
3 Chairman -- I mean, I have observed -- and this has increased I think
4 over the last couple of years -- that there are some within our
5 stakeholder community who would -- who use the fact that we are a fee-
6 based agency to place a -- what I think is a false challenge to our
7 independence.

8 The fact that we receive much of our fees from the
9 utilities is used against us as an accusation that somehow we do not --
10 we are not sufficiently independent vis-a-vis those very same licensees.

11 The Commission has been quite clear to Congress there
12 are some areas where we think we could use additional monies out of
13 general revenues rather than impose those on our licensees. And it
14 would be my hope that Congress at some point takes a look at this issue
15 in terms of the accusations against our independence, because I think
16 that's something to consider as well.

17 It's absolutely false. It's absolutely false, but it doesn't
18 keep people from leveling that smear.

19 COMMISSIONER McGAFFIGAN: Mr. Chairman, I want
20 to echo what Commissioner Merrifield has said. I got the question
21 recently in an interview, and it -- actually, it hadn't occurred to me, I
22 mean, but it is part of the -- all we do in collecting fees is carry out a tax
23 collection function. It has nothing to do with policy. It isn't quite taxes.

24 It's a fee collection function, but it is strictly -- we collect
25 the fees, we turn them over to the Treasury. The numbers are what the
26 numbers are, and the Congress has made a determination that -- in the
27 coming years the Chairman said 90 percent of our budget will come from

1 fees, and 10 percent of our budget will come from off the fee base, and
2 then we'll get some money from the high-level waste fund for high-level
3 waste activities.

4 This issue will come to a head next year, in fiscal year
5 2006, because the current fee legislation expires at the end of fiscal year
6 2005. And if the Congress doesn't deal with it next year, theoretically we
7 would revert back to a situation where, aside from Part 170 fee-for-
8 service fees, everything else would come from the general revenue,
9 which would be a very large hit on the federal budget, and which is not
10 going to happen.

11 So next year will be the year, and our hope is that the 10
12 percent will go to something more like 16 percent, taking into account
13 particularly security fees.

14 CHAIRMAN DIAZ: Security issues, yes.

15 COMMISSIONER McGAFFIGAN: Because we believe
16 that aside from inspections and the fees for running security clearances,
17 and that sort of thing, that those fees should be off the fee base. And
18 the Congress in the pending energy bill has agreed with us, but that bill
19 doesn't seem to be likely to be enacted any time soon.

20 The right public policy would be for something like 84
21 percent of our fees, 83 percent, to come from fee payers, from
22 licensees, and the rest from the general fund. But wherever they come
23 from, it has absolutely nothing to do with how we set our policy
24 decisions, despite people somehow smearing us with that accusation.

25 CHAIRMAN DIAZ: Amen.

26 All right.

27 QUESTION: This is a question from the regions.

1 Where is DOE in terms of submitting a license application for the high-
2 level waste repository at Yucca Mountain? And are you optimistic about
3 the Department being able to meet that schedule?

4 CHAIRMAN DIAZ: The Department of Energy keeps
5 assuring us that they are on track to submit a license application in
6 December of this year. I have no reason to think otherwise, so we are
7 preparing to receive a license application for a high-level waste
8 repository at Yucca Mountain in December 2004.

9 QUESTION: This question is from headquarters. Do
10 you foresee any action by Congress to change the scope or method of
11 NRC's regulations? For example, regulations of more than byproduct
12 material or more specific direction of security measures.

13 CHAIRMAN DIAZ: Well, outside of what is contained in
14 the energy bill, I don't see any significant legislative processes in
15 Congress right now that would affect the way we conduct our regulation.

16 As you know, last week the issues were raised regarding
17 whether we are doing everything we can regarding addressing safety
18 culture. My position is that we are, that we are doing the right things. I
19 think we probably need to explain them better, and that, you know, has
20 -- that's an issue that -- we are dealing with it right now.

21 So I don't foresee in the near future any significant
22 changes in the way we do our regulation. We do hope that the issues
23 that are already in -- put in the energy bill will come through, especially
24 those that deal with security. There are other issues in there that I think
25 are important to us. They are all contained in there. I don't see any
26 additional issues in there.

27 COMMISSIONER McGAFFIGAN: Mr. Chairman, I'll only

1 add that we did make a proposal, which was not included in the energy
2 bill, to give us responsibility for accelerator-produced radioactive
3 material, and to make that I think 11(e)(3) byproduct material.

4 The Congress has found that, despite I think
5 Commissioner Merrifield had a lot of discussions with some of the key
6 staff last year, they weren't quite ready to give us that authority in the
7 energy bill. The only other issue that is currently pending before the
8 Congress -- indeed holding up the Senate at the moment -- and it's
9 peripheral to us, but not entirely -- is a provision in the defense
10 authorization bill with regard to the issue of waste incidental to
11 reprocessing.

12 And Chairman Diaz has sent a letter outlining our
13 position on that provision that I suspect is certainly in the Congressional
14 Record. And we basically believe that the statute may need to be
15 clarified, or at least we support that. We don't -- we have no objection
16 to the provision that has been put forward there.

17 We clearly in the case of the West Valley facility in New
18 York envisioned a process similar to that envisioned by the Secretary of
19 Energy under his own regulatory authority for the sites that he has
20 regulatory authority over, where some amount of material -- after the
21 best that can be done from a technical and economic perspective, after
22 the material has been removed, that there is some material that may be
23 left, provided it meets certain criteria that we have laid down in our West
24 Valley policy statement.

25 So that's an area where I think there will be legislation
26 within the next couple of years. Whether it will be legislated this year is
27 very much in doubt. But there probably needs to be some clarification

1 in that area, both for West Valley, for Idaho, for Savannah River, and for
2 Hanford.

3 And I think our colleagues on the Defense Nuclear
4 Facility Safety Board have made similar commentary on the provision
5 that is currently before the Senate.

6 COMMISSIONER MERRIFIELD: Well, as many of you
7 already know, both Commissioner McGaffigan and I spent quite a bit of
8 time before we got here up in the U.S. Senate. And if you look at
9 legislation, in any given two-year period of a Congress, you would have
10 anywhere between 6- and 8,000 bills are introduced in the House of
11 Representatives, and 2- or 3,000 bills are introduced in the United States
12 Senate.

13 If you take away -- if you think of the number of actual
14 laws that are passed, and you take away the 13 appropriation bills that
15 have to be passed, and you take away all of the naming bills -- naming
16 post offices for various people -- if you take all of those away, if you take
17 away all of the awareness days and all of that, and you ferret all of the
18 meaningless stuff out, the actual number of bills that Congress passes
19 in any given legislative session is pretty darn small.

20 So the lesson I think that all of you should take from that
21 is that there is an awful lot of stuff that gets introduced that never sees
22 the light of day. And as an agency, we could get real distracted by a lot
23 of proposals that are out there. We really shouldn't allow ourselves to
24 do that.

25 As staff, and as an agency, our mission is to protect
26 public health and safety. We ought to keep our nose to the grindstone
27 and do our job, do it the best we can. You can certainly let the three of

1 us take the political heat and worry about legislation coming down the
2 road, but I don't think we should allow ourselves, and particularly you
3 should allow yourselves, to be distracted by what may or may not
4 happen down the road.

5 CHAIRMAN DIAZ: All right. Thank you.

6 QUESTION: Question from the tent. Why is NRC
7 making changes at a faster pace without fully understanding the
8 cumulative safety impacts? For example, we are renewing licenses for
9 20 more years, we are approving power increases -- power uprate -- we
10 are reducing regulatory requirements 50.69 to 50.46 technical
11 specifications, while we are phasing material degradation issues with
12 reactor vessel and RCS systems.

13 It appears that we don't know all the aging and fatigue
14 issues. Do you have any comments?

15 CHAIRMAN DIAZ: Sure do.

16 (Laughter.)

17 QUESTION: Okay. Can we hear them?

18 CHAIRMAN DIAZ: I am convinced that every one of the
19 things that we do are looking at safety first. And many times we look
20 exclusively at safety. We know a lot more about what reactors are, what
21 the safety issues are, than we have ever known. We have better data.
22 We have better people looking at that data. We have better scientific
23 and technical information.

24 Every one of these issues is looked at in great detail,
25 whether it be license renewal, whether it be power uprates. Whatever
26 it is, we look at it with the best know-how that we have now.

27 Is that know-how complete? No. Are there things in

1 there that we could know better? Yes. Are there things that are going
2 to appear in the horizon? Absolutely so. Are we doing our darndest best
3 to ensure public health and safety, the common defense, and security
4 and protection of the environment? Absolutely so.

5 So I have absolutely no -- no concerns that we are
6 putting anything aside to give a license renewal or -- any one of these
7 issues is now being vetted in a much more disciplined way than it has
8 ever been. It is looked at with better indicators, with better data, with
9 better people.

10 We have systems that look at this with -- provide a
11 tremendous amount of checks and balances, and you are looking at the
12 last check and balance right here. And I am very proud of the way we
13 do it, and I think we're doing a very good job.

14 QUESTION: Thank you.

15 COMMISSIONER McGAFFIGAN: Mr. Chairman, I'd
16 agree. I do think the issue of cumulative impacts has been raised to us
17 by the ACRS. They are looking at it in a disciplined way. The staff is
18 looking at it in a disciplined way. And I think that if there are some
19 synergies that we haven't detected thus far, we're going to find them.

20 But I am comfortable with what we've done. And if
21 something comes up -- power uprates -- we had a licensee recently who
22 had a small power uprate, asked to have his power uprate taken away
23 from him, because they had trouble implementing the technology that
24 they thought was going to be straightforward and wasn't straightforward.
25 And that got fixed.

26 Similarly, at Quad Cities, we have a licensee that is not
27 taking advantage of its full power uprate at the current time, because of

1 problems in the steam dryer and it is operating at its pre-power uprate
2 level, until we're comfortable and they're comfortable that they
3 understand all of the issues there.

4 So we're very attentive to safety. We have a lot of
5 margin in these plants. You know, at Davis-Besse we found out we had
6 margin we didn't know we had, and thank God it was there -- the
7 stainless steel layer. It wasn't there for that purpose.

8 We have a lot of margin in these plants. We're not
9 eating up that margin in any sort of way that is any sort of a threat to the
10 plants, I believe, and our focus is on safety. I mean, materials issues are
11 being handled today the best that they have ever been handled in the
12 history of this industry.

13 And going forward now there is both an NRC and an NEI
14 initiative to make sure that those issues get handled, things get
15 understood early. And what the licensees do once they understand
16 things is they replace things. You know, the steam generators are
17 getting replaced, heads are getting replaced, steam dryers are going to
18 be replaced at Quad Cities. And you end up -- if they have to be
19 replaced.

20 Down at South Texas, there was an issue that arose,
21 and all they needed to do was a repair there, and we are very confident.
22 I get a sense that we are very much on top of these issues, and it is a
23 compliment to the staff that we're very much on top of these issues. And
24 it's a compliment to ACRS that watches, and, as the Chairman says,
25 we're the ultimate watchers up here.

26 But I guess I do disagree with the premise of the
27 question, that we have been sort of inattentive to the issue of cumulative

1 impacts.

2 COMMISSIONER MERRIFIELD: I agree with almost
3 everything Commissioner McGaffigan said. I think the one distinction --
4 I think I took the premise of the spirit of the question a little bit differently.
5 I think we have tried to create an environment here at the agency in
6 which questions like that can be free to be raised.

7 And I think I would applaud the person who raised the
8 question for raising that question, and I hope that our staff who have
9 those concerns in the technical meetings are raising those questions as
10 well, because I think the Commission has indicated through its actions
11 and its words that it wants to hear differing views, it wants to know when
12 there are concerns out there, because that, too, flows into how we go
13 about making our ultimate deliberations and determinations.

14 There are -- and I can't -- I'm not as good as
15 Commissioner McGaffigan at taking these -- some of these things off the
16 top of my head. He's got a better memory than I do. But I know for a
17 fact that there are a number of instances in which the Commission has
18 not taken the initial recommendation of the staff, and instead has picked
19 up a concern raised by a differing professional opinion and taken that as
20 the decision it wants to make.

21 So as a last word on this, and, of course, I may not have
22 the last word, but as a last word on this, I hope people ask those --
23 continue to ask those kind of questions.

24 COMMISSIONER McGAFFIGAN: I don't want to
25 discourage them either. I didn't -- if there was any sort of -- I like those
26 sorts of questions. We first got that question from ACRS, and I liked it
27 when we got it from ACRS, and I -- but I do think we're on top of it, is all

1 I wanted to say.

2 COMMISSIONER MERRIFIELD: I know that -- you
3 know, I know that we've got our Inspector General who is sitting over
4 there who had a survey a couple of years ago on the culture within this
5 agency. And, you know, here -- right here from me right now, you know,
6 we are very -- safety is our number one concern in this agency. And if
7 people have issues, you are highly paid professionals, you ought to raise
8 them.

9 And I would be very disappointed to see if we get
10 another survey where people say that they don't think they can raise
11 safety questions. And if we continue to have a problem -- I know we
12 have a dialogue as a Commission with our management team. We want
13 to hold them accountable, too. We expect people who have issues to
14 raise them.

15 We may not agree with your analysis. We may decide
16 to take the view of the majority rather than minority. But that shouldn't
17 discourage people from raising those issues and, if necessary, bringing
18 them to the Commission.

19 Our ultimate goal and our ultimate requirement is to do
20 what is best for the public good, and so we need to have that
21 information.

22 COMMISSIONER McGAFFIGAN: If you take the
23 specific example, Commissioner Merrifield, of 50.69 and the DPO from
24 Tom Scarborough and some of his colleagues, I don't think Tom was
25 raising the issue -- he was raising an issue that he felt passionately
26 about, but he wasn't -- and his colleagues.

27 And I happened to agree with him at the time, but my

1 sense is that those issues are getting resolved in the comment process
2 on the final -- on the proposed rule in the formulation of the final rule,
3 and we're better for having done it. And that happens all the time, and
4 I think we're -- as I said at the outset, we're much better as an agency if
5 folks raise those issues that they care about. And it doesn't always have
6 to be in the DPO process.

7 I think Jose Calvo contributed very much to the meeting
8 we had recently on grid reliability. He suggested to us that we needed
9 an ombudsman in the agency, and our answer -- and I think the
10 Chairman has signed out -- and it probably hasn't been promulgated yet
11 -- a Management Directive setting up the new DPO process.

12 But the project manager who will work as the sort of
13 keeper of the DPO process will become the de facto ombudsman for this
14 agency.

15 CHAIRMAN DIAZ: Not an ombudsman, but close.

16 (Laughter.)

17 COMMISSIONER McGAFFIGAN: Well, it depends --
18 the person that you should go to to get counseling, if you feel like you're
19 having a problem getting your point of view across, and who under the
20 Management Directive will, if necessary, give you anonymity and pursue
21 the issue for you, and so that's a -- we value that. I agree entirely. And
22 if anything I said implied the opposite, I apologize.

23 CHAIRMAN DIAZ: No. I think it is very obvious that it
24 was a very good question. I think sometimes, because we are all
25 concerned with what we do, we don't realize the many checks and
26 balances that this agency has to deal with every one of these issues.

27 Overall, when it actually comes as a policy issue to the

1 Commission, or to the senior staff, I know these issues are being made
2 on the best-available data. Okay? It might not be complete, might be
3 that something is missing, but it's the best-available data that is going to
4 make the right safety decision. And I think that's where we are, and I
5 think we're not going to move from there.

6 Next?

7 QUESTION: This question is from the region. Are you
8 planning on making more changes among senior managers?

9 CHAIRMAN DIAZ: No. Well, let me think about that.

10 (Laughter.)

11 COMMISSIONER McGAFFIGAN: I think we need the
12 questioners to develop more a Tim Russert style to the --

13 (Laughter.)

14 -- rapid fire --

15 (Laughter.)

16 QUESTION: This question is from the tent. Following
17 up to Commissioner McGaffigan's statement, give me a good indicator
18 of safety culture, and I will grab it. Does the Commission plan to direct
19 the staff to work on safety culture issues?

20 COMMISSIONER McGAFFIGAN: The Chairman is
21 deferring to me. I think we have told the staff to follow what is happening
22 in other nations in safety culture. As I said to Senator Voinovich in
23 response to a question last week, I have not seen anything in other
24 nations thus far that I'm aware of that I want to emulate or repeat here,
25 but we're open to the possibility.

26 We also recently sent a letter that's in ADAMS from the
27 Chairman to Mr. Lochbaum. David had historically been opposed -- the

1 two times the Commission voted on this issue he sent us letters
2 commending us for our decision-making -- to not pursue a safety culture
3 or a safety conscious work environment rule.

4 Recently he has had a change of heart in that matter
5 and urged us to think about it, and the Chairman sent a letter back telling
6 him where we were.

7 I think our gut at the moment is that things like the
8 allegation process will -- while it also is not perfect, is a means of telling
9 us when there might be a problem. It has been exercised at places like
10 South Texas. It has been exercised recently at a place -- at Salem Hope
11 Creek. And in those instances where we think it is appropriate we do
12 ask for a survey of employees, and we do ask the licensee to deal with
13 the results of that survey. We obviously did it at Davis-Besse.

14 You know, one of the thoughts that occurred to me after
15 last week's hearing is that I am not sure that a standard safety culture
16 survey, which we were being queried about, at Davis-Besse in 2001,
17 would have resulted in much information for us, because what we faced
18 at Davis-Besse was complacency both among the staff and among the
19 managers. And we didn't know that, but it's hard to find that in a safety
20 culture survey.

21 In a safety culture survey, you may find at some places
22 people feeling chilled and not feeling comfortable raising issues. But if
23 you feel comfortable raising issues, and you just don't have any, is that
24 going to come out in the survey? It has to be a very sophisticated survey
25 instrument, better than what we used at Millstone, better than what we
26 used at South Texas, better than what was used at other places. And
27 the trouble is that I don't know that we know how to draft that at the

1 current time.

2 So I guess I rambled a little bit. I'll cease, because my
3 fellow Commissioners are going to bail me out.

4 COMMISSIONER MERRIFIELD: Mr. Chairman, if I may
5 jump in, I think part of the problem that we had at the hearing -- and the
6 Chairman has spoken to it -- and that is, how do we communicate what
7 we do in analyzing how safety is treated at the plants?

8 And I think one of the things that we didn't do as well last
9 week as we should have is communicate all that we do in the layers that
10 we currently have to analyze that and act on it. The issue of safety
11 culture, particularly in the international context, has become a buzz word.
12 But when you look beyond the buzz word, in a lot of other countries there
13 is not much there in terms of what they actually do.

14 Or, alternatively, what some other countries call a safety
15 culture analysis -- again, as Commissioner McGaffigan has spoken --
16 very amorphous and very subjective, and not anything that we would
17 want to have in the kind of planned, disciplined way that we have
18 become accustomed to as an agency.

19 So I think if you're taking safety culture in the big tent
20 term, which is I think how it was being referred to in the hearing last
21 week, there is a whole lot of things that we do within that tent and do it
22 well that provide us indicators in terms of what the situation is with the
23 way in which workers and management think about safety at the plants.

24 But we need to figure out a better way to articulate what
25 we're doing, the gaps that we are indeed filling, and what our plan is for
26 the future using whatever terms we decide are appropriate.

27 CHAIRMAN DIAZ: I think I'm going to clean up in this

1 one. I believe we are so much better when we have something concrete
2 that we can follow through, and that in the plant is the management of
3 safety. We really are good when we look at the results of how safety is
4 being managed, and put it in the context of what our regulations are.

5 And sometimes, you know, we are not bad at going a
6 little bit beyond the regulations. We are known to push that envelope.
7 We are good at that, and we know how to do that, and I think we can
8 improve that.

9 However, to start getting into areas in which we are
10 looking at the attitudes. I think that it is the responsibility of the
11 licensees, and we hold them responsible for doing those things. Like I
12 said at the hearing, the key failure in Davis-Besse was not that they
13 violated a regulation; they actually did not comply with their own
14 standards for managing safety culture. They did not do that, and,
15 therefore, that's where their failures were.

16 I think we can do a very good job at addressing how the
17 licensees manage safety, and I think we should put our efforts into that.

18 Next one.

19 QUESTION: This question is from one of the regional
20 offices. What does the Commission see as the most important problems
21 in the materials safety area?

22 CHAIRMAN DIAZ: The materials safety area --
23 materials just like NMSS, not materials in reactors. Is that what -- the
24 materials safety.

25 QUESTION: Materials safety area.

26 CHAIRMAN DIAZ: Right now, we are trying to address
27 the issue of the security of materials. That is really fundamentally the

1 most important issue. I think that the efforts that we have -- and some
2 of them, by the way, are a little slower that we have to do because we
3 get into interagency issues -- are producing the right result.

4 But we need to continue to focus in addressing how do
5 we protect the American people, and internationally how we deal with the
6 issues of the security of the materials in a manner that still enables the
7 use of the materials, because they are not independent. We, in this
8 case, need to make sure that the people in this country will be able to
9 receive the benefits from the use of those materials, while at the same
10 time we want to protect them from malicious uses.

11 Now I'm going to ask Commissioner McGaffigan, who
12 practically is the -- I'm not going to say it. Commissioner McGaffigan is
13 going to deal with this issue.

14 COMMISSIONER McGAFFIGAN: Mr. Chairman, I
15 agree. I mean, I've been sitting here while you've been talking, trying to
16 think -- the major issue that we've been consumed with is the security of
17 high-risk radioactive sources. As I have said repeatedly, I am extremely
18 proud of the staff that have worked in that area, from Carl Paperiello on
19 down. They had a profound impact on the IAEA Code of Conduct, which
20 was renegotiated last year.

21 Ed Baker and others have had a profound impact on the
22 guidance documents that are being developed to implement the Code
23 of Conduct. You will see the Code of Conduct referred to at the Sea
24 Island Summit of the heads of state of the G8 countries. We have an
25 export/import regulation that will come to the Commission in late June.

26 Merri Horn has an initial inventory of all high-risk
27 radioactive sources, Category 1 and 2 sources, radionuclides of concern

1 identified in Table 1 of the Code of Conduct that she has all but
2 complete. I think she is down to less than 100 non-responses
3 throughout the nation. And that initial database is being used activity by
4 staff for things such as security advisories and whatever today.

5 So we have made such enormous strides in that area,
6 and the staff really -- and I think we have led the U.S. Government in
7 that area. The staff who have worked on it, and all of the staff of the
8 agency even if you haven't worked on it, should be proud of your fellow
9 staffers, because it is just enormous progress.

10 And, indeed, one area -- I mean, I often times have sat
11 here and talked about one sister agency, the EPA, in less than glowing
12 terms. But we have, together with the Environmental Protection Agency,
13 the Department of Homeland Security, and other agencies, we have put
14 together, should a high-risk radioactive source ever be used in an RDD,
15 what the followup criteria -- what the immediate and long-term actions
16 need to be in the way of cleaning up to protect the public health and
17 safety.

18 And we have reached an interagency consensus on
19 that, and that document will be -- Craig Conklin has already talked about
20 it publicly at a CRCPD meeting I believe, but it will be talked about
21 informally, put out for Federal Register comment in late June I believe.

22 So there is just -- the government has pulled together.
23 The agencies -- Department of Homeland Security has cut its teeth in
24 this area. Craig Conklin has done absolutely outstanding work, and, you
25 know, it's an area where somebody who has been involved in
26 government for almost 29 years now, I have seldom seen government
27 work as well as in this area over the last 18 months.

1 CHAIRMAN DIAZ: By the way, if it's not obvious to you,
2 it is obvious to me that Commissioner McGaffigan in many ways has
3 been the lead Commissioner in this area. For almost a year he has
4 represented the agency and represented the agency well. He has
5 represented me even in meetings of the Executive Branch, because he
6 has taken this area to heart.

7 And in many ways I look for his advice and counsel on
8 many of these issues. And that is obviously from his responses and his
9 know-how, and I do appreciate it.

10 COMMISSIONER MERRIFIELD: I concur.

11 CHAIRMAN DIAZ: All right. And we have about one
12 minute. If you have a question that will increase the salaries of
13 everybody in here, I welcome it.

14 (Laughter.)

15 QUESTION: Well, it's not one of those, but --

16 CHAIRMAN DIAZ: I was afraid of that.

17 QUESTION: This is a question from one of the regional
18 offices. For the reactor safety program, the Commission has indicated
19 that there is a need to enhance staff knowledge and skills in the
20 engineering design area. What types of steps do you envision the
21 agency taking to accomplish this goal?

22 CHAIRMAN DIAZ: All right. This is an excellent
23 question. This is something that I took -- I take to heart, because I saw
24 the issue many months ago, like in December, one weekend I have
25 nothing better to do and I started pulling the recent documents and this
26 issue came through.

27 But what I'm going to do is, like I have done in other

1 times, I'm going to let Mr. Reyes answer this question, because I think
2 he is the person that is going to have to carry out the fact that we're
3 going to have to bring the people in.

4 So, Luis?

5 COMMISSIONER McGAFFIGAN: Way to put the EDO
6 on the spot here.

7 CHAIRMAN DIAZ: Absolutely.

8 (Laughter.)

9 MR. REYES: One of our biggest challenges in the
10 agency is succession planning. We are very young, but really we are
11 facing some challenges coming up. And one of my biggest missions is
12 to make sure we have the talent, the skills, to take the agency forward.
13 It consumes me every day, I think the Chairman and the Commissioners
14 will tell you.

15 We have a lot of activities, from recruiting people at all
16 levels, knowledge transfer, rotations, on and on and on. And it is a great
17 question, and why don't we just keep you apprised of all of the things we
18 are doing to make sure we keep the agency as strong as it has always
19 been on a technical -- in the technical sense.

20 CHAIRMAN DIAZ: All right. And now to reply directly
21 to the engineering and the design issues. Fundamentally, okay, there
22 is a need in the agency to get our inspectors to the next level of know-
23 how. And the next level of know-how goes beyond operational
24 maintenance, equipment, and it deals with the basic know-how that you
25 have to do to assess engineering issues.

26 We're going one step further. We are putting this in the
27 realm of risk-informed engineering design issues. I believe that it is not

1 only a good tool for the agency to use in its oversight, I think it is an
2 excellent tool to train our people into the next level of performance. And
3 that's what we're going to do.

4 And with that, I want to thank you all. I thought it was a
5 great morning.

6 And especially for -- I mean, some of you that might be
7 new to the agency, I think one of the things that this meeting does
8 besides being able to dialogue with you, it shows the dynamics of the
9 Commission, how a Commission actually works. Many of you have seen
10 it in here.

11 We actually complement/supplement each other, and
12 sometimes we don't agree. Overall, the final product is better than what
13 any one of us started with.

14 And with that, we are adjourned.

15 (Applause.)

16 (Whereupon, at 12:03 p.m., the All Employees Meeting
17 was adjourned.)

18