

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

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12th ANNUAL MEETING OF ALL EMPLOYEES

MORNING SESSION

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WEDNESDAY,

JUNE 11, 2003

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ROCKVILLE, MARYLAND

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The meeting was held on the Plaza, Two White
Flint North, 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.)

MS. NORRY: Good morning. For those of you who are standing, there's plenty of seats, so if you could take my seat, feel free. So welcome everyone to this 12th Annual Meeting with all employees with the Staff and the Commission, Chairman Diaz, Commissioner McGaffigan, and Commissioner Merrifield. With the exception of 1993, we've done these meetings every year since 1991. In addition to the people here at headquarters, we have the regions and the Technical Training Center who are viewing this on video, and the resident sites who are coming in by audio.

After the Chairman makes his remarks, there will be time for questions. We have microphones throughout the tent for these questions. And as usual, questions which are currently being addressed in some sort of formal process, like grievances and so forth, should not be asked.

We handed our question cards. If you would prefer to write your question rather than state it, you can pass it on to the Staff, and we'll give it to the people who will be reading the questions. Some of you sent in questions in advance, and we will include those. And we have two volunteers who are going to be reading the questions this morning, Susan Smith and James -- Susan from CIO and James Heck from ADM, who volunteered to read the questions. Thank you. And also, serving behind the scenes to sort out the questions are Mike Lesar from ADM. Where is Mike Lesar? And why isn't he standing? There you are. And Mary Lynn Scott, also from ADM.

Okay. So the other group I'd like to acknowledge is officials of the National Treasury Employees Union who are sitting here. And before we proceed, I have a brief statement, which Commissioner Dicus, who is on travel, has asked me to read.

"It is a significant disappointment to me not to be able to be with you today.

After seven plus years on the Commission, I still haven't figured out how to be in two places at the same time. Serving on the Commission has been an incredible journey for me. I have truly enjoyed these years, and in large measure because of you, the NRC Staff. You are, in my view, the best assembly of professionalism and expertise to be found in the Federal government. I am very proud to have been part of the NRC, and I wish each of you the very best in the future."

And now I'd like to introduce Chairman Diaz.

CHAIRMAN DIAZ: Thank you, Pat. And good morning to everybody again, and welcome to the NRC Annual All Employees Meeting. Joining me on the platform today are fellow Commissioners Ed McGaffigan and Jeff Merrifield. As you have heard, Commissioner Dicus couldn't be with us today.

On behalf of the Commission, let me also welcome to the meeting those members of our Staff who are located at the NRC regional offices, the Technical Training Center in Chattanooga, and our remote sites throughout the country. You are an integral and highly valuable part of this Agency, notwithstanding your distance from your colleagues here at headquarters, and we look forward to your active participation in this session, and the one that will follow this afternoon.

Today's meeting brings to mind three issues that are of a special interest to me, communications, regulatory reforms, and Homeland preparedness. I believe this, the 11th All Employees Meeting that the Agency has held since the concept of an Agency wide meeting with the Commission intending to improve internal communication with the Staff was first floated by one of my predecessors as Chairman, Dr. Ivan Selin. His idea was that such a meeting would be the most efficient way to explain to a concerned NRC Staff the

direction he planned to lead the Agency, and what his views on regulation and nuclear energy actually were. By most accounts, the first Agency-wide meeting was - no pun intended - an electrifying experience, as the NRC Staff discovered they could ask the Chairman and the Commissioners any questions they wanted and receive an answer on the spot, well, maybe not any question.

Although the novelty of that first meeting has since worn off some, the Commission has continued the practice because it has proven to be an important and effective tool for direct two-way communication between the Commission and Agency Employees.

My fellow Commissioners and I also hold open doors for your special concerns. One of the most important lessons we have learned over the past decade is that effective internal Agency communication is essential for improving our performance as a regulatory body, so I invite all of you to take advantage of the opportunity this meeting provides to express your interests or concerns in the form of questions, and we will do our best to respond to them, subject only to the usual limitations.

Of course, I cannot promise you the novelty that marked that first employee's meeting. My Commission colleagues and I have attended all but three or four of the all employees meetings ever held, so you know us better than any other members of the Commissions who have ever served in the history of the Agency. Since most paths are two ways, we also know you well.

That fact, I hope, will further encourage you to take an active part in these sessions. We are, after all, "known materials" given our long, continuous association in the business of nuclear regulation and protection of the public health and safety.

The second thing that this meeting brings to mind is also a favorite of mine,

more safety focus, less prescriptive, more risk-informed and performance-based regulation. As it so happens, Dr. Selin was also the Chairman who initiated the first concrete steps towards shifting the nuclear regulatory paradigm from the traditional prescriptive to a more risk-oriented approach to regulation, by requesting the Staff to prepare a report that explored the possibilities of expanding use of PRAs.

As one of the Agency's strong advocates of risk-informed regulation throughout my tenure as a member of the Commission, I am pleased at the progress we have made, yet somewhat taken aback by the amount of time we have taken to get there. We have been steadily pursuing this very basic objective for more than 10 years, and still have some way to go.

This suggests to me, at least, that despite the progress we have clearly made, the nature of our business is complex, and often driven by external events not subject to our control. And it is important to move forward steadily, but occasionally we have to take big steps. It is incumbent on us to be vigilant, persistent, patient, and committed in pursuit of our regulatory objectives, as well as flexible and creative in responding to new challenges as they arise, and they will arise. I am both confident that we can do so, and equally confident that we will have to do so.

One of the most important challenges that the nation and the NRC face is public concerns about Homeland Preparedness. By Homeland Preparedness I mean the integrated coordination of the resources of the nations to prevent, respond to, or mitigate emergencies that will threaten the public health or safety. At the NRC, we usually refer to this issue as emergency preparedness for radiological protection, but present times are adding new dimensions, not only to security, but also to emergency preparedness. The Commission believes that rapidly developing accident scenarios in nuclear power plants,

whatever the initiator, are covered by the extensive emergency preparedness plans which are in place, and by the significant security improvements we have achieved. Planned mitigation, strategies, and emergency plans, and off-site communications are all contributors to robust and enhanced protective measures for the public. Yet, emergency preparedness must run deeper covering the spectrum of radiological risk to our nation. Homeland Preparedness is a serious concern for the citizens of the United States. It is an issue that we are paying increasingly close attention.

Finally, let me return to where I began my remarks, the importance of communications. The challenges posed by regulatory reform and Homeland Preparedness have an important connection to the adequacy of our external communications efforts. They need to explain clearly and accurately what we are doing and why we are doing it. Improved communications, in my view, rest on two basic supports; the need to communicate in clear factual language without minimizing or exaggerating issues, and the quality of our actions. The actions of strong and active regulators carry a particularly strong message, and can significantly enhance public confidence in the NRC. Of course, a prerequisite to improving our external communications is the ability to communicate effectively within the Agency, and that's what we're trying to do right now.

We all have a role to play in this effort, including the Commission. As I stated earlier, this All Employees Meeting is part of the overall effort to improve even further our internal communications. In keeping with that objective, we will now like to turn the meeting over to you so that you may ask the questions you want to ask. And before that, do my fellow Commissioners have any initial comments?

COMMISSIONER McGAFFIGAN: No, Mr. Chairman.

COMMISSIONER MERRIFIELD: Mr. Chairman, I would make one comment, well two comments, I guess. The first one is, I heartily agree with the sentiment of the presentation you made this morning. The other one is, I do want to make one note. Frequently in these meetings, during the time I have been here since 1998, I've mentioned the impressions I have of our Agency and of our Staff. And I had one example that occurred recently with the Staff, I think further underscores the opinion that I've had for a long time, and that was the events associated with our Agency's involvement with the TOPOFF II Exercise.

As many of you may know, this was a multi-agency top-level exercise to demonstrate the ability of our country to respond to issues, such as terrorism. There was significant involvement of our Staff, both here at Headquarters, as well as in Regions III and IV. I, for my part, led the Agency's efforts in this regard, and represented us before a number of Cabinet Secretaries when we had meetings downtown.

The two observations I would have coming out of this are that, certainly, this exercise demonstrated the very high level and caliber of the personnel that we have at this Agency. Secondly, it certainly underscores a significant amount of effort and qualification, and standards that we have in achieving our goals for emergency planning. In both those instances, I think our Agency clearly separated itself out from others in the federal family, in terms of our expertise, and in terms of our knowledge. And so I was pleased and proud of the work that our Staff did, and certainly want to recognize that in the meeting we have this morning. Thank you, Mr. Chairman.

CHAIRMAN DIAZ: Thank you, Commissioner Merrifield. And now we encourage you to get to the microphones and start asking those questions, especially directed to my fellow Commissioners that are here. Someone.

COMMISSIONER McGAFFIGAN: This could be the shortest meeting in NRC history.

CHAIRMAN DIAZ: It might very well be. Hopefully, we have backups. If nobody gets started, we're going to turn to Susan. Susan, could you get us started here?

MS. SMITH: Yes. Mr. Chairman, the question is, why is it taking so long for the Commission to approve the Strategic Plan? It was submitted to them February of this year, and they have yet to approve it.

CHAIRMAN DIAZ: We're slow. Fundamentally, the Commission believed that this document should reflect not only a deeper look at what the Agency's objective or plans are, but it needed some direction in areas that we needed to make more clear, and so the Commission has been very, very engaged on it. I would like to report that we're getting very close, and so hopefully in the very near term, we will be completing the Commission's papers on the Strategic Plan.

COMMISSIONER MERRIFIELD: Mr. Chairman, I would further underscore. I think that the amount of time that it's taking is not a reflection of the fact that the Commission doesn't believe it's important, nor that we're not spending a lot of time on it. Quite the opposite. I think all of us, as well as Commissioner Dicus have put a lot of thought and reflection into that document, recognizing that those strategic goals are critical in terms of establishing a framework for how this Agency is going to go forward. In a traditional management structure, that is something that does come from the top down. I think our Senior Managers did a very good job in their interaction with the Staff in terms of trying to provide a product to the Commission to give us thought for consideration, but I think the four of us are trying to craft that in such a way to provide the vision, the goals, and the strategies to help all of us move forward as an Agency down the line. So it's an

important document, and one we need to carefully do and not rush through.

CHAIRMAN DIAZ: Absolutely. Next question.

MR. HECK: Okay. I have a question over here. Two questions from the regions, both relating to the same subject. First question is, how are we supposed to effectively manage when lengthy staffing gaps are caused by the need to process commercial positions which become vacant through the A-76 streamline cross-comparison study process? That's the first question.

The second one is, in your opinion, do you believe that the A-76 Program will have a positive effect on the Agency? If so, why?

CHAIRMAN DIAZ: It's a very good question. Fundamentally, we are faced with the fact that there has to be some changes in the way we do business of the long-term, but let me just state the fact that we are trying not to have an effect on the way we do our business. That's number one.

Second, it's important to know that really we have committed, and we will carry that through, to not have any person employed by the NRC lose his job or, you know, change his opportunities because of the A-76. However, we do need to adapt to the new requirements, and we hope to be able to do that in a manner that doesn't affect the way we conduct business.

Commissioner McGaffigan, you're always up on those issues. Would you like to --

COMMISSIONER McGAFFIGAN: Mr. Chairman, I, personally, am not a huge fan of the A-76 process, but I recognize that it's what we have to do. I've had a lot of experience with A-76 contracting out on a scale that this Agency will never see because they involved hundreds of people in the defense sector, but we have guidance. We have to

follow it. I think the Staff, Pat Norry, and Bill Travers and company, are doing the best they can to manage this process. I think their life has actually been a little complicated by recent guidance that was issued by the Office of Management and Budget, but this is something we just have to do.

I think we have to be very careful to protect some of the earlier documents we submitted. I think they've been fixed now. I had some questions as to whether we were truly identifying commercial positions, or whether some people we identified as potentially commercial positions, really were inherently governmental. And I think we've -- and there was some variation between the offices. I think we fixed that. I hope we fixed that, that we truly have only those people who arguably are carrying out functions that could be provided by the private sector. And nobody who has an inherently governmental function should ever be subject to the A-76 process, I think, under the rules.

CHAIRMAN DIAZ: That's correct. Commissioner Merrifield.

COMMISSIONER MERRIFIELD: Yeah. I would add, I have some familiarity with A-76 too, only because I litigated it when I was in private practice. I would say, you know, I think the Commission is doing the best it can, given the circumstances of it is a mandate. I mean, it's not something that the Commission decided it wanted to go ahead and do. It was something that was imposed on us from outside the Commission, and until that is reversed in some way, and obviously, there is some -- there is interest among some up on Capitol Hill to do so, we've got to meet those requirements. But I think the commitment that the Chairman spoke about in terms of ensuring the members of our NRC family, the Staff, that that A-76 requirement will not impact their ability to remain in the NRC is a significant one. We want to treat our people well, as they deserve. And I think the Chairman has indicated, we're going to continue to do that.

CHAIRMAN DIAZ: All right. Next question.

AUDIENCE MEMBER: Actually, this is a follow-up question. In the interest of enhancing internal communication, I'm wondering if the positions that were identified would be made available to the Staff?

CHAIRMAN DIAZ: Pat, would you like to provide what the answer to that is?

MS. NORRY: We have provided information regarding those functional areas, but I don't believe we've provided names of people. Is that correct? Because that was felt to be inappropriate. But I think the information has been furnished as to the units, positions -- positions that have been affected.

CHAIRMAN DIAZ: All right. Does that answer your question? I want to make sure we answer the question.

AUDIENCE MEMBER: I believe that answers the question, that it was provided to OMB. I'm wondering where that information resides within the internal web page, or something to that effect.

MS. NORRY: The positions are not listed on the web page, but we have the information -- the offices -- each office has been given this information that pertains to their office, so it ought to be available there.

CHAIRMAN DIAZ: All right. Thank you. All right. Next one. If not, Susan.

MS. SMITH: Mr. Chairman, the question from Headquarters. Responding to an aging workforce requires more than just recruiting new staff, but also retaining them. Yet many new employees complain of lack of mentoring opportunities, old-style management, and unresponsive HR Staff. How do you plan to adapt the NRC to the needs of a younger workforce?

CHAIRMAN DIAZ: I think I stated my position on this when we met at the

Commission Briefing on the EEO. We need to hire new people. We need to bring new talents that we can train. But in now way, does that reflect on the fact that we need to take care of our workforce. We actually need to nourish, develop, and I am very much for providing additional training or opportunities to the people that we have in here, that already are proving that they can do, you know, the job that needs to be done. So I think we need to balance these issues in a manner that the Agency can continue to do its work. We need to be responsive to the fact that we have not - I don't want to call it an aging workforce because that will put me at the very top - but certainly, we are mature, and we need to be looking for new employees that will be able to come through the ranks, be trained, be mentored. I think that we need to pay strong attention to what the needs of the existing workforce is. And I have talked to Ms. Norry about it, and she's aware that the Commission, I believe, is always concerned on these issues. And I can see Commissioner Merrifield wanting to add something to it.

COMMISSIONER MERRIFIELD: Well, I would have to say, this questions comes as a little bit of a surprise to me. I mean, I think there is, at least, a desire on the part of our HR Staff, our Senior Managers, and our Senior Managers in the regions to make sure that we have an environment that is going to nurture the people that we're bringing in, and keep them -- you know, certainly in terms of the words that we say, that is what we would like to do.

Now the individual who crafted that question, obviously, is of a different viewpoint. Whether that's one of the new people who has been hired in the last few years, or whether that is somebody who has been here for a while, I think it's an important piece of information.

If that individual wants to come, whether it's to my office or that of another

Commissioner, and having some more factual information behind that premise is important. And for us, as Commissioners, to be able to fix things, and I think this is a Commission that is committed to trying to improve the way of doing business around here, I think we've got have a little bit more detail than is provided in that question.

Armed with that detail, then we can engage in an appropriate way with our Senior Managers to make sure we're doing the right thing. But I have to say in the discussions I've had, certainly with all the Regional Administrators and the Senior Managers of this Commission, I think there's a commitment to trying to get it done right. And if there are ways of improving it, I think we'd all like to find that. So if there are suggestions, please take advantage of our open doors, because I think it's important for the future of all us.

COMMISSIONER McGAFFIGAN: Mr. Chairman, I want to join Commissioner Merrifield in making a very similar point. I think we are trying to mentor people. Are we doing it perfectly? Probably not, certainly not.

I had a conversation with Tad Marsh, who I think is in the back row, recently. We were talking about John Zowlinski's pending departure, and he was telling me how he, and John, and others -- I mean, I sit in the lunchroom at times with some of the folks who are among the more senior staffers, and I think there's a lot of mentoring going on. I think there's a lot of effort to pass on the retiring generation's view as to, you know, good regulation, and good regulatory practices, and historical memory to the younger folks. I think there's been some encouragement of it through double encumbering positions and things of that sort, things that have been enabled by recent reforms, so I think we're fighting the question a little bit. And I would join Commissioner Merrifield in saying if there's a factual basis for it, we'd like to see it. But the data that I've seen and the anecdotes I've

heard, indicate that on balance, we're doing a pretty good job in the areas that are being criticized.

CHAIRMAN DIAZ: All right. Next question.

MR. HECK: Okay. I have a question from the regions. What public outreach initiatives do you think NRC should consider in order to better educate stakeholders about our role in the nationwide energy picture?

CHAIRMAN DIAZ: Well, that's a question that is dear to my heart. I do believe that we need to be more in front of the issues as we communicate to the public, as we communicate to the communities that are affected by areas in which we have licensees. We need to really get in front of how we communicate with the Congress.

This is a turbulent time to the nation, and I think people are asking lots of questions. And many times, you know, in the past, we have been a little reactive to the issues. I think that we are trying to get in front of these issues. We are looking at a series of initiatives that would allow us to do a better job of public outreach, public communications, public affairs across the board. And I think that in a very reasonable period of time, we should be able to address this question in a better fashion.

I think we are conscious of it. We are taking actions. However, plans are being under development right now, may be a little premature to actually respond directly, but it is an issue that is on the table for the Commission to act, and act relatively soon. All right. This is a mighty quiet crowd.

AUDIENCE MEMBER: Let me ask a follow-up to that question. This is probably to Commissioner Meserve, since you were recently --

CHAIRMAN DIAZ: I'm sorry. I can't hear you.

AUDIENCE MEMBER: Is this mic on? Okay. I want to ask a follow-up

question in terms of public communications. And probably, Commissioner Meserve, since you were recently on the CBS Sunday News --

CHAIRMAN DIAZ: Merrifield.

AUDIENCE MEMBER: Merrifield - excuse me.

COMMISSIONER McGAFFIGAN: He looks like Meserve, but younger.

CHAIRMAN DIAZ: Yes, younger.

AUDIENCE MEMBER: A younger version. Commissioner Merrifield, excuse me. I would like to ask your view of being on both sides of the fence, both sides of the interview, what your observations were being interviewed, and what your observations were as a viewer of that show. I know, in my view, it was not very favorable or positive to the nuclear industry. And what can the Agency in its communications do to try to improve that? It's nothing personal, but maybe there were excerpts taken from your questions that were just set -- pieces of it were excluded that could have been on. What's your perspective overall on that?

COMMISSIONER MERRIFIELD: Well, let me -- what's being referred to, there was a program on the Charles Osgood program this past Sunday. It was an announcement that went out to the Staff, and it was one of the lead segments in that program. And it was about an 8 minute program on issues associated with the safety of nuclear power plants in the post 9/11 age.

As part of that process, the Agency was approached to have someone speak on behalf of the Agency. And because Chairman Diaz had a conflict, he asked me to, and I agreed, to represent the Agency in that program. We spent a lot of time thinking about what would be the issues that they would want to talk about, and what are the possible questions that they may ask, and how best could we think about communicating

the Agency's views in answering those possible questions.

A CBS news crew came to my office last Thursday, and I was in front of a camera answering a reporters questions for approximately 45 minutes. Somewhere in the neighborhood of 20 seconds of that time ended up being broadcast. Entergy, for its part, had a similar experience. It was very clear -- it is very clear in retrospect, but it was not clear at the time I was being interviewed, that the individuals who prepared that program had a certain point of view in mind.

Having viewed the program as a whole, it was very clear that much of the factual basis - well, I don't want to use factual basis - much of the basis for that program was based on material provided to CBS News by River Keeper. And as we could go, and I won't go through right now, much of that information was not only highly inaccurate, but certainly intended to be inflammatory. So it was a very disappointing effort in that regard, having spent all the time, and having done what I thought was a very good job answering those questions, and trying to provide a very proactive face of this Agency. I was at the mercy of editors sitting in a closed, dark room in a CBS television studio deciding what would be the views of our Agency.

I think the reflection that you take from that effort is two-fold. First, I think we have to recognize that in order to get our views out, we're going to have to be more active in seeking venues that will allow us in an uncensored fashion to express what we are doing as an Agency, and not have us as subject to that small group of reporters or editors with a certain bend, giving small snippets on what we're doing.

Secondly, we need to be in a position of defining the issues. And in that, we need to be in a case where the public, and hopefully some day the media will come first to us to explain how we regulate these plants, and what the dangers are, and are not going

first to Riverkeeper, and having them use the basis to come back at us. That is going to require, and the Chairman has talked about introspective look into public communications. It's going to require us to look at more actively how we can reach out to the media to give them a better understanding of the hard work that we do to protect these plants and the other licensees we regulate. We're going to have to change. It's clearly the case.

CHAIRMAN DIAZ: And let me underscore that we have lessons to be learned from this - let's call it an incident - because the feedback that I got was that Commissioner Merrifield had prepared very well for this interview, that, you know, there was a series of good questions asked and answered. And again, it underscores the fact that this Agency needs to establish itself as a credible independent regulator, that has a good story to tell to the people of this country, because those are who we are accountable to. And we're intent in changing the way that we address this issue, to be more responsive to that need. We need to tell the people what we do for them, and I think that's the bottom line.

COMMISSIONER McGAFFIGAN: Mr. Chairman, you've hit a responsive chord here, and so I'm going to go on for a bit. I associate myself with everything that Commissioner Merrifield and the Chairman said, but I'll give you a little bit of background, as well, about this incident.

We heard of this meeting. I mean, we heard they were going to do the show. Bill Beecher and I - Jeff was actually traveling - so I tried to reach -- Bill Beecher talked to the editor. I volunteered to talk to the editor, to make sure that he had good background information.

The editor didn't really deal much with Bill. He, obviously, didn't take several of our suggestions, and he didn't call me up until the night before he was going to see Jeff

while he was on a train from New York to here. And it was pretty clear to me that, you know, they already had their approach.

I called him up after -- yesterday, because my son had surgery on Monday, and basically told his voicemail that I felt that while they ostensibly tried to have a balanced article, they didn't interview one local person who thought that it was anti-nuclear hysteria. They did interview Jeff, and they let the guy from Entergy say that he had bought Indian Point II on the 6th of September of 2001. But by buying into the anti-nuclear zealots vocabulary, they had biased the whole show. He called back my secretary and said, you know, appreciate your point of view. Ain't much I can do about it, and that's that.

The fact is, we do have to seek, as Chairman -- as Commissioner Merrifield said, we have to seek uncensored forums. We have to be proactive. I think we have very good material on our website. I think we are trying to do proactive things. The letter from Chairman Meserve on the last day of his being in office with regard to our security initiatives, the letter of last September on the anniversary of 9/11 with regard to our security initiatives, put us in a proactive position, put us in a position where our message was getting out. And I think we have to get our message out a lot.

I mean, I think we have to wake up in the morning figuring out how to put out positive messages about what we're accomplishing, and dealing with our problems. I mean, not everything is perfect. Events occur. We address them. We address them vigorously. We find our faults, if there are faults, and we do have faults. The case of the Davis-Besse Lessons Learned is a good example of that, but we are a proud Agency. We do well. Where we have failed to some degree over the years is conveying all the good things that we do, conveying our competence, allowing the anti-nuclear zealots to set the stage for these reporters to write their articles.

Every time a lost source gets lost nowadays, I predicate that Dan Hirsch is going to show up from the Committee to Bridge the Gap in that community, as he did locally here. We lost a source recently, and Channel 5 News did a little show, and it was a good show. They had John Hickey on it. But it's absolutely predictable that he's going to show up and say outrageous things about the dangers of radioactive sources, things that are factually untrue. And the media holds us to a very high standard, that what we say is factually true, and we should be held to a very high standard. But the anti-nuclear groups just are -- you know, they basically get away with saying almost anything, however factually untrue it is. And I don't know how to fix that, but the way we fix it is we work aggressively to get our story out. And we try to get it out in a way where Commissioner Merrifield doesn't speak for 45 minutes and have all but 15 seconds chosen by an editor on the cutting room floor.

CHAIRMAN DIAZ: Let me add something to it. You might not have noticed, but I hope you did, that I firmly believe that the Commission has the expertise to address this issue, and that we need to use every one of us in every opportunity that we can, to be able to go out in front and address this issue.

Now I know you -- everybody knows that the Chairman is the spokesman for the Commission. I take that very seriously. I do also believe that my fellow Commissioners have tremendous amount of expertise, and that should be utilized. We intend to do that. We intend to put a very strong path forward in how the Agency communicates, how we let people know that their public health is our number one issue, and being no misunderstanding on that. And we need to address how we're doing that. And I think that is something that we all, you know, are not concerned. We are cognizant of it, and we are going to dedicate efforts to that effect.

COMMISSIONER McGAFFIGAN: Mr. Chairman, I'm going to add one thing that's slightly off-point, but I wanted to get it in, and I think this is the right time to do it.

One of the fundamental problems that we have at times in our external communication is that NRC NUREGs or NUREG-CR, Contractor Reports, get abused by the anti-nuclear groups. Sometimes we aid and abet the abuse, because we are not very careful in making it absolutely clear that we are doing a highly, highly conservative calculation, when we do these highly conservative calculations.

The Chairman received a letter from the Advisory Committee on Nuclear Waste last week, June 4th. And I'm just going to quote one paragraph from it.

"The Committee reviewed a report that references NUREG-CR 6672 as the basis for release fractions resulting from a rail accident - spent fuel cask real accident. The report was prepared by a state contractor, State of Nevada contractor. The Committee notes that the release fractions calculated in NUREG-CR 6672 are very high and extremely conservative. The aggregate effect of the five conservatisms identified in NUREG CR is to over-estimate radiological releases by several orders of magnitude. Despite the conservatisms, NUREG-CR 6672 concludes that spent fuel transportation regulations adequately protect public health and safety.

The Committee believes that it is unfortunate that such over estimates of consequences are published by NRC in NUREG reports, because they get separated from the caveats, and are used as though they were valid best-estimates."

That last sentence I'll repeat. "The Committee and this Commissioner, believes that it is unfortunate that such over- estimates of consequences are published by NRC in NUREG reports, because they get separated from the caveats, and are used as though they were valid best-estimates." This has happened repeatedly. NUREG-1717 is a

paper that was done for us by Oak Ridge National Laboratory, I think in part, or some Oak Ridge associates. It over-estimates the effects of source material by a factor of 40 in one case, a factor of 60 in another case. You know, it's small numbers of orders of magnitude, and it's corrected in the recent paper that's before us at the moment. NUREG-1738 on spent fuel pool risks, you know, conservatively made a whole bunch of assumptions that leads to over-estimating of risks there.

We have to fix this. I mean, we have to -- I don't know quite how we fix it, but it -- I think historically the Staff says okay, I can do these very conservative calculations, and I can show that despite all these conservative assumptions, I'm within the Commission's safety goals, and so it's okay.

Then anti-nuclear zealot comes along and says forget all those caveats. The NRC says, and it's in the editorial page of the New York Times at the moment, the NRC says X,Y,Z. We didn't say that. The Staff assumed a bunch of things and said, you know, even given these assumptions, we need a regulatory limit. But we have -- we are, to some degree, aiding and abetting bad analysis, or whatever, when we put out these estimates that are orders of magnitude too high, and we allow the caveats -- we're setting ourselves up for the caveats to be disassociated from the numbers.

CHAIRMAN DIAZ: I believe that this shows you the very, very high concern the Commission has on not only how we communicate, but how we actually establish "limits" that are going to be used or misused. You know, finish this because we need to keep answering questions.

More than a year ago, I started to get on a train I called "Realistic Conservatism". I keep insisting that realistic conservatism is the only way that this Agency can address these issues. We still need to be conservative, but we cannot be -- cannot

afford to be unrealistically conservative because we don't want to scare the people of this country when there is no reason. We want to give them facts, and facts that are realistic, and they need to be conservative, but they do not need to be unrealistic. And I think we're going to --

COMMISSIONER McGAFFIGAN: We flesh hammered that one.

CHAIRMAN DIAZ: We really hit that one. Any other questions, please?

MS. SMITH: Mr. Chairman, I have a question from Headquarters. The regions are begging for help to complete the baseline inspection requirements, and NRR is scrambling to find former inspectors to help out. When is the Commission going to reconsider returning to the N+1 policy?

CHAIRMAN DIAZ: Not very long ago, we met with the Staff in a public briefing on this issue. Fundamentally, there are two things that need to be balanced. The direct attention that a site needs to have, which are the resident inspectors, and the regional inspector needs to have experienced personnel that can go from one site to another. And that establishes some issues regarding not only resources, but expertise, and how the work is to be done.

We are being assured that the problems that we were faced with last year due to, you know, movement of personnel to headquarters, some attrition, all of those things, you know, movement of personnel up into different positions, were more than expected, and that those have now been addressed.

We are very conscious that, you know, some sites need additional help. We're not certain, and I hear Commissioner McGaffigan and I have a collegial disagreement that the answer is just to put more inspectors at a site. I think the Regional Administrators need to come clean to the EDO and the Commission, and say this is being

addressed in this fashion truly to our satisfaction. And I think, you know, we need to pay attention to how they're managing this issue. I know he's going to jump right at it, and I love it.

COMMISSIONER McGAFFIGAN: Well, I'm going to jump at it, and I know Commissioner Merrifield will go last, so I'll get sandwiched here. But the issue isn't so much N+1 versus N. I did support retaining N+1 at the time the Commission voted on that a few years ago. As Chairman Diaz just said, we are going to N+1 at places like Davis-Besse, and Arkansas Nuclear 1 just got approved. But the issue -- when we move from N+1 to N, and I can count votes, so I knew I was going to lose back when that happened, I urged the Staff that the N be a hard N, and a qualified N. And I also took them at their word that there was going to be this surge tank, as they put it, at the regions.

I think what happened is the surge tank never got filled, and so we were going for -- where the surge tank used to be at the sites, because N+1 was probably more than we needed to do the baseline program, delete the probably, was more than we needed. But we had a surge tank. It was taking people from sites from N+1 down to N, so that people could go do responsive inspections somewhere else.

What happened as we adopted the Reactor Oversight Process, and I think the Staff recognizes it. I think Jim Dyer said it at the Commission meeting. We sort of lost track of the surge tank, and I think there is efforts being made tomorrow - we're double-encumbering positions. I look at Region I. They've got 16 or 17 people getting qualified as inspectors.

I think to some degree, we also were misled by the early results of the Oversight Process, by the pilot program. We now have four or so plants that are in Column 4 of the Action Matrix, and we didn't plan for that. You know, we have sort of a one more

strategy, when we actually have four wars going on - to use sort of Pentagon-ese. And I think going forward, the Staff in budget space is planning for, more realistically for the inspection resources that we need.

I agree entirely with the premise of the question. We need to have the inspection resources to do the baseline program, and to do the responsive inspections required by where people place themselves in the Action Matrix. And they place themselves there, we don't place them any longer. They place themselves through their inspection -- our inspection results and their performance indicators.

N+1 was one way to make sure we had the surge capacity. There are other ways to make sure we have the surge capacity, and that we have enough resources for inspections. And I don't think we're going to revisiting N+1 any time soon. As I say, I can count votes, but I hope to be filling the surge tank where it needs to be filled, which is at the four regions. I don't think it's a very satisfactory situation, but we have to do it this year, to be asking headquarters folks with recent resident experience to be going back out for short periods of time to sites. It's what we have to do in the short term, because we have to get the baseline inspection program accomplished. I think we're also using consultants, and that will help get it accomplished.

CHAIRMAN DIAZ: Commissioner Merrifield.

COMMISSIONER MERRIFIELD: Mr. Chairman, I think you'll find that there's agreement on all of this, that we have the commitment to get the dollars and the resources necessary to get the baseline inspection program completed. I mean, there is, after all, in the reactor side of the house, no more important work than we do in conducting our inspection program.

That having been said, there is a variety of views on the N+1. I was a

supporter of the Staff's -- of the proposal that came up through the Staff to go to the N. I thought it was a right decision at the time. I continue to believe it was a right decision. We met with the Regional Administrators in the AARM meeting recently. Uniformly, they believe that making that decision was the right one, and having the flexibility to have regional deployed inspectors was the right way to go.

I think the mistake - not mistake, but I think the problem we had here was we may have over-estimated the success of the Reactor Oversight Program in eliminating problem plants. And the fact of the matter is that the problem plants have emerged to a greater extent than we thought. That, I think, is the heart of the gap between the inspection resources that we have, and meeting the full capabilities of the baseline inspection program.

We needed to recalibrate that. The Senior Staff and the Regional Administrators are doing that, and I think the Commission will provide the necessary resources to bridge that gap, and keep us going.

CHAIRMAN DIAZ: All right. All questions seems to be coming from the right side of the aisle. Does the left side of the aisle have any questions?

MR. HECK: Okay. I have another question from the regions. With respect to planning for the receipt and processing of the DOE application for a license to develop the Yucca Mountain High Level Waste Repository, what do you think are the biggest challenges facing the Agency?

CHAIRMAN DIAZ: How much time we got? The Agency is trying very hard to deal with the fact that we are going to have to not only license Yucca Mountain, but we're going to have to litigate Yucca Mountain. And so there is a technical issue, the programmatic issues of, you know, having the right amount of information so we can say

what it is. We also have to be dealing with the fact that this issue is going to be a large, very complex legal problem.

I think what we are trying to do is make sure that every resource that is going to have to be in place, be in place. We are also interacting, you know, with DOE. The fact is we got a visit from a lot of people from DOE coming next week. I was there yesterday. It's a very simple thing that, you know, we are -- you know, have many cross-reference points. We need to make sure that every one of those is addressed.

I think that the Staff is doing a very good job of anticipating what it is. I'm not sure that we are confident that everything that needs to be done is being done on the right schedule. And so we are now becoming schedule-conscious, are we going to have the documents in the LSN of the right sequence? Are we going to be able to address this issue?

I think our job is two-phased. We need to make sure that the technical issues that we see as key technical issues are properly address. And at the same time, we need to make sure that all of these processes, including the LSN and the litigation processes, are addressed early enough so we know what we probably will be facing.

COMMISSIONER McGAFFIGAN: Mr. Chairman, I agree with what you said. If I look at it, this is going to be the largest administrative proceeding I think in the history of mankind, and there's just no way of ducking that, and we haven't been ducking it. We've been trying to get ready for it.

We are going to have -- the DOE has told us three to four million documents, 37 to 44 million pages of documents that are going to have to go into the LSN, as of today. You know, God knows what they can create between now and license application, but I don't know that any -- I mean, the lawyer at the other end of the table correct me, but I'm not

sure even whether the Microsoft case -- Bill Gates sent enough e-mails to add up to 44 million pages. But it's just a mind-boggling complex thing.

I do worry. I mean, I'll say this, Congress expects us to get through this largest administrative proceeding in the history of mankind in three or four years, and that is going to be an enormous challenge to our licensing boards. We're going to have multiple boards. We're going to have to try to organize all the issues, whatever they prove to be, in some sort of fashion that the multiple boards can handle it.

I got one piece of good news recently at one of the meetings. Some of the lawyers said that they'd like to have some of the hearings here in Washington. I think that's -- because they all live here in Washington, the people representing Nevada, and that'll be a step in the right direction, perhaps. So the preparation for this large administrative proceeding I think is just absolutely daunting.

Then the technical side, we have a very good recent report card that came out of an SRM we issued earlier this year. I think it will probably go on our web page very shortly, as to where the 273 or key technical issues stand today, what the schedule is for receiving them, how the Staff grades them in terms of risk significance and complexity. And it will give any reader a pretty good idea as to how we're preparing technically for this license application, and where the rough spots may be.

And then there's this issue of quality assurance that DOE absolutely has to deal with before they submit the license application, that looms very large. It may not be a technical issue, but it is an issue of how they do business, that they have to fix. And Margaret Chu has committed in writing that she intends to fix it. But this is a very hard -- you know, this is going to be just an enormous task. Our budget is gearing up to deal with it, but I don't know of any agency that has ever faced as complex a single proceeding and,

you know, we're going to have to do the best we can.

COMMISSIONER MERRIFIELD: You know, I would add to that. I always hesitate saying whether this is the biggest or not, because someone always will come in and tell me something is bigger, but it's big, and it's going to be a lot of work for all of us.

There are some issues which are outside of our control, the amount of money that Congress gives us to conduct this effort, and the efforts of the parties, including DOE and what are provided to us. We do not have control over what people give us.

What we do have some control over is over people, our own people, and we have control over the processes. And I think the attitude that we need to have as a Commission, whether it is reviewing technical issues, or whether it is the activities of our licensing boards for overseeing these matters, and will oversee these matters in the future on behalf of the Commission. I think we need to have a process that is disciplined, that is timely, and that is fair. And this Commission, and the Commissioners sitting before you, have been committed to those very same principles in the activities that we have had before us in a variety of different areas. And I think those same goals, discipline, timeliness and fairness will also be applied to this proceeding, including our oversight of the licensing boards.

CHAIRMAN DIAZ: All right. Thank you. Left side keeps quiet. All right.

MS. SMITH: Mr. Chairman, I have two related questions. Does NRC plan to follow the personnel reforms proposed in the Department of Defense, e.g., pay-banding and pay performance? The second question is, President Bush has indicated that civilian federal workforces will be reshaped or reorganized. Will this impact NRC? What is NRC's plan?

CHAIRMAN DIAZ: I would hate to answer that because it will tend to

incriminate me. Pat, do you have a reply for that?

COMMISSIONER McGAFFIGAN: Mr. Chairman, I could help Pat a little bit. The President's proposal is only for the Department of Defense at the current time. It's Secretary Rumsfeld's proposal. It is being worked on in the Congress. Some version of it was - without all of it - was passed out of the House. It was not included in the Senate version of the Defense Authorization Bill. My understanding is Chairman Susan Collins of the Governmental Affairs Committee and her minority colleague, probably Senator Lieberman, I guess, are planning to hold a mark-up soon on legislation that she plans to deal with, which is again, the specifics of the Department of Defense. So at the moment, none of these reforms are aimed at us. Now I'll turn it over to Pat. She can correct me.

COMMISSIONER MERRIFIELD: I'm sorry. Before Pat goes into that, and I'll opine, as well. I mean, to follow along with Commissioner McGaffigan, I think the amount of time that I've spent on this issue and thinking how it would apply to the NRC is probably equal to the length of one or two articles that appeared in The Washington Post. I mean, from my own standpoint, absent changes provided to us by Congress, or through Executive Order, I think we have to operate under the rules as they now occur. And for my part, that means trying to take a look at the tools that are given to us under current law to manage our staff effectively, compensate them effectively, and make sure that we have a well-motivated, well-educated, and highly qualified Staff. And, you know, until the nature of the rules change, I think we've got to stick with what we've got.

CHAIRMAN DIAZ: I was wondering whether Pat has been able to gather something from her meetings outside that might indicate how it could. That's really the --

MS. NORRY: I think, first of all, it's important to remember that NRC has since its inception an independent personnel system. We are not subject to many of the

constraints that hamper some of the old-line agencies, and they are continually seeking relief from them.

Secondly, we have also been granted by our request, a number of exemptions that allow us to have more flexibility. And that has to do with paying various bonuses, and so forth, so we have continually sought ways to -- where we see inflexibilities as affecting our particular situation. We have sought relief from them, and we've had a fair amount of success.

We've asked for more, and we're hopeful that we'll get more relief. But human capital is of course one of the five items on the President's Management Agenda. That requires us to look across the agency and make sure we're being as efficient as we can. We've done a number of studies on that regard. Somebody mentioned pay banding. That's something we've looked at and will continue to look at. It has positive and negative aspects. We're reviewing that as well as other initiatives.

CHAIRMAN DIAZ: Thank you. I knew that, but I had forgotten about it.

MR. HECK: Another question from the regions. In the last two IG cultural surveys, some offices rated below the norm from the rest of the NRC. Over the last five or six years, management has taken various management-style improvement training courses and held numerous management retreats with little or no change in the way management interacts with the regional staff and other stakeholders. As a huge amount of resources have already been poured into this issue without significant and tangible results, what does the Commission plan on doing to address this ongoing and apparently unsolvable problem?

CHAIRMAN DIAZ: Let me start from the end. I think it is a solvable problem. I believe that there are some areas in this in which we have not done as good as we

should. The regions are very conscious of it. We just got results from our own survey a day ago, and we are still going through it. The survey in many ways shows some of the reasons why some of the deficiencies happen. But it's not completely clear.

One thing that bothers me is the fact that from where we stand and where the senior management stands and for everything that we talk we are convinced that the number one objective in everything we do is public health and safety. That should come and shine out on everybody's desk. If that issue is there as the survey shows it is, although there are some questions whether the question was asked in a different manner, that needs to be addressed. I can assure you that I am really looking at what the results are and how we will address it.

I am concerned with the fact that the questioner is saying that no progress has been made. I would certainly take that very seriously because what we hear is that everyone in the senior management, especially in the regions, is concerned that every major aspect that has shown on the surveys, especially those that deal with whether we are doing the right things, whether we are communicating properly, whether we have the right emphasis, those are not minor issues. They will not be relegated to a back-burner. They are front issues, and they will be dealt with as front issues.

COMMISSIONER MCGAFFIGAN: Mr. Chairman, I would just add (1) the IG survey of last year showed that we had made significant progress in a whole bunch of issues compared to the first survey. We still have problems. (2) We have moved on aggressively. I believe Pat Norry chaired a group, and as the Chairman said, we just got her report. It was mentioned in Bill Traver's EDO note that he sent out last night or this morning. I read it this morning.

We have looked at what we need to do to improve. We have looked at the

outlier offices or entities. This group has some ideas. As Bill said, they may be somewhat controversial. They will spur discussion as we go forward. But we've been improving. The IG survey shows we've been improving, but we still have problems to fix. We're dedicated to trying to fix them. We have some ideas to try to fix them.

Compared to peer groups, we did okay. We did pretty darn well compared to national norms and compared to national norms for science and technology agencies. We want to do not just very well. We want to be at the top end of the spectrum. We want to be the model for everyone else. We can get there, and that's our goal. We have a way to go, but by no means is the story bleak. We've made enormous progress since the first IG survey. We intend to make progress - and the IG is in the audience - before he does he next does his survey.

COMMISSIONER MERRIFIELD: There's an issue of whether you look at the glass as being half full or half empty. Like Commissioner McGaffigan said, in comparison with the previous survey, which in and of itself wasn't bad either, there has been a significant improvement in a wide variety of areas. There are a few areas that were picked out by the IG where we need to have some improvement. There is a commitment on the part of the Commission and the senior staff to improve on those.

But when you step back and you look comparatively at other agencies or other counterparts in the sector that we are in, this agency looks very good in terms of what we're doing. The grass is always greener on the other side of the fence. But if you were to go and spend some time at other agencies, you will appreciate the circumstance here is not bleak at all but in fact is very good in comparison to an awful lot of other places within the federal government.

That having been said, we have to learn our lessons on this. A good

example of this is Ellis Merschoff who is sitting in the audience. He and his staff in Region IV took a look at the results from the first survey and said how can we improve this. The result in the most recent survey was that Region IV had probably some of the best numbers within the agency.

The agency as a whole needs to look at that approach, look at how we can do things better, and hopefully get the results that Commissioner McGaffigan has spoken about the next time the IG does his survey. The Commission is committed to making sure that in those areas where there are weaknesses - and I note in the CIO's Office, for example, where Ellis Merschoff is now the head, we certainly expect to see improvement there and in others that have the weaknesses so we can raise the ship in terms of the way we're doing it. We did much better on the survey than has been characterized by the way in which the questioner has asked that particular question.

CHAIRMAN DIAZ: Ellis, somehow you have been singled out. I don't know whether that's good or bad. Any other questions?

MS. SMITH: Yes, a question from headquarters. NRC's Davis-Besse's corrective actions target staff activities but the decisions were made at the executive level. Aren't some corrective actions appropriate for the decision makers?

CHAIRMAN DIAZ: I believe that the Commission has looked very, very much at how the decisions were made. We are fully supportive of how those decisions were arrived at. We find absolutely nothing that will indicate that the decisions were not deliberate and that safety was first and foremost. The Commission has made that point very strongly including maybe for the first time to the IG in a unanimous Commission letter sent by former Chairman Meserve.

We do not believe that there's any action warranted at the senior level. We

do believe that we need to improve our processes just like the licensees need to improve their processes on the area of how do we assure that inspections actually are carried out in a manner that any emerging issues will actually be raised up, will be followed through, and will be resolved. The fundamental issue that comes out of Davis-Besse is that as an agency we did not have (1) the proper communication with the inspectors regarding the significance of boric acid corrosion and (2) we did not follow through with indications that we should have, and that's really an issue of process.

I would like to state something I've been saying for some time. I don't think that we're going to have another Davis-Besse because that's done and over with. I don't think we're going to have another hole in the head. We will have other problems. We will have other issues that will come up that are different that are going to come out, and we might not have all of the indications.

What we need to do is to improve to be able to see them coming and to be able to respond to them through inspections, oversight, to actually getting ahead of the technical issues. All of those things need to come together to make it a much more robust program that would allow us to be not only fixing things but actually preventing things more. But let's make sure of something.

There is nothing that we can do that will still prevent an occurrence taking place that we might not be able to see because it doesn't raise up to the level of detection. Once it's measurable, any issue that is measurable, then it should be able to come up, and we should be able to resolve it.

COMMISSIONER MCGAFFIGAN: Mr. Chairman, I agree with everything you said. I can't identify decisions at the executive level that were wrong. I find lots of things wrong going back to the early '90s and why we made some assumptions with

regard to how boric acid would interact with heads, why we chose a different path from the French, why we weren't more interested in the French approach which is essentially our approach today to have a much more vigorous inspection regime, so onerous that if you are in a high susceptibility plant you will eventually replace your head. That's what the French did.

But I don't think executives are supposed to know the entire waterfront of international decision-making and constantly be challenging assumptions that maybe they should. This crept up on us. It crept up on us for a variety of reasons. We also thought Davis-Besse was better than it was. We were perhaps doing a little bit of good guy regulation there in terms of how we were staffing the plant and all of that.

The executive decisions were made. The decision to give them 46 extra days is one that I'll defend until the day I die. It was a rational decision. The data we got afterwards supported it. We are not giving credit for the decision that we had put out generic letters and bulletins and were vigorously pursuing the issue once we discovered at Oconee that there was a problem with circumferential cracking.

So we've done a lot of right things. We make a lot of good decisions. I'm not sure who at the executive level the writer of the question had in mind, but Bryan Sheron, Sam Collins, Bill Kane, and the EDO all made sound decisions all the way through this process based on the evidence that was in front of them. We missed things. Our processes missed things; international experience being one and there's lots of others.

The lessons learned report goes into it in excruciating detail. As the Chairman said, we'll never make that mistake again. We may make others, but that one - like the question I said earlier - we probably sledge-hammered. We're going to sledge-hammer Davis-Besse into submission.

CHAIRMAN DIAZ: Commissioner Merrifield.

COMMISSIONER MERRIFIELD: Yes, I agree with my fellow

Commissioners on that. Obviously I don't think anyone here would dismiss the significance of this event. It was a very difficult event. It was one of the most serious events that our agency has faced. But irrespective of the decision to allow Davis-Besse to operate for an extended period of time, the hole in the head would have been there whether it was one date versus the other date. That was damage that occurred over years and years.

So at the end of the day, we would be doing the same lessons learned irrespective of whatever date you chose. Part of the premise to this question is it's based on a tendency of our society to try to find a person to blame. Who is the person who screwed up here? When in fact, as the Chairman says, it's an issue of how we could have improved our processes to identify these things sooner.

We're not going to have another hole in the head. We're going to inspect the heads to a fairly well. But we have to reflect on the issues of Davis-Besse to look at our oversight process to see if we can, if possible, in meeting our mission of health and safety identify this type of issue to incorporate that within our inspection process so we can avoid it.

As the Chairman says, things are going to happen. They don't necessarily need to happen. Hopefully we're smart enough to figure out ways in which to avoid it. That's certainly the goal which we should all have. But a constant hand-wringing of who is the scape goat we can hang at the end of the day I don't think is productive.

I would agree with the Commissioners that the process as a whole is one that we have looked at very strongly. We have looked at the lessons learned task force report. We're going to make the changes necessary to make sure we can hopefully avoid

this in the future.

CHAIRMAN DIAZ: Any other questions?

MR. HECK: Another question from the regions. All offices are working on workforce and organizational alignment evaluations relative to numbers of supervisors, direct reports, and span of control. What large scale organizational alignments are currently under consideration by the staff or Commission?

CHAIRMAN DIAZ: I don't think there is any major alignment that affects the staff. We have always been looking at some processes that we can do that might create some improvements, but I don't see anything right now that will realign supervisors at the management level. We always are considering what would we do at different levels at the agency.

Some of those discussions are taking place, but there is nothing at the present time that will affect the staff of the agency, no major realignments that are contemplated at the present time. We did reply to the Congress that we didn't think we are going to be able to do any more improvements in the regions for the time being.

Congress asked this very direct question. Can you increase efficiency and effectiveness by consolidating the regions? Our reply is that we have looked at the issue. We have actually done improvements in the regions as far as efficiently consolidating some issues. But no major realignment, no major consolidation is presently taking place.

COMMISSIONER MCGAFFIGAN: Mr. Chairman, I'll add an anecdote and then a bit of a comment. The anecdote is that you'll all be happy to know - those of you who don't read these documents - that the annual NEI fee letter commenting on the fee rule this year for the first time in several years did not suggest that we get rid of the regions. So those of you out in the regions should be happy.

I asked a senior NEI official why the letter this year did not include the usual diatribe about getting rid of regions. He told me Ralph Beetle had retired. So I pass that on for what it's worth. But it was a very senior NEI official who told me that the reason for that not being in there was that Ralph had retired. Apparently that used to be Ralph's pet rock.

As the Chairman said, we do have a letter about to go to the Congress that will explain that we have made some small changes in the regions. We think that certainly major realignments of regions as was contemplated by NEI in its annual fee letter prior to this year would not be appropriate and would not be consistent with the President's notion that we should be dealing as close to the public as possible, in this case, the licensees, et cetera.

We are looking in the staff at potential initiatives to flatten the organization a little bit. That's partly in response to what's happening in the rest of government. It's partly in response probably to my rants at previous meetings like this about the number of layers you have to go through, the concurrence process, to get to the likes of me or the EDO.

Looking at flattening this organization is worthwhile. I don't think any decisions have been made. In fact, Pat Norry is vigorously shaking her head for those of you who can't see her that absolutely no decision has been made. The options certainly haven't even been presented to the Commission anywhere.

But flatter organizations are what is generally happening in American business and in American government. Making the folks at the working level feel closer to the folks at the senior levels is a good thing if we can pull it off in a way that makes sense. We are at a very preliminary stage at looking at how that might be done and if we do that, how we could solve some other problems simultaneously. The Commission is as in the

dark as anyone else as to what might be in the minds of the folks sitting in the first row here.

COMMISSIONER MERRIFIELD: Well, I would say this. Any effective organization is going to change over a period of time. We can't take the organization we have right now and forever freeze it and remain effective in dealing with the challenges that face us on a year-to-year basis. That's a management 101 issue. To be effective, you need to be willing to change.

Now, that having been said, I agree with the things that Commissioner McGaffigan said. We do not have proposals in front of the Commission right now that would change the overall way we manage this agency. But the Commission has been consistent and unanimous in saying we think an empowerment through the chain is important and delayering is important so we can be more efficient in getting information from our staff to the Commission. That's a basic premise and communication issue we are giving to our staff.

I would be shocked, appalled, and disappointed if the senior management in this agency weren't thinking of options for us to consider down the road. If we remain fixed as an organization, we will not be able to respond to emerging issues. But we need to balance that with the recognition that we are doing a very good job overall as an agency. We have an excellent workforce.

Looking at that as I like to put it as an NRC family, we need to make sure that we manage those individual members of our workforce so that they are motivated, so that they are given high quality work, and so that they feel it is valuable for them to come here every day. That's the premise upon which all of the managers, including the Commission, need to keep in mind as we move forward.

CHAIRMAN DIAZ: But to summarize, there is no major reorganization that would change the workforce and the way that they are deployed. But like my fellow commissioners said, there are some adjustments that can happen to actually allow us to manage things better. Those are under consideration but not anything that will shake the earth. It is an issue of efficiencies. As soon as we determine what it is, I'm sure you will read it before "Inside NRC". That's a commitment. I hope.

COMMISSIONER MCGAFFIGAN: The regions are outshining headquarters in having a questioning attitude here. They have generated lots of cards and questions.

MS. SMITH: Here's a question from headquarters. Mention has been made of the new CIO. What do each of you see as his top three priorities?

COMMISSIONER MERRIFIELD: Oh God, if you see how long it takes us to get to an SRM and get an agreement on that, that's going to be a difficult one I think.

CHAIRMAN DIAZ: We might let you answer that one. Let me just say that what we see is an additional cohesion between the CIO and all of the program offices. It's a direct accountability between what we do and the CIO and what needs to be done for the other offices. That to me is something that Ellis is going to be held accountable for. Would you like to respond to your priorities?

MR. MERSCHOFF: The three top priorities for CIO are customer focus, customer focus, and customer focus. We'll be a different organization in six months.

(Applause.)

COMMISSIONER MCGAFFIGAN: I think the customers are clapping.

CHAIRMAN DIAZ: All customers.

COMMISSIONER MCGAFFIGAN: I know morale sometimes is up and down in the CIO Office. We get a heck of a lot of good service out of the CIO Office

individually on our own computer systems. ADAMS is something you can come to love. It just takes a while. They are getting awards from the National Archives now for having been at the forefront. I think some of us regret that we were at the forefront of agencies in adopting ADAMS.

But I think we have the best webpage in government. It isn't the CIO's responsibility to keep it updated and keep it lively. When you go to our webpage now, it's very easy to maneuver. There's very good information there. It is very up to date for the most part. People take real ownership in the offices. The Davis-Besse, high level waste, some of those webpages are just absolutely knock-your-socks-off.

That's a joint effort. We have to do a better job on serving the customer. The big symbol in choosing Ellis to be the new head of the CIO Office was for the first time to put somebody who probably doesn't know the intricacies of every software program in charge but does know a lot about what the customer needs. We need both. The CIO Office does great work. Under Ellis, they will do greater work.

CHAIRMAN DIAZ: Commissioner Merrifield.

COMMISSIONER MERRIFIELD: I agree.

CHAIRMAN DIAZ: Very good. Do we have any other significant questions? We're coming to the end of our session. I know that if there is one more question, let's do it, and then we will call it quits.

MR. HECK: Okay. One more question from the regions. What do you think the likelihood is that the NRC will move to a pass/fail type of performance appraisal system?

CHAIRMAN DIAZ: It is not in my screen right now.

COMMISSIONER MCGAFFIGAN: This is one of our prohibited questions.

Isn't it?

CHAIRMAN DIAZ: No. Pat, please.

MS. NORRY: One thing. We are doing a small pilot in one office. It hasn't started yet. So we're just going to look at the results of that.

CHAIRMAN DIAZ: There is concern that the performance appraisal needs to be updated and that the SES's need to be. There are all these things that are being looked at. But I don't think we're going to go into anything without a real discipline and deliberate process.

COMMISSIONER MCGAFFIGAN: Mr. Chairman, I'll add I've been in the federal government going on 28 years. I don't think pass/fail performance systems work. I've seen some experience with them. Los Alamos tried the pass/fail system. They are not even a federal entity. They are a federal contractor. You ended up with a covert system that went along with the pass/fail system because risks come along that hopefully we will never have here.

You still need a mechanism for making choices. If everything is pass and fail, most everybody is going to pass. Then among the passees, you have to figure out who gets awards and who does this and who gets promoted.

So you end up with a covert system paralleled with the pass/fail system where everybody passes. Speaking as a federal employee for 28 years, I would have deep misgivings about the potential for success in a pass/fail performance evaluation system. Although probably every manager here would stick up their hand and say that's a -
- You also don't get much feedback.

When Los Alamos had a pass/fail system, if they were going to fail somebody, they had to fill out all sorts of forms and have all sorts of verbiage and all of that.

If they passed him or her, it was gosh you are finished in five minutes with your performance evaluation. So it would save a lot of people time in July and October around here with a pass/fail system, but I don't think it would serve the agency very well. That's speaking as one Commissioner. That is not establishing policy. That's just me talking based on my experience in government and watching this experiment carried out in a few other places.

CHAIRMAN DIAZ: Commissioner Merrifield.

COMMISSIONER MERRIFIELD: Yes, this is a case when you get Commissioner McGaffigan and I going back to back. In this case, I'm going to be non-committal. I certainly want to see what Ms. Norry and her staff get out of the pilot and recommend to us. As you look at any tool that is used to evaluate an individual, a manager has to say is this something that is effective in helping me manage the staff that reports to me and is it helping the organization meet its mission. Those are two among perhaps other litmus tests that I would use to evaluate whether the process we have right now or some alternative process is better.

CHAIRMAN DIAZ: Thank you very much. We have overextended our welcome by a few minutes. I want to thank everybody in here for being here. Those who will be in the afternoon, we will encourage them to get a more intensive participation. In the morning session, we set some basic rules which we can do. We want to thank the regions and everybody that participated. With that, we are adjourned.

(Whereupon, at 12:04 p.m., the above-entitled matter recessed.)