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PERFORMANCE BUDGET

FISCAL YEAR 2007

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U.S. Nuclear Regulatory Commission

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EXECUTIVE SUMMARY

Mission *License and regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment.*

Vision *Excellence in regulating the safe and secure use and management of radioactive materials for the public good.*

Overview of the NRC Performance Budget

The U.S. Nuclear Regulatory Commission's (NRC) fiscal year (FY) 2007 Performance Budget provides the resources necessary to carry out the agency's mission, including the new responsibilities and requirements in the Energy Policy Act of 2005. The NRC's proposed FY 2007 budget is $777 million, which represents an increase of $35 million over the FY 2006 budget. The FY 2007 budget is offset by $628 million from fees assessed to NRC licensees, resulting in a net appropriation of $149 million. The following table gives the NRC's budget authority by appropriation:

TOTAL NRC BUDGET AUTHORITY BY APPROPRIATION
(Dollars in Thousands)

NRC Appropriation	FY 2005 Enacted	FY 2006 Enacted	FY 2007 Request	FY 2007 Change From FY 2006
Salaries and Expenses (S&E)				
Budget Authority	661,750	733,204	768,410	35,206
Offsetting Fees	533,927	617,182	620,328	3,146
Net Appropriated—S&E	127,823	116,022	148,082	32,060
Office of the Inspector General (OIG)				
Budget Authority	7,512	8,308	8,144	(164)
Offsetting Fees	6,761	7,485	7,330	(155)
Net Appropriated—OIG	751	823	814	(9)
Total NRC				
Budget Authority	669,262	741,512	776,554	35,042
Offsetting Fees	540,688	624,667	627,658	2,991
Total Net Appropriated	**128,574**	**116,845**	**148,896**	**32,051**

EXECUTIVE SUMMARY

In accordance with the requirement defined in Section 220(b) of Office of Management and Budget (OMB) Circular A-11, the NRC is providing the full cost of its programs. The full cost includes an allocation of the agency's infrastructure and support costs to specific programs.

FY 2007 Budget Changes

The NRC's FY 2007 proposed budget of $777 million represents a net increase of approximately $35 million over the FY 2006 enacted. The major changes are in the following areas:

- An increase of approximately $22 million in the Nuclear Reactor Safety program is primarily to prepare for anticipated combined license applications for new reactors, to keep pace with the reactor licensing workload in FY 2007, and to support targeted improvements in the reactor inspection program.

- A decrease of about $18 million for the Nuclear Materials and Waste Safety program is based on the assumption that DOE will have a license application to build a high-level waste repository ready for submission to the NRC in FY 2008, completion of several research activities that support decommissioning decisions, a reduction in information technology costs and efficiencies for materials users activities, and the projected completion of two gas centrifuge license reviews and fewer license amendments for fuel facilities.

- An increase of approximately $21 million is for the agency's infrastructure and support activities to keep pace with inflation, replace obsolete equipment and software, implement new provisions in the Energy Policy Act of 2005, and provide the organizational infrastructure required to support FTE growth during FY 2006 and FY 2007.

- An increase of approximately $10 million is to fund Federal pay raises and other nondiscretionary compensation and benefits increases.

Summary by Major Programs

The FY 2007 Performance Budget is organized into two major programs: Nuclear Reactor Safety and Nuclear Materials and Waste Safety. The two programs are further divided into the seven activities in the following table.

SUMMARY OF BUDGET AUTHORITY BY MAJOR PROGRAMS
(Dollars in Thousands)

Summary	FY 2005 Enacted		FY 2006 Enacted		FY 2007 Request		Change From FY 2006	
	$	FTE	$	FTE	$	FTE	$	FTE
Budget Authority by Major Programs								
Reactor Licensing	261,126	1,128	302,776	1,249	341,275	1,292	38,499	43
Reactor Inspection	183,410	1,013	212,398	1,067	222,038	1,080	9,640	13
Subtotal Nuclear Reactor Safety	**444,536**	**2,141**	**515,174**	**2,316**	**563,313**	**2,372**	**48,139**	**56**
Fuel Facilities	37,247	200	40,072	197	37,613	180	-2,459	-17
Nuclear Materials Users	64,282	330	80,102	339	74,260	337	-5,842	-2
High-Level Waste Repository	68,498	163	45,657	132	40,982	115	-4,675	-17
Decommissioning and Low-Level Waste	23,195	112	27,408	123	25,707	119	-1,701	-4
Spent Fuel Storage and Transportation	23,992	115	24,791	115	26,535	116	1,744	1
Subtotal Nuclear Materials and Waste Safety	**217,214**	**920**	**218,030**	**906**	**205,097**	**867**	**-12,933**	**-39**
Subtotal	661,750	3,061	733,204	3,222	768,410	3,239	35,206	17
Inspector General	7,512	47	8,308	49	8,144	49	-164	0
Total	**669,262**	**3,108**	**741,512**	**3,271**	**776,554**	**3,288**	**35,042**	**17**
Reimbursable FTE		21		23		21	0	-2
Total	**669,262**	**3,129**	**741,512**	**3,294**	**776,554**	**3,309**	**35,042**	**15**

Highlights of major FY 2007 activities for each of NRC's programs follow. Additional details, including output measures and FY 2005 accomplishments, are provided in Chapters 3 and 4. Chapter 5 describes NRC's performance measures. Chapter 6 gives the budget for the Office of the Inspector General. Homeland Security resources are included within the programs they support, and a crosscut is provided in Appendix II. An explanation of the agency's infrastructure and support activities and the allocation of those resources to programs is provided in Appendix III.

Nuclear Reactor Safety Program

Reactor Licensing

The NRC's FY 2007 budget includes $341.3 million for reactor licensing activities associated with the existing 104 nuclear power reactors and 35 research and test reactors and for regulating the design, construction, and operation of new commercial nuclear power facilities. The latter activities include reviewing new reactor design certifications, early site permits, and combined licenses for commercial power facilities. During FY 2007, the NRC's activities to support existing licensees will include the review of complex licensing actions, such as conversion actions for the improved Standard Technical Specifications, power uprates, license transfers, quality assurance, and activities to address the development, maintenance, improvement of thermal-hydraulics, fuel behavior, severe accident, and neutronic codes used in a wide range of regulatory activities, and conduct of experiments to support the validation of these codes. Additionally, the NRC will conduct technical reviews and mandatory hearings for five early site permit applications, review one standard design certification application, and perform pre-application review activities for four other reactor designs. The budget also includes resources to support pre-application activities for three combined operating licenses and review of one combined license application. The NRC will also continue efforts to develop and update the agency's regulatory infrastructure to prepare for multiple combined license applications and to accommodate new reactor designs. In FY 2007, the NRC will continue to enhance security through safeguards and security reviews, codification of security orders, and threat assessment activities. Finally, the NRC will also conduct international activities that encompass international nuclear policy formulation, treaty implementation, nuclear proliferation deterrence, international safety and safeguards assistance, and cooperative nuclear safety research assistance. The activities include participation in a wide range of mutually beneficial international information exchange programs and meetings focused on formulating international nuclear regulatory policy and developing approaches for the safe and secure use of nuclear facilities and material for peaceful purposes.

Reactor Inspection

The NRC's FY 2007 budget includes $222.0 million to ensure safety and security issues are identified and resolved before the issues affect safe plant operation of the 104 nuclear power reactors and 35 research and test reactors. In FY 2007, the NRC will continue to strengthen reactor oversight activities to provide early identification and management of potential safety issues. These activities will include risk-informed inspections, use of performance indicator data, and the reactor assessment process. The inspection process, primarily conducted by resident and region-based inspectors, has three major elements: baseline inspections, plant-specific supplemental and reactive inspections, and generic issue inspections that address areas of emerging concern or areas requiring increased emphasis because of recurring problems. Enforcement is used to deter noncompliance with NRC

requirements and to encourage prompt identification and correction of violations of NRC requirements. The assessment process integrates inspection findings with other objective measures of performance (performance indicators), which licensees submit quarterly for each power reactor site. The NRC will continue to enhance and maintain reactor security through inspections and oversight, including force-on-force exercises to confirm the adequacy of nuclear reactor security in the current threat environment.

Nuclear Materials and Waste Safety Program

Fuel Facilities

The NRC's FY 2007 budget includes $37.6 million to continue regulatory oversight and inspection of licensed fuel cycle facilities, including 17 nuclear fuel fabrication facilities, 14 uranium recovery facilities, 2 gaseous diffusion enrichment facilities, and 2 gas centrifuge facilities. Additionally, the NRC will review a license application for a mixed-oxide fuel fabrication facility and carry out a research program to support the resolution of ongoing and future safety issues associated with fuel cycle and mixed-oxide fuel fabrication facilities.

Nuclear Materials Users

The NRC's FY 2007 budget includes $74.3 million to license and inspect approximately 4,350 nuclear materials licensees, develop and implement a national registry of radioactive sources of concern to improve control of radioactive materials and prevent their potential use in radioactive dispersal devices, and review and issue NRC import/export authorizations. The FY 2007 budget includes funding to implement the Energy Policy Act of 2005, including provisions for radiation source protection and provisions reflecting significantly expanded NRC regulatory authority to treat as byproduct material, accelerator-produced material, discrete sources of radium, and certain discrete sources of naturally occurring radioactive material. The resources also support Agreement State and liaison materials activities in the State and Tribal program. Finally, the resources support a nuclear materials research program to ensure that licensees safely use NRC-regulated nuclear materials and to risk-inform regulatory activities in the materials area.

High-Level Waste Repository

The NRC's FY 2007 budget includes $41.0 million for high-level waste activities, including pre-licensing application interactions in pace with DOE activities, pre-hearing activities, and review of proposed DOE transportation and storage cask/overpack designs. The budget reflects the assumption that DOE will have a license application ready for submission to the NRC in FY 2008.

Decommissioning and Low-Level Waste

The NRC's FY 2007 budget includes $25.7 million to support decommissioning licensing and inspection activities at 17 power reactors and approximately 35 complex materials and fuel facilities sites, including related environmental reviews. The resources also support conducting research to provide data and models for assessing public exposure to releases of radioactive materials and to provide the technical basis for decommissioning rulemakings. In addition, the resources support low-level waste licensing activities, such as on-site disposal, and interaction with the Department of Energy and the States on low-level waste disposal issues. The NRC's FY 2007 budget also includes $2.9 million to oversee certain DOE waste-incidental-to-reprocessing determinations and plans consistent with the NRC's responsibilities in the Ronald W. Reagan National Defense Authorization Act for FY 2005.

Spent Fuel Storage and Transportation

The NRC's FY 2007 budget includes $26.5 million to support regulatory oversight, including licensing and inspection for spent fuel storage and radioactive material transportation activities; address emergent technical issues, such as moderator exclusion; undertake rulemaking changes to maintain the comparability of NRC, Department of Transportation, and International Atomic Energy Agency transport regulations; and conduct research to develop technical bases for transportation of high-burnup fuels and for thermal analyses of cask designs.

Financing NRC's Budget

The Energy Policy Act of 2005 has three provisions that affect the NRC's user fees and annual charges. These provisions authorize NRC to charge user fees to other Federal agencies, make permanent the NRC's authority to collect 90 percent of its budget authority in user fees and annual charges, and remove the NRC's generic homeland security costs from the fee base. The first provision will become effective with issuance of the NRC's FY 2006 Fee Rule. The remaining two provisions will take effect October 1, 2006. Based on these provisions, the NRC's FY 2007 budget provides for 90 percent fee recovery less appropriations from the Nuclear Waste Fund, appropriations to implement section 3116 of the Ronald W. Reagan National Defense Authorization Act of FY 2005, and generic homeland security costs. Thus, the NRC's FY 2007 budget would be

financed as follows: $627.7 million from user fees, $107.9 million from the General Fund, and $41.0 million from the Nuclear Waste Fund.

NRC FINANCING
(Dollars in Thousands)

	FY 2005	FY 2006	FY 2007
Budget Authority	669,262	741,512	776,554
Offsetting Fees	540,688	624,667	627,658
Net Appropriated			
Nuclear Waste Fund	68,498	45,657	40,982
General Fund (Off Fee Base)*	60,076	71,188	107,914
Total Net Appropriated	**128,574**	**116,845**	**148,896**

*For FY 2007, this includes $35.308 million for generic homeland security and $2.867 million for WIR activities.

PROPOSED FY 2007 APPROPRIATIONS LEGISLATION

The NRC's proposed appropriations legislation for FY 2007 is as follows:

Salaries and Expenses

For necessary expenses of the Commission in carrying out the purposes of the Energy Reorganization Act of 1974, as amended, and the Atomic Energy Act of 1954, as amended, including official representation expenses (not to exceed $19,000), $768,410,000 to remain available until expended: Provided, that of the amount appropriated herein, $40,981,840 shall be derived from the Nuclear Waste Fund: Provided further, that revenues from licensing fees, inspection services, and other services and collections estimated at $620,328,000 in FY 2007 shall be retained and used for necessary salaries and expenses in this account, notwithstanding 31 U.S.C. 3302, and shall remain available until expended: Provided further, that the sum herein appropriated shall be reduced by the amount of revenues received during FY 2007 so as to result in a final FY 2007 appropriation estimated at not more than $148,082,000.

Office of the Inspector General

For necessary expenses of the Office of the Inspector General in carrying out the provisions of the Inspector General Act of 1978, as amended, $8,144,000 to remain available until September 30, 2008: Provided, that revenues from licensing fees, inspection services, and other services and collections estimated at $7,330,000 in FY 2007 shall be retained and be used for necessary salaries and expenses in this account, notwithstanding 31 U.S.C. 3302, and shall remain available until September 30, 2008; Provided further, that the sum herein appropriated shall be reduced by the amount of revenues received during FY 2007 so as to result in a final FY 2007 appropriation estimated at not more than $814,000.

Analysis of Proposed FY 2007 Appropriations Legislation

The analysis of the NRC's proposed appropriations legislation for FY 2007 is as follows:

Salaries and Expenses

1. FOR NECESSARY EXPENSES OF THE COMMISSION IN CARRYING OUT THE PURPOSES OF THE ENERGY REORGANIZATION ACT OF 1974, AS AMENDED, AND THE ATOMIC ENERGY ACT OF 1954, AS AMENDED:

   42 U.S.C. 5841 et seq.

   The NRC was established by the Energy Reorganization Act of 1974, as amended (42 U.S.C. 5801 et seq.). This act abolished the Atomic Energy Commission (AEC) and transferred to the NRC all of the AEC's licensing and related regulatory functions. These

functions included those of the Atomic Safety and Licensing Board Panel and the Advisory Committee on Reactor Safeguards; responsibilities for licensing and regulating nuclear facilities and materials; and conducting research for the purpose of confirmatory assessment related to licensing, regulation, and other activities, including research related to nuclear materials safety and regulation under the provisions of the Atomic Energy Act of 1954, as amended (42 U.S.C. 2011 et seq.).

2. INCLUDING OFFICIAL REPRESENTATION EXPENSES:

47 Comp. Gen. 657, 43 Comp. Gen. 305

This language is required because of the established rule restricting an agency from charging appropriations with the cost of official representation unless the appropriations involved are specifically available therefor. Congress has appropriated funds for official representation expenses to the NRC and its predecessor, the Atomic Energy Commission, each year since FY 1950.

3. TO REMAIN AVAILABLE UNTIL EXPENDED:

31 U.S.C. 1301 provides that no regular, annual appropriation shall be construed to be permanent or available continuously unless the appropriation expressly provides that it is available after the fiscal year covered by the law in which it appears.

4. SHALL BE DERIVED FROM THE NUCLEAR WASTE FUND:

42 U.S.C. 10131(b)(4) provides for the establishment of a Nuclear Waste Fund to ensure that the costs of carrying out activities relating to the disposal of high-level radioactive waste and spent nuclear fuel will be borne by the persons responsible for generating such waste and spent fuel.

42 U.S.C. 10222(a)(4) provides that the amount of fees paid into the Nuclear Waste Fund by generators or owners of such waste and spent fuel shall be reviewed annually to determine if any adjustments are needed to ensure full cost recovery.

42 U.S.C. 10134 specifically requires the NRC to consider an application for a repository for the disposal of high-level radioactive waste and spent nuclear fuel and sets forth certain licensing procedures. 42 U.S.C. 10133 also assigns review responsibilities to the NRC in the steps leading to submission of the license application. Thus, the Nuclear Waste Policy Act of 1982, as amended, establishes the NRC's responsibility throughout the repository

siting process, culminating in the requirement for NRC licensing as a prerequisite to construction and operation of the repository.

42 U.S.C. 10222(d) specifies that expenditures from the Nuclear Waste Fund can be used for purposes of radioactive waste disposal activities, including identification, development, licensing, construction, operation, decommissioning, and post-decommissioning maintenance and monitoring of any repository constructed under the Nuclear Waste Policy Act of 1982, and for administrative costs of the high-level radioactive waste disposal program.

5. REVENUES FROM LICENSING FEES, INSPECTION SERVICES, AND OTHER SERVICES AND COLLECTIONS SHALL BE RETAINED AND USED FOR NECESSARY SALARIES AND EXPENSES IN THIS ACCOUNT, NOTWITHSTANDING 31 U.S.C. 3302, AND SHALL REMAIN AVAILABLE UNTIL EXPENDED:

Under Title V of the Independent Offices Appropriation Act of 1952, the NRC is authorized to collect license fees. Pursuant to 31 U.S.C. 9701, any person who receives a service or thing of value from the Commission shall pay fees to cover the NRC's cost in providing such service or thing of value.

Pursuant to 42 U.S.C. 2213, the NRC is required to assess and collect annual charges from NRC licensees and certificate holders, except for the holders of any license for a Federally owned research reactor used primarily for educational training and academic research purposes. In accordance with amendments to 42 U.S.C. 2213, enacted in the Energy Policy Act of 2005, the aggregate annual amount of such charges approximate 90 percent of the Commission's budget authority, less any amount appropriated to the Commission from the Nuclear Waste Fund, funds appropriated to implement Section 3116 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, and amounts appropriated to the Commission for generic homeland security activities.

Section 3116 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, P.L. 108-375, assigns new responsibilities to NRC for waste determinations and monitoring of waste disposal actions for material stored at Department of Energy sites in South Carolina and Idaho. Section 3116(b)(4) requires that, beginning with the FY 2006 budget, the Commission include in its budget justification materials submitted to Congress the amounts required, not offset by revenues, for performance of its responsibilities under Section 3116. The $2,867,000 requested to implement Section 3116 is excluded from NRC's fee recovery requirements.

Section 637 of the Energy Policy Act of 2005, P.L. 109-190, modifies NRC's user fee legislation in 42 U.S.C. 2213 to exclude from license fee recovery the amounts appropriated to the Commission for generic homeland security activities, except reimbursable costs of fingerprinting and background checks and the costs of conducting security inspections. The $35,308,160 requested for generic homeland security activities is excluded from NRC's fee recovery requirements.

The aggregate amount of license fees and annual charges to be collected for FY 2007 approximate 90 percent of the Commission's budget authority, less the amount requested to be derived from the Nuclear Waste Fund, the amount requested to implement Section 3116 of P.L. 108-375, and amounts requested for generic homeland security activities pursuant to Section 637 of P.L. 109-190.

31 U.S.C. 3302 requires the NRC to deposit all revenues collected to miscellaneous receipts of the Treasury unless specifically authorized by law to retain and use such revenues.

6. THE SUM HEREIN APPROPRIATED SHALL BE REDUCED BY THE AMOUNT OF REVENUES RECEIVED:

Pursuant to 42 U.S.C. 2213, the NRC is required to assess and collect annual charges from NRC licensees and certificate holders, with the exception of the holders of any license for a Federally owned research reactor used primarily for educational training and academic research purposes. In accordance with amendments to 42 U.S.C. 2213, enacted in the Energy Policy Act of 2005, the aggregate annual amount of such charges approximate 90 percent of the Commission's budget authority, less any amount appropriated to the Commission from the Nuclear Waste Fund, funds appropriated to implement Section 3116 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, and amounts appropriated to the Commission for generic homeland security activities.

Inspector General

7. FOR NECESSARY EXPENSES OF THE OFFICE OF THE INSPECTOR GENERAL IN CARRYING OUT THE PROVISIONS OF THE INSPECTOR GENERAL ACT OF 1978, AS AMENDED:

Public Law 95-452, 5 U.S.C. app., as amended by Public Law 100-504

Public Law 100-504 amended Public Law 95-452 to establish the Office of the Inspector General in the NRC effective April 17, 1989, and to require the establishment of a separate appropriation account to fund the Office of the Inspector General.

PROPOSED FY 2007 APPROPRIATIONS LEGISLATION

8. TO REMAIN AVAILABLE UNTIL SEPTEMBER 30, 2008:

   31 U.S.C. 1301 provides that no regular, annual appropriation shall be construed to be permanent or available continuously unless the appropriation expressly provides that it is available after the fiscal year covered by the law in which it appears.

9. REVENUES FROM LICENSING FEES, INSPECTION SERVICES, AND OTHER SERVICES AND COLLECTIONS SHALL BE RETAINED AND USED FOR NECESSARY SALARIES AND EXPENSES IN THIS ACCOUNT, NOTWITHSTANDING 31 U.S.C. 3302, AND SHALL REMAIN AVAILABLE UNTIL EXPENDED:

   Under Title V of the Independent Offices Appropriation Act of 1952, the NRC is authorized to collect license fees. Pursuant to 31 U.S.C. 9701, any person who receives a service or thing of value from the Commission shall pay fees to cover the NRC's cost in providing such service or thing of value.

   Pursuant to 42 U.S.C. 2213, the NRC is required to assess and collect annual charges from NRC licensees and certificate holders, except for the holders of any license for a Federally owned research reactor used primarily for educational training and academic research purposes. In accordance with amendments to 42 U.S.C. 2213, enacted in the Energy Policy Act of 2005, the aggregate annual amount of such charges approximate 90 percent of the Commission's budget authority, less any amount appropriated to the Commission from the Nuclear Waste Fund, funds appropriated to implement Section 3116 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, and amounts appropriated to the Commission for generic homeland security activities. 31 U.S.C. 3302 requires the NRC to deposit all revenues collected to miscellaneous receipts of the Treasury unless specifically authorized by law to retain and use such revenue.

10. THE SUM HEREIN APPROPRIATED SHALL BE REDUCED BY THE AMOUNT OF REVENUES RECEIVED:

    Pursuant to 42 U.S.C. 2213, the NRC is required to assess and collect annual charges from NRC licensees and certificate holders, except for the holders of any license for a Federally owned research reactor used primarily for educational training and academic research purposes. In accordance with amendments to 42 U.S.C. 2213, enacted in the Energy Policy Act of 2005, the aggregate annual amount of such charges approximate 90 percent of the

Commission's budget authority, less any amount appropriated to the Commission from the Nuclear Waste Fund, funds appropriated to implement Section 3116 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, and amounts appropriated to the Commission for generic homeland security activities.

NUCLEAR REACTOR SAFETY

The Nuclear Reactor Safety program encompasses all NRC efforts to ensure that civilian nuclear power reactor facilities and research and test reactors are licensed and operated in a manner that adequately protects the environment and the health and safety of the public and protects against radiological sabotage and theft or diversion of special nuclear materials. The Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974, as amended, are the foundation for NRC's regulation of the Nation's civilian nuclear power industry. These efforts include reactor licensing (including power uprates and license transfers, operator licensing, regulation development, operating experience evaluation, and financial assurance), rulemaking, reactor license renewal, new-reactor licensing, reactor inspection and performance assessment (including emergency preparedness and incident response, reactor technical and regulatory training, imposition of enforcement sanctions for violations of NRC requirements, and investigation of alleged wrongdoing by licensees, applicants, contractors, or vendors), reactor regulatory research, homeland security activities (including threat assessment, safeguards and security reviews and inspections, force-on-force exercises, and regulatory infrastructure), and international efforts to enhance domestic and global nuclear safety.

NUCLEAR REACTOR SAFETY

Budget Overview

Summary	FY 2005 Enacted	FY 2006 Enacted	FY 2007 Request	FY 2007 Change From FY 2006
Budget Authority by Major Program ($K)				
Program Salaries and Benefits	218,858	253,447	261,122	7,675
Program Contract Support and Travel	99,002	111,337	128,587	17,250
Subtotal Program	317,860	364,784	389,709	24,925
Infrastructure and Support Salaries and Benefits	52,085	58,913	65,599	6,686
Infrastructure and Support Contract Support and Travel	74,591	91,477	108,005	16,528
Subtotal Infrastructure and Support Allocation	126,676	150,390	173,604	23,214
Total Budget Authority	**444,536**	**515,174**	**563,313**	**48,139**
Program FTE	1,700	1,839	1,877	38
Infrastructure and Support FTE	441	477	495	18
Total FTE	**2,141**	**2,316**	**2,372**	**56**

The budget request of $563.3 million and 2,372 FTE for the Nuclear Reactor Safety program area supports the regulatory oversight of 104 civilian nuclear power reactors that are currently licensed to operate. Continuing industry interest and national policy initiatives such as the Department of Energy Nuclear Power 2010 program means that a significant level of effort will be needed to support new-reactor licensing reviews in FY 2007. In FY 2007, resources increase by $48.1 million primarily to support new-reactor licensing activities and an increase in infrastructure and support costs.

Of the total increases, $38.5 million is for the Reactor Licensing program and $9.6 million for the Reactor Inspection program, including infrastructure and support costs as shown in the table below. The increase in the Reactor Licensing program is primarily for regulating the design, construction, and operation of new commercial nuclear power facilities. The resource estimates are based on interaction with industry on three combined operating license pre-applications, reviewing one combined operating license application, completing preparations to review multiple combined license applications, conducting technical and environmental reviews and mandatory hearings for five early site permit applications, reviewing one standard reactor design application, and conducting pre-application review activities for four other standard reactor designs. Further, the increase supports review of license renewal applications based on industry schedules. The increases are offset by a decrease in licensing tasks due to completion of work and a five percent efficiency gain,

and a decrease in homeland security licensing activities due to the completion of independent assessments of power reactor licensees responses to security requirements.

The increase in the Reactor Inspection program is primarily due to infrastructure and support costs and for targeted improvements such as initiatives for State emergency preparedness, force-on-force followup exercises, and the Incident Response Improvement Plan.

BUDGET AUTHORITY AND FULL-TIME EQUIVALENTS BY PROGRAM

Summary	FY 2005 Enacted	FY 2006 Enacted	FY 2007	
			FY 2007 Request	Change From FY 2006
Budget Authority by Program ($K)				
Reactor Licensing	261,126	302,776	341,275	38,499
Reactor Inspection	183,410	212,398	222,038	9,640
Total Budget Authority	**444,536**	**515,174**	**563,313**	**48,139**
FTE by Program				
Reactor Licensing	1,128	1,249	1,292	43
Reactor Inspection	1,013	1,067	1,080	13
Total FTE	**2,141**	**2,316**	**2,372**	**56**

Justification of Program Requests

The Nuclear Reactor Safety program is discussed in the following pages.

REACTOR LICENSING

Summary	FY 2005 Enacted	FY 2006 Enacted	FY 2007 Request	FY 2007 Change From FY 2006
Budget Authority by Program ($K)				
Program Resources	195,804	222,251	245,717	23,466
Infrastructure and Support	65,322	80,525	95,558	15,033
Total Budget Authority	**261,126**	**302,776**	**341,275**	**38,499**
Program FTE	893	984	1,014	30
Infrastructure and Support FTE	235	265	278	13
Total FTE	**1,128**	**1,249**	**1,292**	**43**

Introduction. The NRC's Reactor Licensing activities support the agency's FY 2004-FY 2009 Strategic Plan goals of Safety, Security, Openness, and Effectiveness, which are discussed in detail in Chapter 5 of this document. The following describes major highlights for the Reactor Licensing FY 2007 activities.

FY 2007 Activities. (1) Safety: The NRC is responsible for overseeing the licenses of 104 nuclear power reactors and 35 research and test reactors and for regulating the design, construction, and operation of new commercial nuclear power facilities (including reviewing new-reactor design certifications, early site permits, and operating licenses for commercial power facilities). The NRC is also responsible for developing regulations for the safe operation of nuclear facilities and ensuring adequate protection of workers, the public, and the environment.

In FY 2007, the agency will complete 1,500 licensing actions to amend existing licenses (including approximately 10 requests to increase the power generating capacity of specific reactors) and 500 other licensing tasks to address issues that do not require a license amendment. The activities include legal advice and representation for these reactor licensing actions. The NRC will screen and evaluate approximately 3,000 reports on events at power reactors in FY 2007. The NRC will work on approximately 12 active rulemakings and issue 3 proposed rules and 3 final rules per year for the safe operation of reactors, including rules to increase the effectiveness of regulations and move the agency towards more risk-informed and/or performance-based regulation. To ensure continued safety, the NRC will oversee 35 research and test reactors and the associated 300 reactor operators.

The NRC conducts reactor safety research to ensure that licensees safely design, construct, and operate civilian nuclear reactor facilities. The NRC will work on probabilistic risk analyses and applications and on research activities to support risk-informing the agency's regulations, technical standards, and oversight practices. These activities may involve changing agency procedures and

documents, regulatory guides, and standard review plans. To assess and maintain reactor and system codes, the NRC will develop experimental data to assess computer codes used in the safety analyses of reactor facilities in the areas of thermal-hydraulics, fuel behavior, severe accidents, and neutronics. The NRC continues to conduct a systematic assessment of potential generic issues and address their resolution through the Generic Issues Program. The NRC's research will focus more on aging of reactor materials; use of digital systems in power reactors; fire risk assessment, including fire PRA, fire dynamics modeling, fire-induced spurious operation of associated circuits; confirmatory fire research testing; and increased support of the agency's Reactor Oversight Program. NRC's research will also support a risk-informed and performance-based revision to 10 CFR Part 50. An updated analysis of the consequences of nuclear power severe accidents will be undertaken using realistic methods to provide the basis for technical and policy decisions on risk-informed regulation, emergency planning, and spent fuel storage.

In response to renewed interest in building nuclear power reactors, the NRC will conduct pre-licensing and licensing reviews. The NRC will conduct technical reviews and mandatory hearings for 5 early site permit applications. Additionally, the NRC will review one standard design certification application and will conduct pre-application review activities for four other reactor designs. The NRC also expects to review three combined operating license pre-applications and one combined operating license application. The NRC will continue to develop and update the agency's regulatory infrastructure to prepare for the reviews of multiple COL applications and new-reactor designs. These efforts will include the development and update of regulatory guidance, the construction inspection program, and analytical tools, experimental data, and bases for regulatory guidance documents to support review of new-reactor designs. Technical development activities for new-reactor licensing will focus on design-specific technical tools, data, and expertise, such as computer code development and modeling needed to support design certification and pre-application reviews. Design-specific technical development focuses primarily on the areas of thermal hydraulic, severe accident, and nuclear analyses. Research will also focus on developing crosscutting tools, data, and expertise applicable to a broader range of light water reactors (LWRs) and non-LWRs, specifically in the areas of probabilistic risk assessment, seismic, mechanical and structural analyses, digital instrumentation and control, and human reliability. In addition, NRC will continue to support the development of the technical basis for a risk-informed regulatory structure for new-reactor licensing, on a timeframe with expected license applications.

As a part of its responsibility to oversee the licenses of the 104 nuclear power reactors, the NRC reviews license renewal applications to determine whether a reactor can continue to operate safely beyond its original 40-year operating life for up to an additional 20 years. The resource estimates are based on the number and timing of the applications and a 22-month cycle (30 months if there is a hearing) for completing each of the reviews. Nonstandard license renewal applications are completed according to the schedule agreed upon with the applicant. As of December 2005, the Commission has renewed the operating licenses for 39 of the existing 104 nuclear power reactors. In FY 2007, the NRC expects to begin reviewing six new renewal applications and to complete the

reviews of two applications. The staff will review the licensees' applications and supporting documentation, conduct independent evaluations of the safety and environmental issues associated with extended reactor operation, and conduct inspections to verify information in the application and the licensees' activities for managing reactor aging.

The NRC will also conduct international activities that encompass international nuclear policy formulation, treaty implementation, nuclear proliferation deterrence, international safety and safeguards assistance, and cooperative nuclear safety research assistance. The activities include participation in a wide range of mutually beneficial international information exchange programs and meetings to develop international nuclear regulatory policy and approaches for the safe and secure use of nuclear material for peaceful purposes. The NRC will also participate in activities to enhance U.S., foreign, and global nuclear safety through its bilateral programs and multilateral organizations, such as the International Atomic Energy Agency (IAEA) and the Nuclear Energy Agency (NEA). The NRC will support new initiatives for nuclear safety cooperation with other foreign governments, including India and Pakistan.

(2) Security: The NRC will continue to enhance security through safeguards and security licensing reviews and threat assessments. The activities will include physical protection reviews, coordination with intelligence and law enforcement agencies on threats to licensed facilities, and coordination with the Department of Homeland Security and other Federal and State agencies to integrate response planning. The activities will also include the incorporation of revisions to the design basis threat (DBT) into security plans, technical support for rulemaking, development of regulatory guidance, completion of security assessments and implementation of appropriate mitigation strategies, and the resolution of policy and technical issues related to nuclear security and safeguards at reactor facilities.

Change from FY 2006. Programmatic resources increase primarily to support new-reactor licensing and technical development activities, including the review of five early site permit applications, four standard design pre-applications, one standard design application, three combined operating license pre-applications, and one combined operating license application. The technical development activities for new-reactor licensing will focus on development of design-specific technical tools, data and expertise for design certification and pre-application reviews, and on developing cross-cutting tools, data, and expertise that will be applicable to a broader range of LWRs and non-LWRs (including high temperature gas reactors and small secure reactors). The budget also contains funds for risk informing Part 50 and reviewing up to 12 license renewal applications. The increases are partially offset by a decrease in licensing tasks primarily due to a five percent efficiency gain and the expected completion of rulemaking activities, and a decrease in homeland security licensing activities due to the completion of independent assessments of power reactor licensees responses to security requirements.

Program Assessment Rating Tool (PART). In developing the FY 2007 Budget, the NRC reviewed the Reactor Licensing activity in FY 2005. OMB rated this program as moderately effective with an overall score of 74 percent in FY 2005. In general, the program earned high scores for having ambitious goals and being well-managed. The following table describes the status of actions taken to respond to OMB recommendations for improving the Reactor Licensing activity:

Recommendation	Completion Date	On Track (Y/N)	Comments on Status
(1) Develop efficiency measures and procedures to systematically measure, monitor, and achieve efficiencies, as well as targets that are more ambitious and demonstrate continuous improvement.	September 2006	Y	The Reactor Licensing program has implemented a number of cost efficiency measures to help achieve its program goals. In FY 2006, the program will reduce the average time spent conducting reactor license amendment reviews by at least five percent compared to the historical average while maintaining cost and quality at or above FY 2005 level. In FY 2007, the program will implement process enhancements to permit improvement of rulemaking petition timeliness by five percent. Also in FY 2007, the program will achieve an average five percent reduction in license renewal resources for applications completed during the year. Further, in the FY 2008 Performance Budget cycle, the program is re-evaluating its performance measures to ensure that they are challenging in achieving its program goals.
(2) Align operating, leadership, and employee performance plans with the performance budget and strategic plan. Resource needs will be clearly tied to achieving annual and agency long-term goals.	October 2006	Y	The Office of Nuclear Reactor Regulation Annual Operating Plan is currently configured to align activities with the performance measure and agency goals that they support. Operating Plan goals have been incorporated in Senior Executive Service performance contracts for several years, and in FY 2006, they were included in first level supervisor performance plans for the first time. Regarding resource allocations, as part of the NRC budget process, activities are ranked by their contributions to the various strategic goals so that resource decisions can be informed by the relative significance of the activities.
(3) Secure a regularly scheduled independent assessment, including evaluation of annual and long term performance measures, effectiveness of strategic planning, and effectiveness and efficiency of program management. For the purposes of the PART assessment, the independent evaluation will adhere to the relevant requirements as presented in OMB Circular A-11.	September 2006	Y	The NRC's Inspector General has expressed a willingness to consider scheduling program evaluations as potential audit areas in order to inform future PART reviews. In the event that the OIG is unable to assess the program subject to an upcoming PART review, the NRC is exploring how other Federal agencies address independent program evaluations to determine if there are other cost effective means of conducting such evaluations. The NRC will determine an approach for conducting regularly scheduled independent assessments for PART programs.

NUCLEAR REACTOR SAFETY

Strategic Outcomes and Performance Measures. The Reactor Licensing activities support a number of the agency's Strategic Outcomes and performance measures, described in detail in chapters 5 and 6 of this document. Specifically, Reactor Licensing activities support the Safety goal Strategic Outcomes number 1.1, 1.3, 1.4, and 1.5, and performance measures 1, 2, 3, 4, 5, and 6; Security goal Strategic Outcome 2.1, and performance measures 1, 2, and 3; Openness goal Strategic Outcome 3.1, and performance measures 1 and 2; and, Effectiveness goal Strategic Outcome 4.1, and performance measures 1, 2, and 3.

Output Measures. The requested resources will support agency efforts to achieve the output targets in the following tables. The tables provide historical performance data on the FY 2002 measures (if available). The most significant accomplishments in FY 2005 for this program are listed after the tables.

Output Measure: Licensing actions completed per year.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Complete 1,500 licensing actions.	Complete 1,500 licensing actions, including conversions to improved Standard Technical Specifications.	Complete 1,500 licensing actions, including conversions to improved Standard Technical Specifications.	Complete 1,500 licensing actions, including conversions to improved Standard Technical Specifications.	Complete 1,500 licensing actions, including conversions to improved Standard Technical Specifications.	Complete 1,500 licensing actions, including conversions to improved Standard Technical Specification
Actual:	1,560 completed.	1,774 completed.	1,741 completed.	1,609 completed.		
This measure supports performance measure 3 of the Effectiveness Goal, while maintaining Safety and Security.						

Output Measure: Age of licensing action inventory, except for license renewal requests and improved standard technical specifications conversions.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	96% ≤1 year 100% ≤2 years	96% ≤1 year 100% ≤ 2 years	96% ≤1 year 100% ≤2 years	90% ≤1 year 100% ≤2 years	96% ≤1 year 100% ≤2 years	96% ≤1 year 100% ≤2 years
Actual:	96.5% ≤1 year 100% ≤2 years	96.3% ≤1 year 100% ≤2 years	91% ≤1 year 100% ≤2 years	92.6% ≤1 year 99.9% ≤2 years		
This measure supports performance measure 3 of the Effectiveness Goal, while maintaining Safety and Security.						

Output Measure: Other licensing tasks completed per year.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Complete 550 other licensing tasks.	Complete 350 other licensing tasks.	Complete 350 other licensing tasks.	Complete 500* other licensing tasks.	Complete 500 other licensing tasks.	Complete 500 other licensing tasks.
Actual:	426	500	671	715		
*The target increases to reflect the significant increase in the inventory as a result of generic communications initiated in FY 2004.						
This measure supports performance measure 3 of the Effectiveness Goal, while maintaining Safety and Security.						

Output Measure: Timeliness of completing actions on critical research programs.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2002.	85% of major milestones met on or before their due date.	85% of major milestones met on or before their due date.	85% of major milestones met on or before their due date.	85% of major milestones met on or before their due date.	85% of major milestones met on or before their due date.
Actual:	N/A	80% across programs.*	90% across programs.	81% across programs.**		
Critical research programs typically respond to high-priority needs from the Commission and NRC's licensing organizations. Critical research program needs are the highest priority needs identified at the beginning of each fiscal year. The NRC is developing a quality assessment process consistent with that proposed by the National Academy of Sciences, Committee on Science, Engineering, and Public Policy, in its report, "Evaluating Federal Research Programs: Research and the Government Performance and Results Act." The quality assessment process will include 1) surveying end-users to determine the usability and value-added of the product, and 2) feedback from the Advisory Committee on Reactor Safeguards on research programs and products. As appropriate, other mechanisms will be developed and added to this process to measure the quality of research products. NRC will use this new process to develop a performance measure baseline during FY 2006. Performance will be measured against the FY 2006 baseline in FY 2007. It is anticipated that the initial performance targets for FY 2007 will be defined by the end of CY 2006. *The target was not met as a result of unanticipated critical research needs and emergent work of equal priority. **The target was not met as a result of unanticipated emerging work with priorities and schedules equivalent to existing critical research programs.						
This measure supports performance measure 3 of the Effectiveness Goal, while maintaining Safety and Security.						

Output Measure: Complete license renewal application reviews. FY target: Complete major milestones in accordance with the approved schedules to support completion of license renewal application reviews within 30 months from receipt of the application to a decision if a hearing is conducted (22 months without a hearing). Complete all non-standard license renewal application reviews within the schedule agreed upon with the applicant.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Complete major milestones for 2 applications.	Complete major milestones for 3 applications.	Complete major milestones for 4 applications.	Complete major milestones for 4 applications.	Complete major milestones for 4 applications.	Complete major milestones for 3 applications.
Actual:	Milestones completed for 2 applications.	Milestones completed for 3 applications.	Milestones completed for 6 applications.	Milestones completed for 4 applications.		
This measure supports performance measure 3 of the Effectiveness Goal, while maintaining Safety and Security.						

Output Measure: Review early site permit applications within the schedules agreed upon with the applicants.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2003.	Begin review of 2 applications.	Begin review of 1 application. Issue requests for additional information (RAIs) for 1 application.	Issue draft safety evaluation report (SER) and draft environmental impact statement (EIS) for 3 applications. Issue final SER report for 1 application.	Issue final SER for 2 applications and final EIS for 3 applications. Begin review of Southern Nuclear ESP application.	Begin review of 1 application. Complete milestones for Southern Nuclear ESP review.
Actual:	N/A	Began review of 2 applications.	Began review of 1 application. Issued RAIs for 3 applications.	Issued draft SER and EIS for 3 applications, and final SER for 1 application.		
This measure supports performance measure 3 of the Effectiveness Goal, while maintaining Safety and Security.						

Output Measure: Review design certification applications within the schedules agreed upon with the applicants.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2003.	Issue draft SER for AP1000.	Issue the final SER for AP1000 design certification review.	Complete milestones necessary to complete AP1000 design certification rulemaking in FY 2006. Begin ESBWR design certification review.	Complete milestones necessary to complete ESBWR design certification.	Complete milestones necessary to complete ESBWR design certification review. Issue the draft SER for ESBWR.
Actual:	N/A	Issued draft SER for AP1000.	Issued final SER and final design approval for AP1000.	Completed milestones necessary to complete AP1000 design certification rulemaking in FY 2006. Began ESBWR design certification application review.		
This measure supports performance measure 3 of the Effectiveness Goal, while maintaining Safety and Security.						

Output Measure: Conduct pre-application activities within the schedules agreed upon with the prospective applicants (General Electric [GE], Atomic Energy of Canada, Limited [AECL], Framatone, PBMR, and Westinghouse).						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2003.	Conduct pre-application activities for 6 reactor designs (ACR-700, ESBWR, GT-MHR, SWR 1000, IRIS, and PBMR).	Conduct pre-application activities for 4 reactor designs (ACR-700, ESBWR, IRIS, and PBMR).	Conduct pre-application activities for 5 reactor designs (ESBWR, IRIS, ACR-700, EPR and PBMR).	Conduct pre-application activities for 4 reactor designs (IRIS, EPR, ACR-700, and PBMR).	Conduct pre-application activities for 4 reactor designs (EPR, ACR-700, IRIS, and PBMR).
Actual:	N/A	Conducted pre-application activities for 2 reactor designs (ACR-700 and ESBWR).	Conducted pre-application activities for 4 reactor designs.	Conducted pre-application activities for 5 reactor designs (ESBWR, IRIS, ACR-700, EPR, and PBMR).		
This measure supports performance measure 3 of the Effectiveness Goal, while maintaining Safety and Security.						

Output Measure: Review combined license (COL) applications within the schedules agreed upon with the applicants.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New output measure in FY 2006.				Begin pre-COL application interactions with perspective COL applicant.	Complete milestones associated with first year of one COL application review.
Actual:	N/A	N/A	N/A	N/A		
This measure supports performance measure 3 of the Effectiveness goal, while maintaining Safety and Security.						

Output Measure: Complete regulatory infrastructure improvements needed to ensure new facilities are safely constructed and to improve the efficiency and effectiveness of new-reactor licensing.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target::	New measure in FY 2003	Construction inspection program: issue inspection manual chapter (IMC) for early site permits (ESPs). Rulemaking: conduct technical resolution activities for issues such as (Alternate Site Review) Part 51, Tables S3 and S4, and Part 50, Appendix 1. - Issue ESP Review Standard for public comment.	Construction inspection program: complete inspection guidance for early site permits; issue construction inspection program (CIP) framework document for comment. Issue final ESP review standard.	Issue Inspection Manual Chapters for combined operating license; inspections, tests, analyses and acceptance criteria (ITAAC); and non-ITAAC inspections. Issue draft technology-neutral regulatory framework document.	Begin development/ revision of high priority inspection procedures; complete identification of ITAAC inspection samples for AP1000; complete design of construction inspection program information management system (CIPIMS); and issue draft regulatory guidance for combined operating license applications.	Finish issuing all construction inspection procedures and complete field testing of CIPIMS and rollout to regions.
Actual:	N/A	Issued IMC for ESPs. Deferred rulemaking activities to FY 2007. Issued ESP review standard for public comment.	Completed inspection guidance for ESPs. Issued CIP framework document. Issued final ESP review standard.	Issued draft technology-neutral regulatory framework document. Additional developments to be determined.		
This measure supports performance measure 3 of the Effectiveness Goal, while maintaining Safety and Security.						

Output Measure: Negotiate and renew bilateral exchange arrangements between NRC and foreign counterparts to ensure that an effective framework for NRC's international exchanges is in place.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Negotiate/ renew 3-6 arrangements.	Negotiate/ renew 3-6 arrangements.	Negotiate/ renew 3-6 arrangements.	Negotiate/ renew 3-6 arrangements.	Negotiate/ renew 3-6 arrangements.*	Negotiate/ renew 3-6 arrangements.
Actual:	Completed 8 arrangements.	Completed 8 arrangements.	Completed 5 arrangements.	Completed 9 arrangements.		
*No arrangements are scheduled to be renewed in FY 2006, but 3-4 new ones are expected to be negotiated.						
This measure supports performance measure 3 of the Effectiveness Goal, while maintaining Safety and Security.						

Output Measure: Reviews of proposed Part 810 licenses proposed by executive branch.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Complete staff reviews within 60 days for cases involving non-nuclear-weapon states.	Complete staff reviews within 60 days for cases involving non-nuclear-weapon states.	Complete staff reviews within 60 days for cases involving non-nuclear-weapon states.	Complete staff reviews within 60 days for cases involving non-nuclear-weapon states.	Complete staff reviews within 60 days for cases involving non-nuclear-weapon states.	Complete staff reviews within 60 days for cases involving non-nuclear- weapon states.
Actual:	Completed staff reviews within 60 days.	Completed staff reviews within 60 days.	Completed staff reviews within 60 days.	Completed staff reviews within 60 days.		
This measure supports performance measure 3 of the Effectiveness Goal, while maintaining Safety and Security.						

FY 2005 Significant Accomplishments

Reactor License Renewal

The agency met or exceeded all milestones for the review of license renewal applications. The agency issued renewed licenses for Dresden Units 2 and 3, Quad Cities Units 1 and 2, Farley Units 1 and 2, Arkansas Nuclear One Unit 2, and Cook Units 1 and 2. The agency conducted safety and environmental reviews of 12 applications for 23 reactors at 13 sites. Efforts to increase public confidence and extend public outreach were an integral part of the agency's license renewal program.

New Reactor Licensing

The agency issued the final safety evaluation for the North Anna early site permit (ESP) application and is continuing its review of the Clinton and Grand Gulf ESP applications. The agency continued its pre-application reviews of the General Electric's E-Simplified Boiling Water Reactor (ESBWR), the Framatome EPR, the Atomic Energy of Canada, LTD, advanced Candu reactor (ACR-700), and the Westinghouse International Reactor Innovative and Secure (IRIS) designs. The agency issued

Inspection Manual Chapter 2502, "Construction Inspection Program: Pre-Combined Operating License (Pre-COL) Phase," and is continuing to develop the regulatory infrastructure for review of COLs and inspection of new-reactor construction. The agency continued its interaction with industry representatives on generic issues associated with licensing new-reactors.

Power Uprates

The agency approved power uprates for four nuclear power plants (three stretch power uprates and one extended power uprate). These power uprates will result in a combined increase of 234 MWe to the Nation's electric generating capacity. The NRC is beginning to implement the use of its newly developed review standard for extended power uprates to help ensure regulatory consistency while effectively and efficiently performing the power uprate reviews. In June 2005, the NRC staff surveyed all licensees to obtain information on whether they planned to submit power uprate applications over the next five years. Based on these surveys, licensees plan to request power uprates for 26 nuclear power plant units over the next five years. If approved, these power uprates will result in an increase of about 1,548 MWe.

Homeland Security

The agency successfully modified its plans, protocols, and procedures during the implementation of the National Response Plan and the National Incident Management System. As part of this effort, the agency developed an emergency preparedness and response improvement initiatives plan designed to enable the agency to upgrade its response and preparedness capabilities. The agency also worked with other Federal agencies (FEMA/DHS) to upgrade the emergency response and incident preparedness capabilities of its facilities through both licensing and regulation.

The NRC issued safety evaluations approving all of the revised security plans for the facilities that the agency licenses. As required by agency orders, all licensees have implemented their revised security plans.

The agency developed a program that permits sharing of classified and sensitive unclassified information with authorized persons.

Reactor Rulemaking

The rulemaking program met or exceeded all milestones for rulemaking. The agency issued a revision of 10 CFR 50.69, "Risk-Informed Categorization and Treatment of Structures, Systems, and components for Nuclear Power Reactors." The agency issued a revision to 10 CFR Part 50, Appendix E, "Emergency Planning and Preparedness for Production and Utilization Facilities," which changed emergency action levels. The agency issued a revision to 10 CFR 50.55a, "Codes and Standards," which referenced several American Society of Mechanical Engineers (ASME) Boiler and Pressure Vessel Codes. As many as 12 rulemaking activities were under development at the same time.

Reactor Safety Research

The NRC completed fire endurance confirmatory testing of the Hemyc and MT Electrical Raceway Fire Barrier Systems (ERFBSs) and published NUREG/CR-6850 (EPRI 1011989), "EPRI/NRC-RES Fire PRA Methodology for Nuclear Power Facilities." The fire barrier endurance testing was intended to confirm that the Hemyc and MT ERFBS were capable of protecting certain equipment needed to achieve a post-fire safe shutdown condition. The Hemyc ERFBS is used as a one-hour fire barrier at approximately eleven nuclear plant sites, while the MT ERFBS is used at approximately two nuclear plant sites as a three-hour fire barrier. As a result of this testing, the NRC determined that all of the tested Hemyc and MT ERFBS configurations failed to meet their acceptance requirements.

To address the test results and ensure that safety is maintained, NRC has taken the following actions. On April 1, 2005, NRC issued IN 2005-07, "Results of Hemyc Electrical Raceway Fire Barrier System Full Scale Fire Testing." This information notice described the results of the NRC-sponsored confirmatory testing of Hemyc. On April 29, 2005, NRC held a public meeting with licensees and interested members of the public to discuss the Hemyc and MT test results, and NRC's intention to take prompt additional regulatory action to ensure that appropriate measures are underway to ensure compliance with 10 CFR 50.48 requirements at affected plants. On July 18, 2005, NRC issued a proposed generic communication entitled, "Impact of Potentially Degraded Hemyc and MT Fire Barriers on Compliance with Approved Fire Protection Programs." The final generic letter is currently being prepared..

NUREG/CR-6850 documents state-of-the-art methods, tools, and data for the conduct of a fire probabilistic risk assessment (PRA) for a nuclear power plant. These methods have been used to develop the fire protection Significance Determination Process, supported the development of a fire risk standard, and will be used to implement the recently issued risk-informed, performance-based fire protection rule. Research activities supporting this report are a significant advancement over previously documented fire PRA methods.

To determine, characterize, and quantify chemical reaction products that may develop in the containment pool in a representative post-LOCA (loss-of-coolant accident) environment, the NRC conducted an integrated chemical effects test (ICET) program in cooperation with the Electric Power Research Institute (EPRI). This program is in response to the concern raised by the Advisory Committee on Reactor Safeguards that corrosion products due to chemical interactions between the emergency core cooling system (ECCS)/containment spray water and exposed materials (such as metal surfaces, paint chips, and fiberglass insulation debris) could impede the performance of the ECCS after a LOCA at a pressurized water reactor plant. The test results indicated that chemical products can form in representative sump environments and can potentially influence the sump head loss. This work provided the technical basis for regulatory actions that are currently being taken by the NRC.

REACTOR INSPECTION

Summary	FY 2005 Enacted	FY 2006 Enacted	FY 2007	
			FY 2007 Request	Change From FY 2006
Budget Authority by Program ($K)				
Program Resources	122,056	142,533	143,992	1,459
Infrastructure and Support	61,354	69,865	78,046	8,181
Total Budget Authority	**183,410**	**212,398**	**222,038**	**9,640**
Program FTE	807	855	863	8
Infrastructure and Support FTE	206	212	217	5
Total FTE	**1,013**	**1,067**	**1,080**	**13**

Introduction. The NRC's Reactor Inspection activities support the agency's FY 2004-FY 2009 Strategic Plan goals of Safety, Security, Openness, and Effectiveness, which are discussed in detail in Chapter 5 of this document. The following describes major highlights for the Reactor Inspection FY 2007 activities.

FY 2007 Activities. *(1) Safety:* The NRC will ensure that the licensees of 104 nuclear power reactors and 35 research and test reactors identify and resolve safety issues before they affect safe plant operation. This program's key elements are Reactor Inspection and Assessment Program Oversight and Management, which include risk-informed baseline inspections, enforcement activities and programs, mid-cycle and end-of-cycle performance reviews, and the continued improvement of the Significance Determination Process (SDP) Notebooks. The inspection process has three major elements: baseline inspections that focus on licensee performance in specific functional areas and on licensee effectiveness in identifying, resolving, and preventing problems; plant-specific supplemental and reactive inspections in response to inspection findings and operational events and inspections such as for the reactivation of Browns Ferry Unit 1; and generic safety issue inspections that address areas of emerging concern or areas requiring increased emphasis because of recurring problems. The NRC will respond to allegations of safety, safeguard, and/or discrimination violations. The NRC will also administer four generic reactor operator fundamental examination sessions per year and 50 site-specific operator licensing examination sessions per year.

The NRC will also work to ensure event response readiness by working closely with other Federal agencies to maintain a highly effective Federal incident response capability for operational events and terrorist events under the National Response Plan and the National Incident Management

System. This work includes activities associated with emergency preparedness aspects of the reactor inspection program. In addition, the NRC will work to enhance the incident response program, including outreach and stakeholder communications, consistent program implementation, and improved responder training and qualification.

The NRC will continue to support agency implementation of the reactor oversight process through various technology and regulatory skills training courses, as identified by offices and regions in the annual needs surveys. Key elements of the training courses and the information technology infrastructure used for reactor simulation and the continued maintenance and replacement of aging computers used in the simulations.

(2) Security: The NRC will enhance and maintain reactor security through inspections and oversight to confirm the adequacy of nuclear reactor security in the current threat environment. Activities will include program development and maintenance, material control and accountability (MC&A) inspections, baseline security inspections, and force-on-force exercises at each nuclear power plant on a three-year cycle to assess security system performance.

Change From FY 2006. Programmatic resource increases are primarily to enhance the efficiency of emergency preparedness and incident response, including three new initiatives (congressional outreach, State emergency preparedness outreach, and an expanded role for regional staff in Regional Assistance Committees), and completing the Incident Response Improvement Plan.

Program Assessment Rating Tool (PART). OMB rated this program as effective with an overall score of 89 in FY 2003 for Budget Year 2005, noting that the purpose was clear and that the program was well-designed and results-oriented. In addition, the program has achieved the long-term strategic goals of preventing radiation-related deaths and illnesses, promoting the common defense and security, and protecting the environment in the use of civilian nuclear reactors. The following table describes the status of actions taken to respond to OMB recommendations for improving the Reactor Inspection activity:

Recommendation	Completion Date	On Track (Y/N)	Comments on Status
(1) Link budget requests more clearly to annual and long-term agency goals.	July 2004	Y	Demonstrated through the issuance of the agency's FY 2004-FY 2009 Strategic Plan. The FY 2006 Performance Plan includes additional measures that more closely tie the outcomes of the Reactor Inspection and Performance Assessment program to the Safety strategic goal. NRC staff will continue to evaluate performance measures in the office operating plans and the Reactor Oversight Process periodic self-assessment and revise them as necessary to support these new safety performance measures.
Next Milestone	**Next Milestone Date**	**Lead Organization**	**Comments on Status**
Complete evaluation of performance measures in the office operating plans and the Reactor Oversight Process periodic self-assessment and revise them as necessary to support these new safety performance measures.	April 2005	Office of Nuclear Reactor Regulation Chief, Inspection Program Branch	Completed. Demonstrated via direct linkage of FY 2005 operating plan performance measures to the NRC FY 2004-FY 2009 Strategic Plan strategies for meeting the Strategic Plan objective and goals. Each of the operating plan's safety performance measures references one or more of the strategic plan strategies for safety.
Recommendation	**Completion Date**	**On Track (Y/N)**	**Comments on Status**
(2) Be more explicit in how resource allocation decisions are made and how safety indicator goals and program goals contributed to achieving the agency's long-term goals.	July 2004	Y	Demonstrated through the issuance of the agency's FY 2004-FY 2009 Strategic Plan. Move to the implementation of costing to NRC's two goals (Safety and Security) in the FY 2004-FY 2009 Strategic Plan beginning with the FY 2006 request. In addition, NRC has also begun using the common prioritization process for establishing the linkage between operational activities, including the resources allocated to support these activities, and the agency's strategic and long-term goals.

Next Milestone	Next Milestone Date	Lead Organization	Lead Official
Complete the NRC's review of operating plan format and content to improve the plan's effectiveness as management tools.	FY 2007	Office of the Executive Director for Operations Assistant for Operations, Office of the Executive Director for Operations	The scope of the project was separated into two phases to address: (1) improvements that could be implemented in the short-term; and (2) improvements that would require longer-term planning and evaluation. The short-term improvement efforts were completed in December 2004 through the development of a performance reporting framework containing common reporting criteria and format. This framework was implemented during the first quarter of FY 2005. The longer-term efforts to improve the efficiency of operating plans are currently being addressed by an agency-wide working group.

In addition, OMB recommended that the program secure a regularly scheduled independent assessment, including evaluation of annual and long term performance measures, effectiveness of strategic planning, and effectiveness and efficiency of program management. For the purposes of the PART assessment, the independent evaluation will adhere to the relevant requirements as presented in OMB Circular A-11. The NRC's Inspector General has expressed a willingness to consider scheduling program evaluations as potential audit areas in order to inform future PART reviews. In the event that the OIG is unable to assess the program subject to an upcoming PART review, the NRC is exploring how other Federal agencies address independent program evaluations to determine if there are other cost effective means of conducting such evaluations. The NRC will determine an approach for conducting regularly scheduled independent assessments for PART programs by September 2006.

Strategic Outcomes and Performance Measures. The Reactor Inspection activities support a number of the agency's Strategic Outcomes and performance measures, described in detail in Chapters 5 and 6 of this document. Specifically, Reactor Inspection activities support the Safety goal Strategic Outcomes number 1.1, 1.3, 1.4, and 1.5, and performance measures 1, 2, 3, 4, 5, and 6; Security goal Strategic Outcome 2.1, and performance measures 1, 2, and 3; Openness goal Strategic Outcome 3.1, and performance measure 1 and 2; and, Effectiveness goal Strategic Outcome 4.1, and performance measures 1, 2, and 3.

Output Measures. The requested resources will support agency efforts to achieve the output targets in the following tables. The tables provide the agency's performance on the measures since FY 2002 (if available). The most significant accomplishments for this program in FY 2005 are listed after the tables.

Output Measure: Number of plants for which the baseline inspection program was completed during the most recently ended inspection cycle.*

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target:	All required baseline inspection procedures are completed at 103 operating reactors.*	All required baseline inspection procedures are completed at 103 operating reactors.*	All required baseline inspection procedures are completed at 103 operating reactors.*	All required baseline inspection procedures are completed at 103 operating reactors.*	All required baseline inspection procedures are completed at 103 operating reactors.*	All required baseline inspection procedures are completed at 104 operating reactors. Assumes the restart of Browns Ferry 1.
Actual:	Completed at all reactors.	Completed at all reactors.	Completed at all reactors.	On schedule for completion by the end of CY 2005.		

*Does not include Browns Ferry Unit 1, which is currently not operating and is not being inspected under the full baseline inspection program. The ROP inspection program is implemented on a calendar-year basis. The most recent inspection cycle ended in December 2004.

This measure supports Safety Goal performance measure number 1-6.

Output Measure: Timeliness of Significance Determination Process (SDP) evaluations.*

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target:	100% completed within 90 days of inspection report issue date.	75% completed within 90 days of inspection report issue date.	80% completed within 90 days of inspection report issue date.	85% completed within 90 days of inspection report issue date.	90% completed within 90 days of inspection report issue date.	90% completed within 90 days of inspection report issue date.
Actual:	70% findings completed within 90 days (27 findings)	73.3% findings completed within 90 days (15 findings).	48.3% findings completed within 90 days (29 findings).**	68% findings completed within 90 days (15 of 22 > green findings).		

*Note that the target will incrementally increase to 90% completed within 90 days of inspection report issue date by FY 2006. The data included in this measure reflect only items that were initially considered as greater-than-green and put through the Significance and Enforcement Review Process (SERP). The measure does not include the vast majority of SDP findings that are promptly dispositioned by the inspection staff without the need for further evaluation. A new target is under development for FY 2007.
**The target was not met in FY 2004 due to a high closure rate of old items. About two-thirds of the 15 untimely items in FY 2004 were greater than 365 days old. The average age of open items dropped from 301 days as of September 30, 2003, to 238 days as of September 30, 2004.

This measure supports Openness Goal performance measure number 2.

NUCLEAR REACTOR SAFETY

Output Measure: Number of operator licensing examinations administered.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Meet licensee demand estimated at 50 initial operator licensing examination sessions and 3 generic fundamentals examination sessions.	Meet licensee demand estimated at 50 initial operator licensing examination sessions and 3 generic fundamentals examination sessions.	Meet licensee demand estimated at 50 initial operator licensing examination sessions and 3 generic fundamentals examination sessions.	Meet licensee demand estimated at 50 initial operator licensing examination sessions and 3 generic fundamentals examination sessions.	Meet licensee demand estimated at 50 initial operator licensing examination sessions and 4 generic fundamentals examination sessions.	Meet licensee demand estimated at 50 initial operator licensing examination sessions and 4 generic fundamentals examination sessions
Actual:	Met licensee demand at 51 initial operator licensing examination sessions and 3 generic fundamentals exam sessions.	Met licensee demand at 61 initial operator licensing examination sessions and 3 generic fundamentals exam sessions.	Met licensee demand at 45 initial operator licensing examination sessions* and 4 generic fundamentals exam sessions.	Met licensee demand at 52 initial operator licensing examination sessions* and 4 generic fundamentals exam sessions.		
*NRC was short of the target of 50 initial operator licensing examination sessions administered for FY 2004 because 11 exams were postponed to FY 2005 at the licensees' request.						
This measure supports performance measure 3 of the Effectiveness Goal, while maintaining Safety and Security.						

Output Measure: Timeliness in completing reviews for technical allegations.						
	FY2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	70% of technical allegations closed within 150 days, and 100% within 360 days.	70% of technical allegations closed within 150 days, 90% within 180 days, and 100% within 360 days	70% of technical allegations closed within 150 days, 90% within 180 days, and 100% within 360 days.	70% of technical allegations closed within 150 days, 90% within 180 days, and 100% within 360 days.	70% of technical allegations closed within 150 days, 90% within 180 days, and 100% within 360 days.	70% of technical allegations closed within 150 days, 90% within 180 days, and 100% within 360 days.
Actual:	84% were closed in less than 150 days, and 100% in less than 360 days.	87% were closed in less than 150 days, 98% in less than 180 days, and 100% in less than 360 days.	90% were closed in less than 150 days, 97% in less than 180 days, and 99% in less than 360 days.*	94% were closed in less than 150 days, 98% in less than 180 days, and 99% in less than 360 days.*		
*One allegation exceeded the target due to an extended review at another Federal agency. **The two allegations involved a review of technically complex issues, equipment used at multiple nuclear facilities, the formation of a special task group, NRC senior management review, and public meeting. Interim action by the NRC included notification of the affected licensees such that appropriate compensatory measures could be taken.						
This measure supports Safety Goal performance measures 5 and 6 and Security Goal performance measures 1, 2, and 3.						

Output Measure: Quality in completing investigations.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	At least 75% of cases brought to a conclusion as substantiated or unsubstantiated.	At least 75% of cases brought to a conclusion as substantiated or unsubstantiated.	90% of cases closed will be brought to a conclusion on the merits as either substantiated or unsubstantiated.	90% of investigations develop sufficient information to reach a conclusion regarding wrongdoing.*	90% of investigations develop sufficient information to reach a conclusion regarding wrongdoing.	90% of investigations develop sufficient information to reach a conclusion regarding wrongdoing.
Actual:	Completed 101 cases of which 97% (98) were substantiated or unsubstantiated.**	Completed 98 cases, of which 96% (94) were substantiated or unsubstantiated.	Completed 124 cases of which 97.5% (121) were substantiated or unsubstantiated.	Completed 88 cases of which 95.5% (84) developed sufficient information to reach a conclusion regarding wrongdoing.		
* Performance measures revised in 3rd Q FY 2002. ** Performance measures revised for FY 2005.						
This measure supports Safety Goal performance measures 5 & 6 and Security Goal performance measures 1, 2, and 3.						

Output Measure: Timeliness in completing investigations - Target 1.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Complete cases on average in 9 months or less. Maintain the average number of cases within the active case inventory for more than 12 months at 9% or less.	80% of cases closed on the merits as substantiated or unsubstanti-ated will be completed in 10 months or less.	80% of cases closed on the merits as substantiated or unsubstanti-ated will be completed in 10 months or less.	80% of investigations which developed sufficient information to reach a conclusion regarding wrongdoing will be completed in 10 months or less.	80% of investigations which developed sufficient information to reach a conclusion regarding wrongdoing will be completed in 10 months or less.	80% of investigations which developed sufficient information to reach a conclusion on wrongdoing will be completed in 10 months or less.
Actual:	Completed 68 cases, of which 93% (63) were substantiated or unsubstantiated within 10 months.	Completed 68 cases, of which 97% (66) were substantiated or unsubstantiated within 10 months.	Completed 69 cases, of which 92.8% (64) were substantiated or unsubstantiated within 10 months.	Completed 84 cases, of which 72.6% (61) developed sufficient information to reach a conclusion regarding wrongdoing were completed in 10 months or less.		
Output Measure: Timeliness in completing investigations - Target 2						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2007.	New measure in FY 2007.	New measure in FY 2007.	New measure in FY 2007.	New measure in FY 2007.	Close 100% of investigations in time to initiate civil and/or criminal enforcement actions.
Actual:	N/A	N/A	N/A	N/A		
These measures support Safety Goal performance measures 5 and 6 and Security Goal performance measures 1, 2, and 3.						

Output Measure: Timeliness in completing assists to staff.*						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2005.	New measure in FY 2005.	New measure in FY 2005.	70% of assists to staff are concluded in < 90 days.	70% of assists to staff are concluded in < 90 days.	70% of assists to staff are concluded in < 90 days.
Actual:	N/A	N/A	N/A	21 assists to staff were completed with 76.2% (16) concluded in < 90 days.		
*Generally, "assists to staff" are cases where the staff has requested OI's investigative expertise in a matter of regulatory concern but which do not involve a specific allegation of wrongdoing.						
This measure supports Safety Goal, performance measure numbers 5 and 6.						

Output Measure: Incident Response Performance Index Measures.*						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	99%	99%	99%	99%	99%	99%
Actual:	100%	100%	100%	100%		
*A performance index has been established to provide a single overall performance measure of the agency's readiness to respond to a nuclear or terrorist emergency situation. The index measures the disparate activities of the Incident Response Program. The index averages the degree to which the program functions, (i.e., 24-hour notification point, response organization staffing, response facility availability, communication reliability - including coordination activities with stakeholders - and response organization training) meet a performance goal of 99%. All of the Incident Response Program performance measures are aligned with one of the program functions to determine how each of the program functions meets the established goal. If the index indicates that any measure is not being met, NRC will initiate appropriate corrective measures.						
This measure supports Security Goal performance measure number 2.						

Output Measure: Numbers and types of reactor technical training courses offered.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	95%	95%	Numbers and types of courses offered will meet 95% of cumulative needs identified by offices and regions in semiannual needs surveys.	95% of identified training needs will be satisfied by training and development opportunities. (reported annually).	95% of identified training needs will be satisfied by training and development opportunities. (reported annually).	95% of identified training needs will be satisfied by training and development opportunities. (reported annually).
Actual:	100%	100%	100%	100%		
This measure supports Management Goal performance measure 2.						

Output Measures: Timeliness in completing enforcement actions.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Investigation cases:* 100% completed within 360 days of NRC processing time.** Non-investigation cases: 100% completed within 180 calendar days.	Investigation cases: 100% completed within 360 days of NRC processing time. Non-investigation cases: 100% completed within 180 calendar days	Investigation cases: 100% completed within 360 days of NRC processing time. Non-investigation cases: 100% completed within 180 days of NRC processing time.	Investigation cases: 100% completed within 360 days of NRC processing time. Non-investigation cases: 100% completed within 180 days of NRC processing time.	Investigation cases: 100% completed within 360 days of NRC processing time. Non-investigation cases: 100% completed within 180 days of NRC processing time.	Investigation cases: 100% completed within 360 days of NRC processing time. Non-investigation cases: 100% completed within 180 days of NRC processing time.
Actual:	Investigation cases: none ≥360 days Non-Investigation cases: none ≥180 days	Investigation cases: none ≥360 days Non-Investigation cases: none ≥180 days	Investigation cases: none ≥360 days Non-Investigation cases: none ≥180 days	Investigation cases: none ≥360 days Non-Investigation cases: none ≥180 days		
*Cases involving investigations normally involve discrimination or other wrongdoing and by their nature and resource intensive and less timely. Accordingly, the performance measure for cases involving investigations allows for more staff time. ** The measuring period starts on the latest of the following dates: (1) inspection exit date, (2) the date the results of an agency investigation are forwarded to the staff, (3) the date that the Department of Justice (DOJ) says NRC may proceed, for cases referred to the DOJ, or (4) the date of the Department of Labor decision that is the basis for the action. NRC processing time is defined as the time from the date the case is opened or the licensee is briefed on the concern (exit) to the issuance of an enforcement action or other appropriate disposition less (1) any time the NRC could not act because the case resided with DOL, DOJ, or other government entity or because the licensee or someone outside the enforcement process caused a lengthy deferment, and (2) any time the NRC could not act because the staff was processing FOIA requests.						
This measure supports Safety Goal performance measures 5 and 6 and Security Goal performance measures 1, 2, and 3						

FY 2005 Significant Accomplishments

During FY 2005, the NRC continued its assessment of stakeholder feedback and its annual evaluation of the agency's success in implementing the Reactor Oversight Process (ROP). These assessments continue to show that the ROP has resulted in a more objective, risk-informed, and predictable regulatory process. The risk-informed ROP has also focused NRC and licensee resources on aspects of plant performance that have the greatest impact on safe plant operation.

During FY 2005, the staff revised inspection procedures to incorporate recommendations from the Davis-Besse Lessons Learned Task Force and tested the effectiveness of a new procedure for engineering design inspections that focuses on aspects of the plant design that pose a relatively high degree of risk and for which there appears to be a relatively low safety margin. The procedure was implemented at one site in each of the four NRC regions. The staff concluded that aspects of the pilot inspection approach resulted in improvements that should be incorporated into the baseline

inspection program. The staff incorporated these attributes into a revised baseline inspection procedure, and implementation of the new procedures started in January 2006.

Development of the Mitigating Systems Performance Index (MSPI) continued during FY 2005. The index provides a more accurate indication of the risks of changes in the availability and reliability of important safety systems. The index is based on risk-significant functions and uses plant-specific risk models and importance measures. The staff has completed a one-year pilot of the MSPI and is moving forward with MSPI implementation. The staff and industry are working together to address implementation issues. The current target date for full implementation is set for April 2006.

In FY 2005, the NRC staff added a new SDP methodology which gives NRC inspectors the tools needed to assess the risk significance of identified fire protection issues. A methodology was also added to assess performance of maintenance activities under all plant conditions. The staff is also developing an SDP to assess inspection findings on spent fuel storage. Finally, the agency is examining the need for a new methodology for assessing findings on the performance of the onsite fire brigade.

During FY 2005, the staff undertook a number of activities to respond to the Commission's direction to enhance the NRC's ability to assess the safety culture of operating power reactor licensees. Specifically, staff established a steering committee and working group, identified the elements needed to ensure a healthy safety culture, developed a response plan, established a safety culture web page link on the NRC's external home page, observed the Institute of Nuclear Power Operations (INPO) plant evaluations of safety culture, and interacted with external stakeholders through public meetings and the web page.

Responses to the NRC's annual survey of external stakeholders on the Reactor Oversight Process were generally favorable. However, some stakeholders raised concerns about the timeliness and subjectivity of the Significance Determination Process, the effectiveness of the performance indicator program, and other areas. The staff has initiated actions related to these and other stakeholder insights and views with an aim to improve the Reactor Oversight Process. Several initiatives to improve the timeliness for finalizing the significance of inspector findings are underway. One initiative will increase management oversight of the inspection finding assessment process.

The NRC completed the transitional force-on-force inspection program and began full program implementation in FY 2005. The agency completed 20 force-on-force inspections and identified and addressed ways to make the program more expansive.

NUCLEAR MATERIALS AND WASTE SAFETY

The NRC protects the health and safety of the public and the environment and the secure use and management of radioactive materials through the Nuclear Materials and Waste Safety major program area. This program regulates and oversees nuclear fuel cycle facilities, nuclear materials activities, the disposal of high-level waste (HLW), the decommissioning of nuclear reactors and other facilities, low-level waste management, the transportation of radioactive materials, and the interim storage of spent nuclear fuel both at and away from reactor sites. This program also includes the environmental reviews conducted as part of the oversight efforts. In FY 2007, the NRC and 34 Agreement States will regulate more than 20,000 specific and 150,000 general licensees. Licenses are issued for uranium extraction, conversion, and enrichment facilities; nuclear fuel fabrication facilities; fuel research and pilot facilities; and large and small users of nuclear material for industrial, medical, or academic purposes, such as radiographers, hospitals, private physicians, nuclear gauge users, and universities. Homeland security efforts in this program area include safeguards and security reviews and inspections, force-on-force exercises, threat assessments, and regulatory improvements. With respect to the disposal of HLW, the NRC is responsible for licensing decisions and regulatory oversight, the U.S. Environmental Protection Agency (EPA) is responsible for developing standards (which the NRC is required to implement), and the U.S. Department of Energy (DOE) is responsible for characterizing the potential site at Yucca Mountain in the State of Nevada and for developing and operating the repository if a license is granted. In FY 2007, resources will continue to provide for pre-licensing application activities based upon the assumption that DOE will have a license application for a HLW repository ready for submission to the NRC in FY 2008. As part of its decommissioning activities, in FY 2007 the NRC will conduct licensing and inspection activities at 17 decommissioning power reactors and 35 complex materials and fuel facility sites. With respect to the interim storage of spent nuclear fuel and transportation of radioactive materials, the NRC's oversight responsibilities include the licensing and inspection of the interim storage of spent fuel at both reactor sites and away-from-reactor sites in order to maintain the operational safety of spent fuel in storage, and the certification of packages used to transport radioactive materials.

BUDGET OVERVIEW

Summary	FY 2005 Enacted	FY 2006 Enacted	FY 2007 Request	FY 2007 Change From FY 2006
Budget Authority by Major Program ($K)				
Program Salaries and Benefits	95,570	99,767	96,438	-3,329
Program Contract Support and Travel	67,354	60,951	48,096	-12,855
Subtotal Program	162,924	160,718	144,534	-16,184
Infrastructure and Support Salaries and Benefits	21,857	21,939	22,696	757
Infrastructure and Support Contract Support and Travel	32,433	35,373	37,867	2,494
Subtotal Infrastructure and Support Allocation	54,290	57,312	60,563	3,251
Total Budget Authority	**217,214**	**218,030**	**205,097**	**-12,933**
Full-Time Equivalent Employment				
Program FTE	735	729	689	-40
Infrastructure and Support FTE	185	177	178	1
Total FTE	**920**	**906**	**867**	**-39**

The FY 2007 budget request for the Nuclear Materials and Waste Safety major program is $205.1 million, including 867 FTE. This is a decrease of $12.9 million and a decrease of 39 FTE. Also included in the overall FY 2007 total is $2.9 million to provide oversight of certain DOE radioactive waste incidental to reprocessing consistent with the NRC's new responsibilities in the Ronald W. Reagan National Defense Authorization Act for FY 2005.

The major program decreases for FY 2007 are primarily within the Nuclear Material Users ($5.8 million decrease) and High-Level Waste Repository ($4.7 million decrease) programs, as depicted in the following program table. The resources decrease in FY 2007 for Nuclear Material Users primarily due to a reduction in information technology costs associated with the transition of the License Tracking System to a web-based system as the system nears completion. The reduced resources for the High-Level Waste (HLW) Repository program primarily reflect continuation of pre-licensing application interaction in pace with DOE's activities, review and evaluation of technical and scientific changes to the DOE program, and issuance of final NRC regulations. The decrease in funding is based upon the assumption that DOE will have a license application ready for submission to the NRC in FY 2008. These decreases are partially offset by a small increase within Spent Fuel Storage and Transportation.

BUDGET AUTHORITY AND FULL-TIME EQUIVALENTS BY PROGRAM

Summary	FY 2005 Enacted	FY 2006 Enacted	FY 2007 Request	FY 2007 Change From FY 2006
Budget Authority by Program ($K)				
Fuel Facilities	37,247	40,072	37,613	-2,459
Nuclear Materials Users	64,282	80,102	74,260	-5,842
High-Level Waste Repository	68,498	45,657	40,982	-4,675
Decommissioning and Low-Level Waste	23,195	27,408	25,707	-1,701
Spent Fuel Storage and Transportation	23,992	24,791	26,535	1,744
Total Budget Authority	**217,214**	**218,030**	**205,097**	**-12,933**
Full-Time Equivalent Employment by Program				
Fuel Facilities	200	197	180	-17
Nuclear Materials Users	330	339	337	-2
High-Level Waste Repository	163	132	115	-17
Decommissioning and Low-Level Waste	112	123	119	-4
Spent Fuel Storage and Transportation	115	115	116	1
Total FTE	**920**	**906**	**867**	**-39**

Justification of Program Requests

The Nuclear Materials and Waste Safety major program consists of the five programs discussed in the following pages.

FUEL FACILITIES

Summary	FY 2005 Enacted	FY 2006 Enacted	FY 2007 Request	FY 2007 Change From FY 2006
Budget Authority by Program ($K)				
Program Support	25,097	27,488	24,798	-2,690
Infrastructure and Support	12,150	12,584	12,815	231
Total Budget Authority	**37,247**	**40,072**	**37,613**	**-2,459**
Program FTE	159	158	144	-14
Infrastructure and Support FTE	41	39	36	-3
Total FTE	**200**	**197**	**180**	**-17**

Introduction. The NRC's Fuel Facilities activities support the agency's FY 2004-FY 2009 Strategic Plan goals of Safety, Security, Openness, and Effectiveness, which are discussed in detail in Chapter 5 of this document. The following describes major highlights for the Fuel Facilities FY 2007 activities.

FY 2007 Activities. *(1) Safety:* Resources are provided to conduct the NRC's regulatory programs at fuel cycle facilities and to support related research. The regulated facilities include 35 fuel cycle facilities (7 major and 10 minor fuel facilities, 14 uranium recovery facilities, 2 gaseous diffusion enrichment facilities, and 2 gas centrifuge facilities). Additionally, the NRC will review an application for a mixed-oxide (MOX) fuel fabrication facility. The activities include implementation of a safety, safeguards, and security inspection program based on the risk significance of licensee operations and the facility performance history. Approximately five licensee performance reviews will be conducted per year. Resources are also provided for uranium recovery licensing activities and for adjudicatory hearings on enrichment facilities, uranium recovery, and MOX fuel fabrication. Activities include legal advice and counsel for individual licensing actions, including those related to enrichment facilities; major license amendments for major fuel cycle facilities; environmental reviews; actions related to uranium recovery facilities and risk-informing the Commission's regulatory framework for materials licensing and regulatory oversight. In addition, the staff plans to conduct construction inspections and operational readiness reviews for gas centrifuge facilities and construction inspections for the MOX fuel fabrication facility. Research activities include support for the license review and inspection activities for a MOX fuel fabrication facility.

(2) Security: Resources support homeland security activities to conduct physical protection and material control and accounting (MC&A) reviews of NRC-licensed fuel facilities; implement

security enhancements; and support the baseline inspection program for physical protection, MC&A, and force-on-force exercises at Category I fuel facilities. Resources also provide for resolving policy and technical issues and developing strategies to prevent or mitigate potential vulnerabilities. The NRC will enhance the regulatory framework and related licensing and oversight efforts to ensure adequate security of nuclear and radioactive material in the current threat environment.

Change from FY 2006. Programmatic resource decreases reflect projected completion of two gas centrifuge license reviews, and fewer routine and major license amendments for fuel facilities due to use of the new integrated safety analysis (ISA). The ISA is a risk-informed evaluation of the facilities.

Program Assessment Rating Tool (PART). OMB rated this program as effective with an overall score of 89 in FY 2003 (Budget Year 2005). The program earned high scores for Program Purpose and Design and Program Management. OMB noted that the purpose was clear and the program well-designed and results-oriented. OMB also noted that this program has met all of its strategic goal measures since Government Performance and Results Act reporting began in 1997. The following table describes the status of actions taken to respond to OMB recommendations for improving the Fuel Facilities activity:

Recommendation	Completion Date	On Track (Y/N)	Comments on Status
(1) NRC more clearly link budget requests to accomplishing annual and long-term goals.	July 2004	Y	The NRC has done so through its initiative to define program outcomes and outputs that align with performance measures. Additionally, the NRC is working to improve its cost management capabilities to better align its costs with outcomes.
Next Milestone	**Completion Date**	**Lead Organization**	**Comments on Status**
Complete evaluation of performance measures in the organization's operating plan and revise them as necessary to support the safety performance measures in the NRC's FY 2004-FY 2009 Strategic Plan.	April 2005	Office of Nuclear Materials Safety and Safeguards Chief, Fuel Cycle Facilities Branch	Completed. Demonstrated via direct linkage of FY 2005 operating plan performance measures to the NRC FY 2004-FY 2009 Strategic Plan strategies for meeting the Strategic Plan objective and goals. Each of the operating plan's safety performance measures reference one or more of the strategic plan strategies for safety.

NUCLEAR MATERIALS AND WASTE SAFETY

Recommendation	Completion Date	On Track (Y/N)	Comments on Status
(2) More transparency in how allocation decisions are made and how the program contributes to achievement of the agency's long-term goals.	July 2004	Y	Demonstrated through the issuance of the agency's FY 2004-FY 2009 Strategic Plan. NRC began costing to the NRC's 2 goals in the FY 2004-FY 2009 Strategic Plan (Safety and Security) beginning with the FY 2006 request. In addition, the NRC has demonstrated better linkage of budget requests to agency goals through utilization of the common prioritization process for establishing the linkage between operational activities, including the resources allocated to support these activities, and the agency's strategic and long-term goals. The NRC's Fuel Cycle program managers have responded to the OMB recommendation by linking operational activities and the agency's strategic and long-term goals in the revised operating plans.
Next Milestone	**Next Milestone Date**	**Lead Organization**	**Comments on Status**
Complete the NRC's review of operating plan format and content to improve the plan's effectiveness as management tools.	FY 2007	Office of the Executive Director for Operations Assistant for Operations, Office of the Executive Director for Operations	The scope of the project was separated into two phases to address: (1) improvements that could be implemented in the short-term; and (2) improvements that require longer term planning and evaluation. The short-term improvement efforts were completed in December 2004 through the development of a performance reporting framework containing common reporting criteria and format. This framework was implemented during the first quarter of FY 2005. The longer term efforts to improve the efficiency of operating plans are currently being addressed by an agency-wide working group.

In addition, OMB recommended that the program secure a regularly scheduled independent assessment, including evaluation of annual and long term performance measures, effectiveness of strategic planning, and effectiveness and efficiency of program management. For the purposes of the PART assessment, the independent evaluation will adhere to the relevant requirements as presented in OMB Circular A-11. The NRC's Inspector General has expressed a willingness to consider scheduling program evaluations as potential audit areas in order to inform future PART reviews. In the event that the OIG is unable to assess the program subject to an upcoming PART review, the NRC is exploring how other Federal agencies address independent program evaluations to determine if there are other cost effective means of conducting such evaluations. The NRC will determine an approach for conducting regularly scheduled independent assessments for PART programs by September 2006.

Strategic Outcomes and Performance Measures. The Fuel Facilities activities support a number of the agency's Strategic Outcomes and performance measures, described in detail in Chapter 5 of this document. Specifically, Fuel Facilities activities support the Safety goal Strategic Outcomes number 1.2, 1.3, 1.4, and 1.5, and performance measures 5 and 6; Security goal Strategic Outcome 2.1, and performance measures 1, 2, and 3; Openness goal Strategic Outcome 3.1, and performance measures 1 and 2; and, Effectiveness goal Strategic Outcome 4.1, and performance measures 1, 2, and 3.

Output Measures. The requested resources will support agency efforts to achieve the output targets in the following tables. The tables provide historical performance, where available, on the measures from FY 2002. In addition, following these tables are the most significant accomplishments in FY 2005 for this program.

Output Measure: Timeliness of fuel cycle licensing actions (amendments, renewals, new applications, and reviews) from the date of acceptance* (for licensing actions received after October 1, 2000).

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target:	75% ≤ 180 days 100% ≤ 2 years	75% ≤ 180 days 100% ≤ 2 years	75% ≤ 180 days 100% ≤ 2 years	75% ≤ 180 days 100% ≤ 2 years	80% ≤ 180 days 100% ≤ 2 years	80% ≤ 180 days 100% ≤ 2 years
Actual:	88% ≤ 180 day 100% ≤ 2 years	89% ≤ 180 days 100% ≤ 2 years	90% ≤ 180 days, 100% ≤ 2 years	97% ≤ 180 days 100% ≤ 2 years		

*Output measure modified in FY 2002 to exclude licensing actions involved in a hearing.

This measure supports Effectiveness Goal, performance measure number 3 while maintaining Safety and Security.

Output Measure: Timeliness of Safety inspection.
Target: Complete core inspections as scheduled in Fuel Cycle Master Inspection Plan on time.*

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target:	< 10% overdue	< 10% overdue	< 10% overdue	< 10% overdue**	< 10% overdue	< 10% overdue
Actual:	0% overdue (completed 139 inspections)	0% overdue (completed 117 inspections)	2% overdue (completed 86 inspections/142 modules)	0% overdue (completed 99 inspections/204 modules)		

*Output modified in FY 2003 to replace Temporary Instruction 2600/007 with Inspection Manual Chapter 2600
**In FY 2005, NRC began tracking modules completed rather than inspections conducted to improve alignment between Headquarters and regional inspection activities and because modules completed is a better measure of performance.

This measure supports Safety Goal, performance measure number 6.

NUCLEAR MATERIALS AND WASTE SAFETY

Output Measure: Significant precursors to criticality (i.e., an event that is significant enough to warrant a criticality safety reactive inspection).						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in 2004.	New measure in 2004.	< 4 per year	< 4 per year	< 4 per year	< 4 per year
Actual:	N/A	N/A	1 event	0 event		
This measure supports Safety Goal, performance measure numbers 5 and 6.						

Output Measure: Timeliness in completing enforcement actions.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2006.	New measure in FY 2006.	New measure in FY 2006.	New measure in FY 2006.	Investigation cases*: 100% completed within 360 days of NRC processing time. 100% will average 180 days of NRC processing time.** Non-investigation cases: 100% will average 180 days of NRC processing time.	Investigation cases*: 100% completed within 360 days of NRC processing time. 100% will average 180 days of NRC processing time.** Non-investigation cases: 100% will average 180 days of NRC processing time.
Actual:	N/A	N/A	N/A	N/A		
*Cases involving investigations normally involve discrimination or other wrongdoing and by their nature are more resource intensive and less timely. Accordingly, the performance measure for cases involving investigations provides for more staff time. **The measuring period starts on the latest of the following dates: (1) inspection exit date, (2) the date the results of an agency investigation are forwarded to the staff, (3) the date that the Department of Justice (DOJ) says NRC may proceed, for cases referred to the DOJ, or (4) the date of the Department of Labor decision that is the basis for the action. NRC processing time is defined as the time from the date the case is opened or the licensee is briefed on the concern (the exit meeting) to the issuance of an enforcement action or other appropriate disposition less (1) any time the NRC could not act because the case resided with DOL, DOJ, other government entity or the licensee or someone outside the enforcement process caused a lengthy deferment, and (2) any time the NRC could not act due to processing FOIA requests.						
This measure supports Safety Goal, performance measure numbers 5 and 6, and Security Goal, performance measures 1, 2, and 3.						

Output Measures: Timeliness in completing reviews for technical Allegations.*						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2006	New measure in FY 2006	New measure in FY 2006	New measure in FY 2006	70% ≤ 150 days 90% ≤ 180 days 100% ≤ 360 days	70% ≤ 150 days 90% ≤ 180 days 100% ≤ 360 days
Actual:	N/A	N/A	N/A	N/A		
*Before FY 2006, the data was given under the Nuclear Materials Users program.						
This measure supports Safety Goal, performance measure numbers 5 and 6, and Security Goal, performance measures 1, 2, and 3.						

FY 2005 Significant Accomplishments

In March 2005, NRC issued its first construction authorization for a mixed oxide fuel fabrication facility to Duke Cogema Stone & Webster to construct such a facility at the Department of Energy's (DOE) Savannah River site near Aiken, South Carolina. The facility will manufacture fuel for eventual use in commercial nuclear power plants. The NRC staff also conducted materials control and accountability reviews for the application to assure that all fissile isotopes are accounted for. This facility is a significant milestone in the DOE's Surplus Plutonium Disposition Program which is being implemented as a result of a bilateral agreement with the Russian Federation. Pursuant to this agreement, the U.S. and the Russian Federation will reduce stockpiles of weapons-grade plutonium into forms less usable in nuclear weapons. NRC issued the related final environmental impact statement (NUREG-1767) in January 2005, and the final safety evaluation Report (NUREG-1821) in March 2005. During preparation of the environmental impact statement, the NRC staff conducted public meetings near the proposed facility to provide information on the licensing process and to seek input from the public.

In June 2005, the NRC staff completed its review of the Louisiana Energy Services' (LES) license application for the National Enrichment Facility, a commercial gas centrifuge uranium enrichment facility proposed to be located in Lea County, New Mexico. The staff's safety evaluation report (NUREG-1827) and final environmental impact statement (NUREG-1790) were issued in June 2005. The staff completed these reviews in accordance with an aggressive 18 month schedule. During these reviews, the NRC staff conducted three public meetings in the area of the proposed facility to provide information on the NRC licensing process and to seek input from the public for the environmental impact statement. In preparing the final environmental impact statement, the staff addressed nearly 4,200 comments received on the draft environmental impact statement. The NRC staff met with local officials and held an additional public information meeting in Eunice, New Mexico, in August 2005 to provide a summary of the results of its review of the proposed facility and discuss future project milestones.

NUCLEAR MATERIALS AND WASTE SAFETY

The NRC staff completed the initial reviews for the USEC, Inc. license application for the American Centrifuge Plant, a commercial gas centrifuge uranium enrichment facility proposed to be located in Piketon, Ohio. The NRC staff also held public meetings in the area of the proposed facility, and prepared a draft Environmental Impact Statement, issued in September 2005.

Regarding NRC oversight of uranium recovery activities, in FY 2005, NRC accepted DOE's long-term surveillance plans for the Petrotomics Company (Petrotomics) and the Sohio Western Mining Company's (SWMC's) Shirley Basin South and L-Bar uranium mill tailings sites. This acceptance established DOE as the long-term custodian and caretaker of the Shirley Basin South and L-Bar sites. In a concurrent action, the NRC terminated Petrotomics' and SWMC's specific licenses for these sites.

NUCLEAR MATERIALS USERS

Summary	FY 2005 Enacted	FY 2006 Enacted	FY 2007 Request	FY 2007 Change From FY 2006
Budget Authority by Program ($K)				
Program Support	44,095	56,113	49,934	-6,179
Infrastructure and Support	20,187	23,989	24,326	337
Total Budget Authority	**64,282**	**80,102**	**74,260**	**-5,842**
Program FTE	261	270	268	-2
Infrastructure and Support FTE	69	69	69	0
Total FTE	**330**	**339**	**337**	**-2**

Introduction. The NRC's Nuclear Materials Users activities support the agency's FY 2004-FY 2009 Strategic Plan goals of Safety, Security, Openness, and Effectiveness, which are discussed in detail in Chapter 5 of this document. The following describes major highlights for the Nuclear Materials Users FY 2007 activities.

FY 2007 Activities. *(1) Safety:* Resources provide for licensing, inspection, event evaluation, research, incident response, allegation activities, and rulemaking activities necessary to maintain the regulatory infrastructure needed for processing and handling nuclear materials. Research activities include working with the National Academy of Sciences to conduct a study of industrial, research, and commercial uses of radioactive sources. Approximately 4,000 materials licensing actions and 1,650 routine health and safety inspections are expected to be completed in FY 2007. By implementing a more risk-informed set of inspection priorities and inspection procedures, the NRC is focusing resources on the types of facilities and licensee activities that are most critical to maintaining safe operation. These efficiencies are reflected in the NRC's FY 2007 budget request by a 10 percent reduction in licensing and inspection resources. The NRC will continue to work on approximately 20–25 active materials and waste rulemakings per year and will issue 7-10 proposed or final rules per year. The NRC will conduct Agreement States and Liaison materials activities in the State and Tribal Program, including Agreement State oversight, technical assistance, regulatory development, and cooperative efforts. The NRC will coordinate with States, local governments, Indian Tribes, and interstate organizations in matters relating to nuclear materials and waste safety. Resources provide for information technology and information management supporting the program, such as materials license tracking systems. In addition, resources are provided for completing reviews and issuing NRC import/export authorizations, developing international safeguards policy

and implementing IAEA safeguards, conducting materials-related wrongdoing investigations, supporting adjudicatory hearings for materials licensing and enforcement proceedings, and offering technical training.

The NRC's FY 2007 budget also includes funding to implement the Energy Policy Act of 2005 which significantly expanded NRC's authority to regulate accelerator-produced and other discrete sources of radium and other naturally occurring radioactive material as byproduct material. NRC will develop regulations and a State transition plan, and conduct other activities to implement provisions of the Act.

(2) Security: Resources are provided for developing and implementing a national tracking system for radioactive sources of concern that will improve controls on risk-significant radioactive materials to prevent their malevolent use. Security activities will include homeland security review and inspections and regulatory improvements to strengthen controls for the possession, handling, import, and export of nuclear materials. In addition, resources provide for conducting NRC's Agreement States and liaison materials activities regarding enhanced control and security actions for materials licensees, as well as cooperative efforts and liaison with States, local governments, Indian Tribes, and interstate organizations in matters relating to homeland security for nuclear waste and materials.

The NRC's FY 2007 budget also includes funding to implement the Energy Policy Act of 2005 which includes provisions for radiation source protection. NRC will develop regulations, participate in an interagency task force on radiation source protection and security, and conduct other activities to implement provisions of the Act.

Change from FY 2006. Decreases from FY 2006 to FY 2007 include a reduction in information technology costs associated with the transition of the Licensing Tracking System to a web-based system as this transition nears completion, as well as efficiencies factored into the FY 2007 estimates for materials users licensing and inspection activities.

Program Assessment Rating Tool (PART).

This review was conducted in FY 2004 (Budget Year 2006). OMB rated this program as effective with an overall score of 93. In response to OMB's findings, the NRC will (1) provide with the FY 2007 Budget a clearer demonstration of the contributions of specific program activities to agency goals; (2) create program goals that will support the mission of the agency; and (3) schedule an evaluation of the program consistent with guidance in OMB Circular A-11 prior to the submission of the FY 2007 Budget. The following table describes the status of actions taken to respond to OMB recommendations for improving the Nuclear Materials Users activity:

Recommendation	Completion Date	On Track (Y/N)	Comments on Status
(1) Provide with the FY 2007 budget a clearer demonstration of the contributions of specific program activities to agency goals.	September 2005	Y	Completed.
Next Milestone	**Next Milestone Date**	**Lead Organization**	**Comments on Status**
Submission of the FY 2007 budget request to Congress.	February 2006	Office of the Chief Financial Officer Director, Division of Planning, Budget, and Analysis	Completed.
Recommendation	**Completion Date**	**On Track (Y/N)**	**Comments on Status**
(2) Create program goals that will support the mission of the agency.	April 2005	Y	Completed. This has been demonstrated via direct linkage of FY 2005 Operations Plan performance measures to the NRC FY 2004-FY 2009 Strategic Plan strategies for meeting the Strategic Plan objective and goals. Each of the operating plan's safety performance measures reference one or more of the strategic plan strategies for safety.
Next Milestone	**Next Milestone Date**	**Lead Organization**	**Comments on Status**
Complete the NRC review of operating plan format and content to improve the plan's effectiveness as management tools.	FY 2007	Office of the Executive Director for Operations Assistant for Operations, Office of the Executive Director for Operations	This project will be carried out in two phases to address: 1) improvements that can be implemented in the short-term; and 2) improvements that would require longer-term planning and evaluation. The short-term improvement efforts were completed in December 2004 through the development of a performance reporting framework containing common reporting criteria and format. This framework was implemented during the first quarter of FY 2005. The longer-term efforts to improve the efficiency of operating plans are currently being addressed by an agency-wide working group.

Recommendation	Completion Date	On Track (Y/N)	Comments on Status
(3) Schedule an evaluation of the program consistent with guidance in OMB Circular A-11 prior to the submission of the FY 2007 Budget.	Spring 2005	Y	NRC's Office of the Inspector General is currently conducting a review in the Nuclear Materials Users program area. In the event that the review does not meet OMB Circular A-11 requirements, the NRC is exploring how other Federal agencies address independent program evaluations to determine if there are other cost effective means of conducting such evaluations. The NRC will determine an approach for conducting regularly scheduled independent assessments for PART programs by September 2006.
Next Milestone	**Next Milestone Date**	**Lead Organization**	**Comments on Status**
Completion of the OIG's report.	March 2006	Office of the Inspector General Assistant Inspector General for Audits	N/A

Strategic Outcomes and Performance Measures. The Nuclear Materials Users activities support a number of the agency's Strategic Outcomes and performance measures, described in detail in Chapter 5 of this document. Specifically, Nuclear Materials Users activities support the Safety goal Strategic Outcomes number 1.3, 1.4, and 1.5, and performance measures 5 and 6; Security goal Strategic Outcome 2.1, and performance measures 1, 2, and 3; Openness goal Strategic Outcome 3.1, and performance measures 1 and 2; and, Effectiveness goal Strategic Outcome 4.1, and performance measures 1, 2, and 3.

Output Measures. The requested resources will support agency efforts to achieve the output targets in the following tables. The tables provide, where available, historical performance on the measures from FY 2002. In addition, following these tables are the most significant accomplishments in FY 2005 for this program.

Output Measure: Timeliness of review of application for new materials licenses and license amendments.*						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	85% ≤ 90 days 100% ≤ 1 yr.	85% ≤ 90 days 100% ≤ 1 yr.	85% ≤ 90 days 100% ≤ 1 yr.	85% ≤ 90 days 100% ≤ 1 yr.	90% ≤ 90 days 100% ≤ 1 yr.	90% ≤ 90 days 100% ≤ 1 yr.
Actual:	97% ≤ 90 days (3,210 of 3,301) 99.8% ≤ 1 yr. (3,294 of 3,301)	97% ≤ 90 days (3,318 of 3,416) 99.8% ≤ 1 yr. (3,409 of 3,416)	97% ≤ 90 days (2,644 of 2,711) 99.9% ≤ 1 yr (2,709 of 2,711)	97% ≤ 90 days (2,568 of 2,641). 99.9% ≤ 1 yr. (2,638 of 2,641)		
*Output measure modified in FY 2004 to clarify that licensing actions involved in a hearing are excluded.						
This measure supports Effectiveness Goal, performance measure number 3 while maintaining Safety and Security.						

Output Measure: Timeliness of reviews of application for materials license renewals and sealed source and device designs.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	85% ≤ 180 days 100% ≤ 2 yrs.	85% ≤ 180 days 100% ≤ 2 yrs.	85% ≤ 180 days 100% ≤ 2 yrs.	85% ≤ 180 days 100% ≤ 2 yrs.	90% ≤ 180 days 100% ≤ 2 yrs.	90% ≤ 180 days 100% ≤ 2 yrs.
Actual:	96% ≤ 180 days (679 of 708) 100% ≤ 2 yrs. (708 of 708)	97% ≤ 180 days (797 of 820) 100% ≤ 2 yrs. (820 of 820)	98% ≤ 180 days (663 of 678) 99.9% ≤ 2 yrs (677 of 678)	96%1 ≤ 80 days (608 of 633) 100% ≤ 2 years (633 of 633)		
This measure supports Effectiveness Goal, performance measure number 3 while maintaining Safety and Security.						

Output Measure: Timeliness of safety inspections of materials licensees.*						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	< 10% overdue	< 10% overdue	< 10% overdue	< 10% overdue	< 10% overdue	< 10% overdue
Actual:	1% overdue (completed approx. 650)	< 1% overdue (completed approx. 650)	< 1% overdue (completed 1,275*)	< 1% overdue (completed approx. 1,300)		
*Prior to FY 2004, only core inspections were counted. Core inspections used to represent the highest inspection priorities (1-2-3). However, with revised Inspection Manual Chapter (IMC) 2800, that distinction no longer applies, so the count now represents all materials inspections.						
This measure supports Safety Goal, performance measure numbers 5 and 6.						

Output Measures: The Nuclear Materials Events Database (NMED) which contains information about nuclear materials events reported to the NRC by NRC licensees and Agreement States, will be maintained by entering materials event information in a timely manner. Materials event information from morning reports, event notifications, and preliminary notifications of occurrences will be entered into NMED and updated within the identified time frame.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	90% entered ≤ 2 working days 90% updated ≤ 2 working weeks.	90% entered ≤ 2 working days 90% updated ≤ 2 working weeks.	95% entered ≤ 2 working days 90% updated ≤ 2 working weeks.	95% entered ≤ 2 working days 90% updated ≤ 2 working weeks.	95% entered ≤ 2 working days 90% updated ≤ 2 working weeks.	95% entered ≤ 2 working days 90% updated ≤ 2 working weeks.
Actual:	100% ≤ 2 working days (556 of 556) 98% ≤ 2 working weeks. (1,639 of 1,664)	98% ≤ 2 working days (493 of 497) 97% ≤ 2 working weeks. (2,241 of 2,307)	100% ≤ 2 working days (355 of 355) 99% ≤ 2 working weeks. (2,768 of 2,802)	100% ≤ 2 working days (343 of 343). 97% updated ≤ 2 weeks (1,585 of 1,638)		
This measure supports Safety Goal, performance measure numbers 5 and 6.						

Output Measures: Timeliness in completing reviews for technical allegations.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in 4th quarter FY 2003.	70% ≤ 150 days, 90% ≤ 180 days 100% ≤ 360 days	70% ≤ 150 days 90% ≤ 180 days 100% ≤ 360 days	70% ≤ 150 days 90% ≤ 180 days 100% ≤ 360 days	70% ≤ 150 days 90% ≤ 180 days 100% ≤ 360 days	70% ≤ 150 days 90% ≤ 180 days 100% ≤ 360 days
Actual:	N/A	(4th quarter): 87% ≤ 150 days 98% ≤ 180 days 100% ≤ 360 days	90% ≤ 150 days 97% ≤ 180 days 99% ≤ 360 days	96% ≤ 150 days 99% ≤ 180 days 100% ≤ 360 days		
This measure supports Safety Goal, performance measure numbers 5 and 6 and Security Goal, performance measure numbers 1, 2, and 3.						

NUCLEAR MATERIALS AND WASTE SAFETY

Output Measures: Timeliness in completing enforcement actions.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Investigation cases:* 100% completed within 360 days of NRC processing time.** Non-Investigation cases: 100% completed within 180 calendar days.	Investigation cases: 100% completed within 360 days of NRC processing time. Non-Investigation cases: 100% completed within 180 calendar days	Investigation cases: 100% completed within 360 days of NRC processing time.** Non-Investigation cases: 100% completed within 180 days of NRC processing time.	Investigation cases: 100% completed within 360 days of NRC processing time. Non-Investigation cases: 100% completed within 180 days of NRC processing time.	Investigation cases: 100% completed within 360 days of NRC processing time. Non-Investigation cases: 100% completed within 180 days of NRC processing time.	Investigation cases: 100% completed within 360 days of NRC processing time. Non-Investigation cases: 100% completed within 180 days of NRC processing time.
Actual:	Investigation cases: none ≥ 360 days. Non-Investigation cases: none ≥ 180 days	Investigation cases: none ≥ 360 days Non-Investigation cases: none ≥ 180 days	Investigation cases: none ≥ 360 days Non-Investigation cases: none ≥ 180 days	Investigation cases: none ≥ 360 days Non-Investigation cases: none ≥ 180 days		

*Cases involving investigations normally involve wrongdoing or discrimination and allows more resource intensive and take longer. Accordingly, the performance measure for cases involving investigations allows for more staff time.
**The measuring period starts on the latest of the following dates: (1) inspection exit date, (2) the date the results of an agency investigation are forwarded to the staff, (3) the date that the Department of Justice (DOJ) says NRC may proceed, for cases referred to the DOJ, or (4) the date of the Department of Labor decision that is the basis for the action. NRC processing time is defined as the time from the date the case is opened or the licensee is briefed on the concern (the exit meeting) to the issuance of an enforcement action or other appropriate disposition less: (1) any time the NRC could not act because the case resided with DOL, DOJ, other government entity or the licensee or because someone outside the enforcement process causes a lengthy deferment, and (2) any time the NRC could not act due to processing FOIA requests.

This measure supports Safety Goal, performance measure numbers 5 and 6, and Security Goal, performance measures 1, 2, and 3.

Output Measure: Quality of completed investigations.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	To achieve and maintain a percentage of cases within the inventory which are either substantiated or unsubstantiated of 75%, or more	To achieve and maintain a percentage of cases within the inventory which are either substantiated or unsubstantiated of 75%, or more	90% of cases closed will be brought to a conclusion on the merits as either substantiated or unsubstantiated.	90% of investigations will develop sufficient information to reach a conclusion regarding wrongdoing.	90% of investigations will develop sufficient information to reach a conclusion regarding wrongdoing.	90% of investigations will develop sufficient information to reach a conclusion regarding wrongdoing.
Actual:	Completed 68 cases, of which 93% (63) were closed on the merits as either substantiated or unsubstantiated.	Completed 68 cases, in which 97% (66) of the cases were closed on the merits as either substantiated or unsubstantiated .	Completed 74 cases, in which 93.2% (69) were closed on the merits as either substantiated or unsubstantiated.	Completed 48 investigations, of which 93.8% (45) developed sufficient information to reach a conclusion regarding wrongdoing.		
This measure supports Safety Goal, performance measure numbers 5 and 6.						

Output Measure: Timeliness in completing investigations - Target 1						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Complete cases, on average, in 9 months, or less. Maintain the average number of cases within the active case inventory for more than 12 months, at 9% or less.	80% of cases closed on the merits as either substantiated or unsubstantiated will be completed in 10 months or less.	80% of cases closed on the merits as either substantiated or unsubstantiated will be completed in 10 months or less.	80% of investigations which developed sufficient information to reach a conclusion on wrongdoing will be completed in 10 months or less.	80% of investigations which developed sufficient information to reach a conclusion on wrongdoing will be completed in 10 months or less.	85% of investigations which developed sufficient information to reach a conclusion regarding wrongdoing will be completed in 10 months or less.
Actual:	Completed 68 cases of which 93% (63) of cases that were closed on the merits as either substantiated or unsubstantiated were completed in 10 months or less.	Completed 68 cases of which 97% (66) of cases were closed on the merits as either substantiated or unsubstantiated were completed in 10 months or less.	Completed 69 cases of which 92.8% (64) of cases were closed on the merits as either substantiated or unsubstantiated were completed in 10 months or less.	Completed 45 investigations of which 75.6% (34) developed sufficient information to reach a conclusion regarding wrongdoing were completed in 10 months or less.		
This measure supports Safety Goal, performance measure numbers 5 and 6.						

Output Measure: Timeliness in completing investigations - Target 2						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2007.	New measure in FY 2007.	New measure in FY 2007.	New measure in FY 2007.	New measure in FY 2007.	Close 100% of OI investigations in time to initiate civil and/or criminal enforcement action.
Actual:	N/A	N/A	N/A	N/A	N/A	
This measure supports Safety Goal, performance measure numbers 5 and 6.						

Output Measure: Timeliness in completing assists to staff.*						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2005.	New measure in FY 2005.	New measure in FY 2005.	70% of assists to staff are concluded in < 90 days.	70% of assists to staff are concluded in < 90 days.	70% of assists to staff are concluded in < 90 days.
Actual:	N/A	N/A	N/A	8 Assists to Staff were completed with 100% (8) concluded in < 90 days.		
* Generally, "Assists to Staff" are cases where the staff has requested OI's investigative expertise in a matter of regulatory concern but which do not involve a specific allegation of wrongdoing.						
This measure supports Safety Goal, performance measure numbers 5 and 6.						

Output Measure: Number and types of materials technical training courses offered.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY2006**	**FY 2007**
Target:	Numbers and types of courses offered will meet 95% of cumulative needs identified by offices and regions in semiannual needs surveys.	Numbers and types of courses offered will meet 95% of cumulative needs identified by offices and regions in semiannual needs surveys.	Numbers and types of courses offered will meet 95% of cumulative needs identified by offices and regions in semiannual needs surveys.	Percentage of identified training needs addressed with training and development opportunities. (Reported annually)	Percentage of identified training needs addressed with training and development opportunities. (Reported annually)	Percentage of identified training needs addressed with training and development opportunities. (Reported annually)
Actual:	100% needs met	100% needs met	100% needs met	100% needs met		
This measure supports Management Goal, performance measure number 2.						

Output Measure: Issuance of NRC import/export licenses or amendments						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Complete reviews for, and issue as appropriate, 75–100 NRC import/export authorizations (NRC licenses or amendments). Staff reviews will be completed for 90% of the cases within 60 days.	Complete reviews for, and issue as appropriate, 85–125 NRC import/export authorizations (NRC licenses or amendments). Staff reviews will be completed for 100% of the cases within 60 days.	Complete reviews for, and issue as appropriate, 85–125 NRC import/export authorizations (NRC licenses or amendments). Staff reviews will be completed for 100% of the cases within 60 days.	Complete reviews for, and issue as appropriate, 85–125 NRC import/export authorizations (NRC licenses or amendments). Staff reviews will be completed for 100% of the cases within 60 days.	Complete reviews for, and issue as appropriate, 160-225 NRC import/export authorizations (NRC licenses or amendments). Staff reviews will be completed for 100% of the cases within 60 days.	Complete reviews for, and issue as appropriate, 160–225 NRC import/export authorizations (NRC licenses or amendments). Staff reviews will be completed for 100% of the cases within 60 days.
Actual:	Completed over 104 staff reviews. 100% were completed within 60 days.	Completed 87 staff reviews. 100% were completed within 60 days.	Completed 85 staff reviews. 100% were completed within 60 days.	Completed 98 staff reviews. All but 3 were completed within 60 days.		
This measure supports Effectiveness Goal, performance measure 3 while maintaining Safety and Security.						

Output Measure: Reviews of Executive Branch subsequent arrangements						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Complete staff reviews within 60 days for all cases involving non-nuclear-weapon states.	Complete staff reviews within 60 days for all cases involving non-nuclear-weapon states.	Complete staff reviews within 60 days for all cases involving non-nuclear-weapon states.	Complete staff reviews within 60 days for all cases involving non-nuclear-weapon states.	Complete staff reviews within 60 days for all cases involving non-nuclear-weapon states.	Complete staff reviews within 60 days for all cases involving non-nuclear-weapon states.
Actual:	Completed 5 staff reviews. 100% in 60 days.	Completed 3 staff reviews. 100% in 60 days.	Completed 7 staff reviews. 100% in 60 days.	Completed 4 staff reviews. 100% were completed within 60 days.		
This measure supports Effectiveness Goal, performance measure 3 while maintaining Safety and Security.						

Output Measure: Reviews of Executive Branch Section 123 Agreements for Cooperation						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Complete staff reviews within 60 days for all cases involving non-nuclear-weapon states.	Complete staff reviews within 60 days for all cases involving non-nuclear-weapon states.	Complete staff reviews within 60 days for all cases involving non-nuclear-weapon states.	Complete staff reviews within 60 days for all cases involving non-nuclear-weapon states.	Complete staff reviews within 60 days for all cases involving non-nuclear-weapon states.	Complete staff reviews within 60 days for all cases involving non-nuclear-weapon states.
Actual:	Completed 0 staff reviews.	Completed 0 staff reviews.	Completed 1 staff review.	No Section 123 Agreements for cooperation were received in FY 2005		
This measure supports Openness Goal, performance measure 3.						

FY 2005 Significant Accomplishments

The NRC worked with the Department of Energy (DOE) to recover unwanted or orphaned greater-than-class-C radioactive sources that were initially identified for accelerated recovery under DOE's Offsite Source Recovery Program. From the inception of the Offsite Source Recovery Program in 1997 through September 2005, over 11,000 sources have been recovered from over 420 sites on the priority list. Several large devices were recovered, requiring NRC regulatory action to issue a Certificate of Compliance to allow transport of the devices and to facilitate storage by the Department of Energy. In addition to these efforts, in FY 2005 NRC entered into a Cooperative Agreement to support the Conference of Radiation Control Program Directors' National Orphan Radioactive Material Disposition Program, to facilitate disposition of orphaned or unwanted material held by the States or NRC licensees.

During FY 2005, the NRC has been involved in several initiatives to track radioactive sources of concern. The NRC issued a proposed rule that would establish the regulatory foundation for the National Source Tracking System–a database for tracking radioactive sources of concern. The proposed rule would require NRC and Agreement State licensees to report transactions involving the manufacture, transfer, receipt, and disposal of nationally tracked sources (Category 1 and 2 sources from the IAEA Code of Conduct). Development has begun on the National Source Tracking System database. In addition, a web-based license registry system is currently being implemented to provide information to the National Source Tracking System and establish a common information technology platform.

In FY 2005, NRC developed regulations and implemented the export/import provisions of the Code of Conduct on the Safety and Security of Radioactive Sources adopted in September 2003 by the International Atomic Energy Agency. The United States is the first country to implement this enhancement to the security of radioactive sources. The new regulations require specific licenses

for all exports and imports of Category 1 and 2 radioactive materials (in sealed sources or in bulk) as defined in the rule.

Under its authority to regulate nuclear material used for medical purposes, the NRC in March 2005 issued a final rule to amend the agency's requirements for training and experience in 10 CFR Part 35, "Medical Use of Byproduct Material." This rule amended the regulations governing the requirements for recognition of certain specialty boards whose certification may be used to demonstrate the adequacy of the training and experience of individuals to serve as medical physicists, nuclear pharmacists, radiation safety officers, and authorized users (physicians). The rule provides a more flexible and performance-based approach to the requirements. The associated guidance document has been revised to reflect the amended training and experience requirements.

In addition, in accordance with Section 274i of the Atomic Energy Act, NRC modified four of the nine agreements with States to conduct additional security inspections for NRC.

HIGH-LEVEL WASTE REPOSITORY

Summary	FY 2005 Enacted	FY 2006 Enacted	FY 2007 Request	FY 2007 Change From FY 2006
Budget Authority by Program ($K)				
Program Support	59,732	39,420	33,993	-5,427
Infrastructure and Support	8,766	6,237	6,989	752
Total Budget Authority	**68,498**	**45,657**	**40,982**	**-4,675**
Program FTE	133	108	89	-19
Infrastructure and Support FTE	30	24	26	2
Total FTE	**163**	**132**	**115**	**-17**

Introduction. The NRC's High-Level Waste Repository activities support the agency's FY 2004-FY 2009 Strategic Plan goals of Safety, Security, Openness, and Effectiveness, which are discussed in detail in Chapter 5 of this document. The following describes major highlights for the High-Level Waste Repository FY 2007 activities.

FY 2007 Activities. *(1) Safety:* Resources support the NRC's statutory responsibilities regarding the potential DOE application for a high-level waste (HLW) repository. Congress has approved the President's recommendation of the Yucca Mountain site in Nevada, and the budget reflects the assumption that DOE will have the license application ready for submission to the NRC in FY 2008. During FY 2006 and FY 2007, NRC will (1) continue pre-licensing application interaction in pace with DOE's activities, (2) review and evaluate technical and scientific changes to the DOE program, (3) issue final NRC regulations conforming to the change in EPA's standard, (4) amend NRC's guidance and revise technical models to allow application review under the new EPA standard, and (5) continue to maintain and operate a Licensing Support Network to allow document access to potential parties to the hearing and the public. Additionally, in FY 2007, the NRC will review applications for transportation and storage casks/overpacks for use with DOE's standardized canister-based system.

To achieve the performance goal of openness in NRC's regulatory process, resources are provided to support communicating with stakeholders and making the regulatory process accessible to interested stakeholders. In addition, legal advice, counsel, and representation will be provided for staff reviews, Commission actions, and pre-application discovery disputes.

NRC will conduct pre-hearing activities, including: (1) paying rent and providing security for the Las Vegas-area hearing room; (2) maintaining the information technology systems supporting pre-application discovery dispute activities and updating software and hardware as necessary; (3) processing adjudicatory documents in NRC's HLW information technology systems; and (4) providing information technology help desk support, as appropriate, for the parties to the HLW proceeding.

Change from FY 2006. Resources decrease from FY 2006 to FY 2007 because the NRC does not expect to review a license application prior to FY 2008, based on the assumption that DOE will submit a license application to NRC late FY 2008. In addition, available prior year funding will be used to conduct FY 2006 and FY 2007 activities.

Program Assessment Rating Tool (PART). Scheduled to be completed in FY 2007 for Budget Year 2009.

Strategic Outcomes and Performance Measures. The High-Level Waste Repository activities support a number of the agency's Strategic Outcomes and performance measures, described in detail in Chapter 5 of this document. Specifically, High-Level Waste Repository activities support the Safety goal Strategic Outcomes number 1.2, 1.3, 1.4, and 1.5, and performance measures 5 and 6; Security goal Strategic Outcome 2.1, and performance measures 1, 2, and 3; Openness goal Strategic Outcome 3.1, and performance measures 1 and 2; and, Effectiveness goal Strategic Outcome 4.1, and performance measures 2 and 3.

Output Measures. The requested resources will support agency efforts to achieve the output targets in the following tables. The tables provide the agency's performance on the measures from FY 2002. In addition, following these tables are the most significant accomplishments in FY 2005 for this program.

Output Measure: Resolve key technical issues developed during pre-licensing.**						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Resolve key technical issues (KTI) integrated subissues with closure on 60 agreements.	Resolve KTI integrated subissues/keep pace with DOE schedule.	Resolution of KTI agreements meets staff timeliness and quality goals.	Resolution of KTI agreements meets staff timeliness and quality goals.	Resolution of KTI and pre-closure concerns meets staff timeliness and quality goals.	Resolution of KTI and pre-closure concerns meets staff timeliness and quality goals.
Actual:	Reviewed and closed 46 agreements.*	Met target.	Met target.	Met target.		
*Delays in DOE's program prevented accomplishment of closure on 14 of the 60 scheduled agreements. **This output measure sunsets with receipt of a license application.						
This measure supports Safety Goal, performance measure number 6.						

Output Measure: The activities necessary to make a decision on DOE's repository license application will be planned and executed such that the decision can be made on time. This measure includes pre-licensing application activities prior to FY 2008 and license application activities for FY 2008 and later.*						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Meet milestones within 90 days of due date.	Meet milestones within 90 days of due date.	Meet milestones within 90 days of due date.	Meet milestones within 90 days of due date.	Meet milestones within 90 days of due date.	Meet milestones within 90 days of due date.
Actual:	Met target.	Met target.	Met target.	Met target.		
This measure supports Safety Goal, performance measure number 6.						

Output Measure: Regulation and guidance necessary to make a decision on DOE's repository license application will be planned and executed such that the decision can be made on time.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New output measure beginning in FY 2006				Publish a final 10 CFR Part 63 no more than 6 months after EPA publishes a final revised standard in the Federal Register.	Modify the Yucca Mountain Review Plan no more than 6 months after final 10 CFR Part 63, consistent with EPA's final revised 40 CFR Part 197 is published in the Federal Register.
Actual:	New output measure beginning in FY 2006					
This measure supports Safety Goal, performance measure number 6.						

Output Measure: Ensure that NRC's high-level waste documentary material is made electronically available in compliance with Part 2, Subpart J, and Pre-License Application Presiding Officer and Commission orders.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2004.	New measure in FY 2004.	If appropriate, certify the availability of NRC's high-level waste document collection to the Licensing Support Network (LSN) 1 month after DOE certifies its document collection.	Ensure continued availability of the NRC high-level waste document collection to the LSN.	Ensure supplementation of the NRC high-level waste document collection to the LSN in accordance with established requirements.	Ensure supplementation of the NRC high-level waste document collection to the LSN in accordance with established requirements.
Actual:	N/A	N/A	Met target. LSN certification was completed on schedule.	Met target.		
This measure supports Openness Goal, performance measure number 2, and Effectiveness Goal, performance measure number 3.						

Output Measure: Ensure that HLW Meta-System service level requirements for availability and reliability are met, and that information technology information management systems and business processes are in place to support pre-license application, pre-hearing, or hearing activities on the proposed Yucca Mountain repository.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2004.	New measure in FY 2004.	Resolve information technology and information management issues to keep pace with DOE's schedule.	As appropriate, resolve information technology and information management issues to keep pace with DOE's schedule.	The HLW Meta-System will be operational for the HLW licensing and adjudicatory business process in accordance with established service levels.*	The HLW Meta-System will be operational for the HLW licensing and adjudicatory business process in accordance with established service levels.*
Actual:	N/A	N/A	Met target. Development of Information Technology/ Information Management systems and business processes is on schedule.	Met target.		
* Established service levels support the computation of time described in 10 CFR 2.1017.						
This measure supports Openness Goal, performance measure number 2, and Effectiveness Goal, performance measure number 3.						

Output Measure: Independent technical advice on adjudicatory and non-adjudicatory matters; monitor implementation of the LSN.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2004.	New measure in FY 2004.	Establish formal staffing plan and plan for providing Commission with adjudicatory technical support. Begin monitoring prelicensing activities and Licensing Support Network (LSN) implementation.	Complete establishment of Commission Adjudicatory Technical Support program, initiate review of staff licensing documents and provide technical advice to the Commission on the licensing proceeding and the implementation of the LSN.	Maintain existing infrastructure, monitor activities of staff and other groups, and provide technical advice to the Commission in matters related to its adjudicatory responsibilities and the implementation of the LSN consistent with schedules established by the Commission.	Maintain existing infrastructure, monitor activities of staff and other groups, and provide technical advice to the Commission in matters related to its adjudicatory responsibilities and the implementation of the LSN consistent with schedules established by the Commission.
Actual:	N/A	N/A	Met target.	Met target.		
This measure supports Openness Goal, performance measure number 2, and Effectiveness Goal, performance measure number 3.						

Output Measure: Timeliness in completing enforcement actions.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2005.	New measure in FY 2005.	New measure in FY 2005.	Investigation cases: 100% completed within 360 days of NRC processing time* Non Investigation cases: 100% completed within 180 days of NRC processing time	N/A	N/A
Actual:	N/A	N/A	N/A	N/A**		
*NRC processing time is defined as the time from the date the case is opened or the licenses is briefed on the concern (the exit meeting) to the issuance of an enforcement action or other appropriate disposition less: (1) any time the NRC could not act because the case resided with DOI, DOJ, other government entity or where the licenses or because someone outside the enforcement process causes a lengthy deferment, and (2) any time the NRC could not act due to processing FOIA requests. **Target not applicable because DOE's license application was not received in FY 2005; NRC responsibility for enforcement does not begin until DOE submits its application. DOE's license application is expected late in FY 2008.						
This measure supports Safety Goal, performance measure numbers 5 and 6, and Security Goal, performance measures 1, 2, and 3.						

Output Measure: Timeliness in completing reviews for technical allegations.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2005.	New measure in FY 2005.	New measure in FY 2005.	70% ≤ 150 days 90% ≤ 180 days 100% ≤ 360 days	N/A	N/A
Actual:	N/A	N/A	N/A	N/A*		
*Target not applicable because DOE's license application was not received in FY 2005; NRC responsibility for allegations does not begin until DOE submits its application. DOE's license application is expected late in FY 2008.						
This measure supports Safety Goal, performance measure numbers 5 and 6, and Security Goal, performance measures 1, 2, and 3.						

Output Measure: Quality of completed investigations						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2005.	New measure in FY 2005.	New measure in FY 2005.	90% of investigations will develop sufficient information to reach a conclusion regarding wrongdoing.	N/A	N/A
Actual:	N/A	N/A	N/A	N/A*		
*Target not applicable because DOE's license application was not received in FY 2005; NRC responsibility for investigations does not begin until DOE submits its application. DOE's license application is expected late in FY 2008.						
This measure supports Safety Goal, performance measure numbers 5 and 6.						

Output Measure: Timeliness in completing investigations						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2005.	New measure in FY 2005.	New measure in FY 2005.	80% of investigations which developed sufficient information to reach a conclusion regarding wrongdoing will be completed within 10 months.	N/A	N/A
Actual:	N/A	N/A	N/A	N/A*		
*Target not applicable because DOE's license application was not received in FY 2005; NRC responsibility for investigations does not begin until DOE submits its application. DOE's license application is expected late in FY 2008.						
This measure supports Safety Goal, performance measure numbers 5 and 6.						

Output Measure: Timeliness in completing assists to staff.*						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2005.	New measure in FY 2005.	New measure in FY 2005.	70% of assists to staff are concluded in ≤ 90 days.	N/A	N/A
Actual:	N/A	N/A	N/A	N/A**		
* Generally, "Assists to Staff" are cases where the staff has requested OI's investigative expertise in a matter of regulatory concern but which do not involve a specific allegation of wrongdoing. **Target not applicable because DOE's license application was not received in FY 2005; NRC responsibility for investigations does not begin until DOE submits its application. DOE's license application is expected late in FY 2008.						
This measure supports Safety Goal, performance measure numbers 5 and 6.						

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FY 2005 Significant Accomplishments

During FY 2005, NRC continued to focus on preparing NRC to conduct an independent license application review. There are 293 agreements with DOE related to nine key technical issues. Of the 293 agreements, 256 have been addressed by DOE to the staff's satisfaction, 29 need additional information from DOE, and eight are on hold pending USGS issue resolution. These agreements were developed to ensure that NRC's review of the Yucca Mountain license application is based on sound science. As part of their pre-licensing responsibilities, staff will communicate additional issues that they have identified as a result of DOE's changes to its facility design and site analyses. Using the risk insights report to focus pre-licensing activities on significant risk issues, NRC has completed the evaluation of all high-risk agreements and has completed the evaluation of most moderate to low-ranked agreements. By the end of September 2005, NRC staff had completed reviews on all but eight of DOE's responses to the agreements. Since DOE decided that the quality of their FY 2005 draft license application needed to be enhanced, NRC has continued to interact with DOE to address key technical issues and to raise issues that could impact the quality of a license application.

NRC issued an update of the Integrated Issue Resolution Status Report (NUREG-1762, Rev. 1, dated April 2005). This publicly available report summarizes the status of technical information developed in the course of pre-licensing interactions between the NRC and the DOE. The report covers issues related to pre-closure safety, post-closure performance, and other aspects of the proposed repository.

The establishment of the Commission Adjudicatory Technical Support Program was completed, with the identification of part-time adjudicatory employees to assist the Commission and the Office of Commission Appellate Adjudication during the licensing review for a high-level waste repository.

Several major agency and business processes have been integrated to support licensing review for the proposed DOE high-level nuclear waste repository at Yucca Mountain, Nevada. In order to meet the associated challenges, NRC has implemented new information systems, enhanced existing computer applications, upgraded the computing infrastructure, and improved business processes to provide a more robust, secure, and integrated environment. This collection of business processes, computer applications, and information technology infrastructure components is referred to as the High-Level Waste Meta-System. In June 2005, the High-Level Waste Meta-System's capability to support High-Level Waste business processes was validated by performing iterative exercises of the entire business process.

DECOMMISSIONING AND LOW-LEVEL WASTE

Summary	FY 2005 Enacted	FY 2006 Enacted	FY 2007 Request	FY 2007 Change From FY 2006
Budget Authority by Program ($K)				
Program Support	17,030	20,352	17,946	-2,406
Infrastructure and Support	6,165	7,056	7,761	705
Total Budget Authority	**23,195**	**27,408**	**25,707**	**-1,701**
Program FTE	91	101	97	-4
Infrastructure and Support FTE	21	22	22	0
Total FTE	**112**	**123**	**119**	**-4**

Introduction. The NRC's Decommissioning and Low-Level Waste activities support the agency's FY 2004-FY 2009 Strategic Plan goals of Safety, Security, Openness, and Effectiveness, which are discussed in detail in Chapter 5 of this document. The following describes major highlights for the Decommissioning and Low-Level Waste FY 2007 activities.

FY 2007 Activities. *(1) Safety:* Resources support conducting decommissioning licensing and inspection activities at 17 power reactors and at approximately 35 complex materials and fuel facilities sites. These activities include project management, technical reviews, emergency preparedness and radiation protection inspections at decommissioning power reactors, material and fuel facility decommissioning plan reviews, and financial assurance reviews. Activities also include the review of safety and environmental reports related to decommissioning. In addition, the NRC will continue its oversight of the West Valley Demonstration Project, as necessary, to support the implementation of the West Valley Demonstration Project Act. The NRC will continue to work with the EPA on issues associated with the management of radioactive material and to address issues associated with the remediation of sites that fall under the EPA/NRC memorandum of understanding. The agency has developed an Integrated Decommissioning Improvement Plan to consolidate recommendations from the License Termination Rule results analysis and a program evaluation. This plan is expected to improve the effectiveness and efficiency of this program.

The NRC's FY 2007 budget includes $2.9 million to provide oversight of certain DOE waste determination activities and plans consistent with the NRC's new responsibilities in the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005. This act requires DOE to consult with NRC on its waste-incidental-to-reprocessing determinations for facilities in South Carolina and Idaho.

Research activities will provide data and models for assessing public exposure to environmental releases of radioactive materials and the technical basis for decommissioning rulemakings. Legal advice and representation will be provided for staff and Commission activities related to decommissioning nuclear power reactors and materials sites, and legal advice and counsel will be provided on low-level waste issues that may arise.

This program also supports the regulation and oversight of low-level waste (LLW), including interactions with, and technical assistance to, DOE, the Advisory Committee on Nuclear Waste, and the States on issues of importance in the regulation of LLW. This program supports LLW licensing activities, such as on-site disposal, the review of international experience, and import/export reviews.

(2) Security: Resources support the review of security aspects for safety licensing actions.

Change from FY 2006. Program resources decrease due to the completion of several research activities that support decommissioning decisions.

Program Assessment Rating Tool (PART). Scheduled to be completed in FY 2006 (Budget Year 2008).

Strategic Outcomes and Performance Measures. The Decommissioning and Low-Level Waste activities support a number of the agency's Strategic Outcomes and performance measures, described in detail in Chapter 5 of this document. Specifically, Decommissioning and Low-Level Waste activities support the Safety goal Strategic Outcomes number 1.3, 1.4, and 1.5, and performance measures 5 and 6; Security goal Strategic Outcome 2.1, and performance measures 1, 2, and 3; Openness goal Strategic Outcome 3.1, and performance measures 1 and 2; and, Effectiveness goal Strategic Outcome 4.1, and performance measures 1, 2 and 3.

Output Measures. The requested resources will support agency efforts to achieve the output targets in the following tables. The tables provide, where available, historical performance on the measures from FY 2002. In addition, following these tables are the most significant accomplishments in FY 2005 for this program.

Output Measure: Clean-up complex materials, fuel cycle sites, and power reactors						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Remove 1 site from SDMP list after satisfactory cleanup.	Remove 1 site from SDMP list after satisfactory cleanup. Conduct 90-day Acceptance Review.*	Remove 1 site from SDMP list after satisfactory cleanup. Conduct 90-day Acceptance Review.	Develop a risk-informed, graded approach to prioritize and manage decommissioning licensing and inspection. Complete high priority licensing actions as scheduled in the Decommissioning Operating Plan.**	Complete final guidance to address issues identified in the license termination rule analysis and provide risk-informed approaches for restricted use, more realistic scenarios, and preventing future legacy sites. Conduct PART for the Decommissioning Program. Complete high-priority licensing actions as scheduled in the Decommissioning Operating Plan.	Complete high-priority licensing actions as scheduled in the Decommissioning Operating Plan.
Actual:	1 site removed (Lake City Army Ammunition Plant)	1 site removed (Watertown GSA) Acceptance reviews were completed within timeliness goals	2 sites removed from SDMP (B&W Parks Township and Molycorp-York) 2 complex sites also removed (Envirotest labs and University of Wyoming) Acceptance reviews were completed within timeliness goals	Developed a risk-informed, graded approach to prioritize and manage decommissioning licensing and inspection. Completed decommissioning at 8 sites; approved 6 decommission-ing/License Termination Plans, and approved 4 final site radiation surveys.		
*Output modified in FY 2003 to conduct 90-day Acceptance Review of decommissioning plans and license termination plans submitted. **Output measure and target modified in FY 2005 due to discontinuance of the SDMP classification, reflecting achievement of the intent of the SDMP list and action plan. All sites, including those with complex technical and policy issues, will now be managed by a comprehensive decommissioning program.						
This measure supports Safety Goal, performance measure numbers 5 and 6, and Effectiveness Goal, performance measure numbers 1 and 2.						

Output Measure: Maintenance of regulatory framework for low-level waste disposal.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Provide technical assistance to requesting Agreement States 90% of the time on schedule.	Provide technical assistance to requesting Agreement States 90% of the time on schedule. Initiate technical support on low activity mixed waste.*	Provide technical assistance to requesting Agreement States 90% of the time on schedule. Complete assured isolation rulemaking plan. Initiate technical support on low activity mixed waste.*	Provide technical assistance to requesting Agreement States 90% of the time on schedule. Complete annual review to determine need for rulemaking and/or guidance on extended storage and assured isolation. Initiate revisions to the guidance as necessary. Continue support on EPA Advance Notice of Proposed Rulemaking (ANPR) for disposal of low-activity waste.	Provide technical assistance to requesting Agreement States 90% of the time on schedule. Complete annual review to determine need for rulemaking and/or guidance on extended storage and assured isolation. Initiate revisions to the guidance as necessary. Continue support on EPA ANPR for disposal of low-activity waste. Complete high-priority licensing actions as scheduled in the Environmental Protection and Performance Assessment Operating Plan.	Provide technical assistance to requesting Agreement States 90% of the time on schedule. Complete annual review to determine need for rulemaking and/or guidance on extended storage and assured isolation. Initiate revisions to the guidance as necessary. Complete high-priority licensing actions as scheduled in the Environmental Protection and Performance Assessment Operating Plan.
Actual:	Met target	Met targets	Met targets	Met targets		
*Within 30 days of EPA's initiation of its rulemaking on mixed waste, initiate technical support for a proposed rule to establish conditions for disposal of low activity mixed waste in Resource Conservation and Recovery Act Subtitle C facilities.						
This measure supports Safety Goal, performance measure numbers 5 and 6, and Effectiveness Goal, performance measure number 3.						

Output Measure: Support NMSS licensing activities by preparing and/or reviewing required environmental reports						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Complete 1 draft Environment Impact Statement (EIS). Review 1 EIS of another agency.	Complete 1 final EIS. Publish NUREG-1748, "Environmental Review Guidance for Licensing Actions Associated with NMSS Programs."*	Complete 1 final EIS and 1 draft EIS.*	Complete 1 final EIS and 1 draft EIS.*	Complete 1 final EIS and 1 draft EIS.*	Complete 1 final EIS or 1 draft EIS.*
Actual:	Reviewed 1 final EIS of another agency (DOE's final EIS for the Yucca Mountain Site)**	Completed 2 draft EISs. Final EIS for MOX facility was delayed due to licensee design changes. Published NUREG-1748 in August 2003.	Completed 1 DEIS--LES and completed 1 FEIS (published Foster Wheeler FEIS, NUREG-1773, in January 2004)	Completed 2 FEIS--LES (NUREG-1790) and MOX (NUREG-1767); completed 2 DEIS--USEC (NUREG-1834), and for the Control of Disposition of Solid Materials proposed rulemaking.		
*Within 45 days of acceptance of application and environmental report, publish notice of intent to prepare the EIS and proposed schedule in the Federal Register. **Did not meet target to complete one draft EIS; the MOX draft EIS was delayed because DOE revised its surplus plutonium disposition program, and the Sequoyah Fuels Corporation draft EIS was delayed because of a licensee request for reclassification of its waste as 11e.(2) byproduct material, which changed the method for decommissioning.						
This measure supports Safety Goal, performance measure numbers 5 and 6, and Effectiveness Goal, performance measure number 3.						

FY 2005 Significant Accomplishments

During FY 2005, NRC conducted regulatory oversight of decommissioning activities at numerous complex sites and power reactor sites. Staff completed decommissioning activities at six complex materials and two operating reactor sites. In addition, NRC approved the License Termination Plans for the Big Rock Point and Yankee Rowe power reactor sites. NRC's review of the License Termination Plans, an intermediate step leading to license termination, ensures that the procedures and practices proposed by the site operators can be conducted in a manner that is protective of the public health and safety, and that the decommissioning activities proposed will result in the sites being suitable for release from regulatory control.

In FY 2005, NRC prepared a draft generic environmental impact statement (NUREG-1812), and considered a draft rulemaking on controlling the disposition of solid materials. A decision was made to defer the effort at this time.

During FY 2005, NRC continued to improve the manner in which the NRC oversees the decommissioning of nuclear facilities through implementation of the Integrated Decommissioning Improvement Plan. The activities in this plan build on and augment the NRC's 2003 decommissioning program review and analysis of the issues associated with the implementation of the License Termination Rule. These activities will ensure that sites are decommissioned using realistic, risk-informed approaches, and will result in updated decommissioning guidance and new regulations to prevent problematic sites.

SPENT FUEL STORAGE AND TRANSPORTATION

Summary	FY 2005 Enacted	FY 2006 Enacted	FY 2007 Request	FY 2007 Change From FY 2006
Budget Authority by Program ($K)				
Program Support	16,970	17,345	17,863	518
Infrastructure and Support	7,022	7,446	8,672	1,226
Total Budget Authority	**23,992**	**24,791**	**26,535**	**1,744**
Program FTE	91	92	91	-1
Infrastructure and Support FTE	24	23	25	2
Total FTE	**115**	**115**	**116**	**1**

Introduction. The NRC's Spent Fuel Storage and Transportation activities support the agency's FY 2004-FY 2009 Strategic Plan goals of Safety, Security, Openness, and Effectiveness, which are discussed in detail in Chapter 5 of this document. The following describes major highlights for the Spent Fuel Storage and Transportation FY 2007 activities.

FY 2007 Activities. *(1) Safety:* The NRC will license, certify, and inspect the interim storage of spent fuel from commercial nuclear reactors and the domestic and international transportation of radioactive materials to ensure safety and to meet industry needs. The NRC expects to review new applications for independent spent fuel storage installations (ISFSIs) at commercial nuclear power plants and applications for spent fuel storage casks, transportation packages, dual purpose (storage and transport) casks, and route approvals. The NRC will address emergent technical issues such as credit for spent fuel burnup, storage and transport of high burnup fuel, and moderator exclusion, to meet industry needs. The NRC will also consider rulemaking changes for compatibility of NRC, U.S. Department of Transportation, and International Atomic Energy Agency transport regulations. In addition, the NRC will complete approximately 20 safety inspections of cask designers and fabricators in FY 2007 and approximately 25 reviews of quality assurance programs to ensure that safety measures are correctly implemented by licensees and others responsible for NRC-certified spent fuel storage systems and transport packages.

Research activities will support the development of technical bases for transportation of high-burnup fuels and fission burnup credit, and thermal analyses of cask designs. In addition, legal advice and representation will be provided for staff and Commission activities concerning spent fuel storage and transportation, and, as appropriate, adjudicatory hearings related to ISFSIs will be held.

(2) Security: Resources are provided for security reviews for ISFSIs and the transportation of large quantities of radioactive material. Resources are also provided for homeland security activities to implement security enhancements as necessary to develop and implement a baseline inspection program for physical protection, and to develop strategies to prevent or mitigate potential vulnerabilities.

Change from FY 2006. The resource increases are primarily due to agency-wide infrastructure and support costs, salaries and benefits increases for the government-wide FY 2007 pay raise, and other nondiscretionary compensation and benefits increases.

Program Assessment Rating Tool (PART). Completed in FY 2005 (Budget Year 2007). OMB rated this program as effective with an overall score of 89 in FY 2005 (Budget Year 2007). OMB stated that the program earned high scores for having a purpose and design that are clear and sound. Further, the program is not redundant or duplicative of any other Federal, State, local, or private effort. The program is achieving its long term safety and security goals with respect to storage and transportation of nuclear materials. The following table describes the status of actions taken to respond to OMB recommendations for improving the Spent Fuel Storage and Transportation activity:

Recommendation	Completion Date	On Track (Y/N)	Comments on Status
(1) Secure a regularly scheduled independent assessment, including evaluation of annual and long term performance measures, effectiveness of strategic planning, and effectiveness and efficiency of program management. For purposes of the PART assessment, the independent evaluation will adhere to the relevant requirements as presented in OMB Circular A-11.	September 2006	Y	The NRC's Inspector General has expressed a willingness to consider scheduling program evaluations as potential audit areas in order to inform future PART reviews. In the event that the OIG is unable to assess the program subject to an upcoming PART review, the NRC is exploring how other Federal agencies address independent program evaluations to determine if there are other cost effective means of conducting such evaluations. The NRC will determine an approach for conducting regularly scheduled independent assessments for PART programs.
(2) Align operating and leadership plans with the performance budget and strategic plan; resource needs need to be clearly tied to achieving annual and agency long-term goals.	February 2006	Y	Completed. The FY 2005 and the FY 2006 operational level and leadership level operating plans are aligned with the strategic plan goals and strategies, with efforts that support the program activities being clearly identified. Additionally, the NRC's FY 2007 Performance Budget to Congress explicitly and clearly ties the agency's budget request to the Strategic Plan goals, strategic outcomes and performance measures that are supported by the activities under the agency's two major program areas, as well as the performance measure(s) that are supported by each output measure under the activity.
(3) Align employee performance appraisal system and individual plans with the goals and targets contained in the performance budget and strategic plan.	FY 2004	Y	Completed. The Senior Executive Service (SES) performance plans were standardized to align with the strategic plan and the performance budget. Element 1 of the SES performance plan, Key Programmatic Accomplishments, has five key programmatic objectives that align with the five goals of the strategic plan, and have as execution targets, the output measures in the performance budget. The non-supervisory performance plans have similarly been standardized, and assess staff performance against the agency's strategic goals and the output measures in the performance budget, as monitored in the operating plan.

Strategic Outcomes and Performance Measures. The Spent Fuel Storage and Transportation activities support a number of the agency's Strategic Outcomes and performance measures, described in detail in Chapter 5 of this document. Specifically, Spent Fuel Storage and Transportation activities support the Safety goal Strategic Outcomes number 1.2, 1.3, 1.4, and 1.5, and performance measures 5 and 6; Security goal Strategic Outcome 2.1, and performance measure 1, 2, and 3; Openness goal Strategic Outcome 3.1, and performance measures 1 and 2; and, Effectiveness goal Strategic Outcome 4.1, and performance measures 1, 2 and 3.

Output Measures. The requested resources will support agency efforts to achieve the output targets in the following tables. The tables provide historical performance, where available, on the measures from FY 2002. In addition, following these tables are the most significant accomplishments in FY 2005 for this program.

Output Measure: Complete transportation container design reviews within timeliness goals.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	100	80% ≤ 8 mos 100% ≤ 2 years	80% ≤ 8 mos 100% ≤ 2 years	80% ≤ 8 mos 100% ≤ 2 years	80% ≤ 7.7 mos 100% ≤ 2 years	80% ≤ 7.4 mos 100% ≤ 2 years
Actual:	72*	80% ≤ 8 mos 99% ≤ 2 years**	93% ≤ 8 mos 100% ≤ 2 years	89% ≤ 8 mos 100% ≤ 2 years		
* The storage and transportation casework was heavily impacted during FY 2002 as a result of redirection of staff efforts to response activities associated with the terrorist attacks on September 11, 2001, and follow-on vulnerability assessments; thus, fewer cases were completed in FY 2002 than originally projected. **Completion of the NAC-UMS cask took longer than the targeted period to complete because of the time needed to obtain additional information from the applicant and applicant's interim suspension of NRC review.						
This measure supports Effectiveness Goal, performance measure number 3 while maintaining Safety and Security.						

Output Measure: Complete storage container and installation design reviews within timeliness goals						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	40	80% ≤ 14 mos 100% ≤ 2 years	80% ≤ 14 mos 100% ≤ 2 years	80% ≤ 14 mos 100% ≤ 2 years	80% ≤ 13.3 mos 100% ≤ 2 years	80% ≤ 12.6 mos 100% ≤ 2 years
Actual:	36*	89% ≤ 14 mos 100% ≤ 2 years	88% ≤ 14 mos 100% ≤ 2 years	82% ≤ 14 mos 89% ≤ 2 years **		
* The storage and transportation casework was heavily impacted during FY 2002 as a result of redirection of staff efforts to response activities associated with the terrorist attacks on September 11, 2001, and follow-on vulnerability assessments and fewer cases were completed in FY 2002 than originally projected. ** The measure for completion of all storage container and facility cases in less than 2 years was not met . However, this reflects staff completion of all cases that were pending more than 2 years (Idaho Spent Fuel Facility, GE-Morris renewal, and Surry renewal and exemption). There were no cases pending more than 2 years at the end of FY 2005.						
This measure supports Effectiveness Goal, performance measure number 3 while maintaining Safety and Security.						

Output Measure: Timeliness of completing actions on critical research programs						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	85% of major milestones met on or before their due date	85% of major milestones met on or before their due date	85% of major milestones met on or before their due date	85% of major milestones met on or before their due date	85% of major milestones met on or before their due date	85% of major milestones met on or before their due date
Actual:	91% across programs	80% across programs*	90% across programs	81% across programs**		
Definition: Critical research programs typically respond to high priority needs of the Commission and NRC's licensing organizations. Critical research programs are the highest priority needs identified at the beginning of each fiscal year. The NRC is developing a quality assessment process consistent with that proposed by the National Academy of Sciences, Committee on Science, Engineering, and Public Policy, in its report, "Evaluating Federal Research Programs: Research and the Government Performance and Results Act." The quality assessment process will include (1) surveying end-users to determine the usability and value-added of the product, and (2) feedback from the Advisory Committee on Reactor Safeguards on research programs and products. As appropriate, other mechanisms will be developed and added to this process to measure the quality of research products. NRC will use this new process to develop a performance measure baseline during FY 2006. Performance will be measured against the FY 2006 baseline in FY 2007. It is anticipated that the initial performance targets for FY 2007 will be defined by the end of CY 2006. *The target was not met as a result of unanticipated critical research needs and emergent work of equal priority. **The target was not met as a result of unanticipated emerging work with priorities and schedules equivalent to existing critical research programs.						
This measure supports Openness Goal performance measure number 2; and Effectiveness Goal performance measure numbers 1, 2, and 3.						

FY 2005 Significant Accomplishments

During FY 2005, NRC issued a new independent spent fuel storage installation (ISFSI) license to the DOE for the Idaho Spent Fuel facility. Also in FY 2005, licenses were renewed for the G. E. Morris, H.B. Robinson and Surry ISFSIs, the first ever site-specific ISFSI license renewals. The H.B. Robinson and Surry licenses were renewed for a 40-year period. These licensing actions will provide for the safe storage of spent fuel while allowing continued licensee operations.

In February 2005, NRC conducted a widely-attended Licensing Process Workshop, in the spirit of openness in regulatory processes and continuous improvement, to: (1) roll out revised guidance for interaction with Part 71 and 72 applicants (Rules of Engagement); (2) discuss lessons learned and experience based on past practices; and (3) solicit feedback and suggestions from more than150 applicants, stakeholders, industry, press/media, and members of the public on licensing process improvements.

The National Academy of Sciences (NAS) delivered a classified report on spent fuel storage safety and security to the House and Senate Committees on Appropriations in July 2004 and an unclassified summary in March 2005. NRC responded to Congress with a report on March 14, 2005, describing the specific actions the NRC has taken in response to the NAS recommendations. The agency finalized its Radioactive Material Quantities of Concern

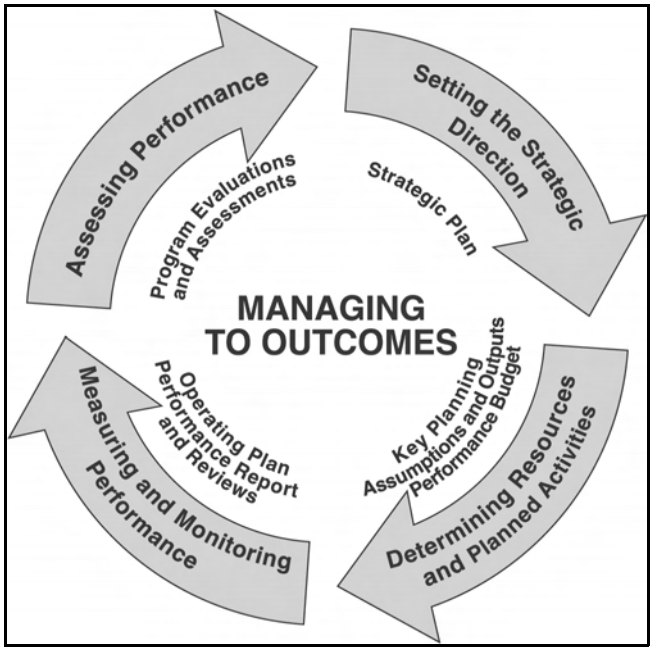
Additional Security Measures on April 26, 2005 and continues to coordinate efforts with the Department of Homeland Security and the Department of Transportation to enhance security for transported radioactive materials.

PERFORMANCE MEASUREMENT

Performance Measurement

The NRC's Strategic Plan for FY 2004-FY 2009 describes our mission and establishes the Commission direction by defining a vision, strategic objective, goals, strategic outcomes, and strategies and means to accomplish the agency's strategic objective. The FY 2007 Performance Budget uses the Strategic Plan structure to align resources and to show a clear linkage between programs and the agency's goals. In particular, the Performance Budget shows how programs and associated key outputs are aligned to the performance measures for the goals in the Strategic Plan. Specific goals, strategic outcomes, and performance targets are discussed later in this chapter.

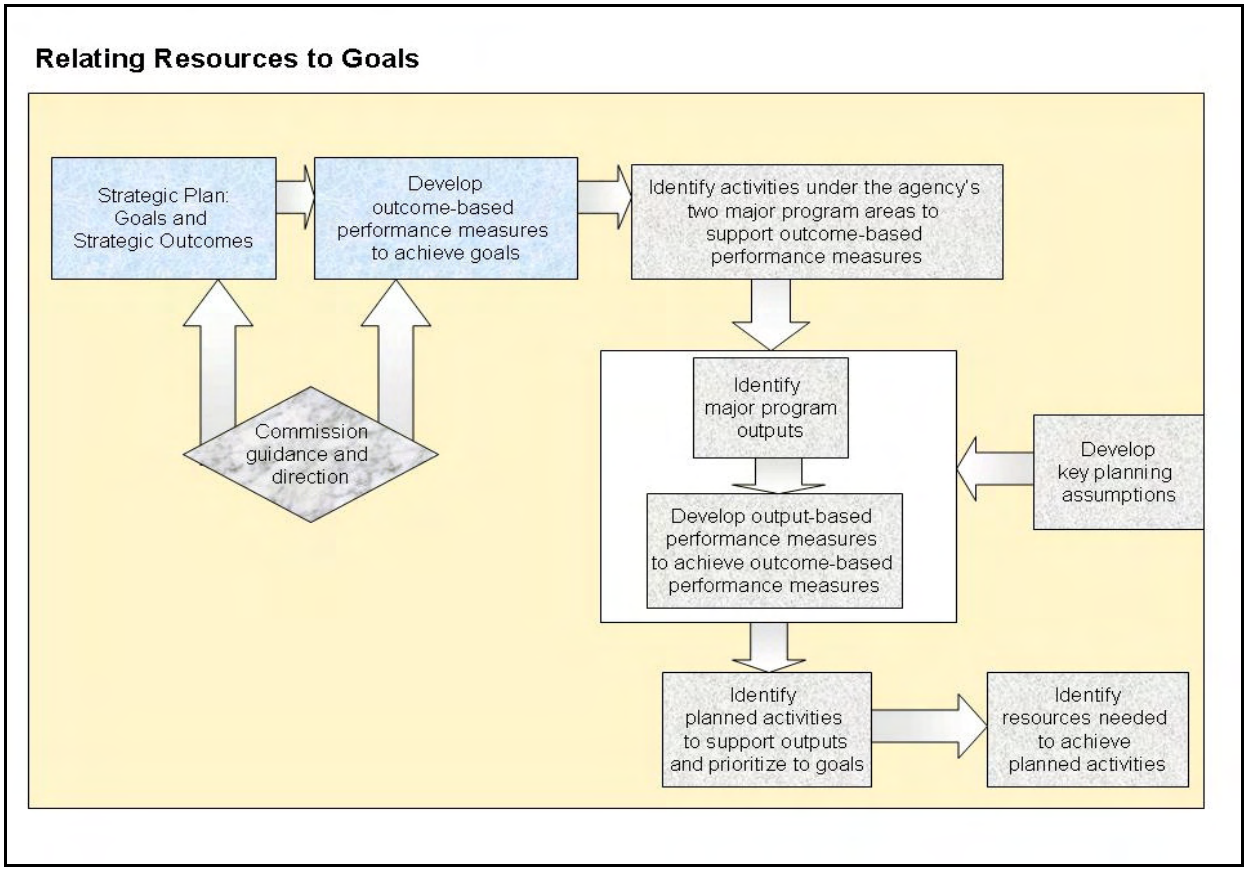
Measuring and monitoring performance is one of the four components of the NRC's Planning, Budgeting, and Performance Management (PBPM) process. The other components are Setting the Strategic Direction, Determining Planned Activities and Resources, and Assessing Performance (See figure below).



The components of the PBPM process are closely linked and complementary, reflecting a continuous cycle of performance management centered on outcomes. This document integrates the agency's PBPM functions by aligning resources with the agency's goals and establishing performance measures to enable periodic measurement and monitoring of program execution. Annual performance assessments are used to analyze performance and seek improvements in effectiveness and efficiency. The NRC's FY 2004-FY 2009 Strategic Plan establishes the agency's long-term strategic direction and outcomes, and guides the NRC's work and allocation of resources.

Relating Goals to Resources

The NRC has implemented the PBPM process to accomplish performance budgeting, performance measuring and monitoring, and performance assessments within the agency. The NRC's Strategic Plan describes our mission and establishes the Commission direction by defining a vision, strategic objective, goals, strategic outcomes and strategies. The performance budget integrates the agency's PBPM functions by aligning resources with the agency's goals and establishing performance measures to enable periodic measurement and monitoring of program execution. The figure below illustrates the relationship between goals and resources to effectively accomplish performance budgeting within the agency.



Annually, the Commission provides guidance on the agency's outcome-based performance measures, which indicate the level of success needed to achieve the agency's goals. In addition, the NRC identifies which activities under the agency's two major program areas support the NRC's outcome-based performance measures; and uses these as guides to formulate the budget. Specifically, the agency develops key planning assumptions, which identify major program drivers that would

significantly influence the NRC's work activities and resource requirements. For each major activity, the agency identifies the major program outputs and output-based measures needed to achieve the outcome-based performance measures, taking into consideration the key planning assumptions. The NRC also identifies and prioritizes planned activities needed to achieve the outputs in each major activity, and prioritizes them based on their contribution to goals. Lastly, the NRC determines the resource requirements needed to achieve each planned activity, forming the basis for developing the agency's budgetary requests for each program area. Each of NRC's performance budget review levels takes into consideration those factors described above in relating outcome-based and output-based performance measures to resources in making budget recommendations and decisions.

Goals

The NRC's FY 2004-FY 2009 Strategic Plan has five goals: Safety, Security, Openness, Effectiveness, and Management. This document integrates budget and performance, clarifying the linkage between the budget's performance measures, output measures, and the agency's strategic outcomes and identifying the performance measures supported by each of the seven activities under the agency's two major programs. In particular, Chapters 3 and 4 identify which performance measure(s) are supported by each output measure and identify which strategic outcomes and performance measures are supported by the seven activities under the agency's two major programs of Nuclear Reactor Safety and Nuclear Materials and Waste Safety. These activities include Nuclear Reactor Licensing, Nuclear Reactor Inspection, Fuel Facilities, Nuclear Materials Users, High-Level Waste Repository, Decommissioning and Low-Level Waste, and Spent Fuel Storage and Transportation.

PERFORMANCE MEASUREMENT

FY 2007 Resource Allocation by Goal

Adequate protection of public health and safety and the environment has always been, and continues to be, the NRC's primary goal. Accordingly, safety is the most important consideration in evaluating license applications, licensee performance, and proposed changes to the regulatory framework. Because security is essential to the NRC's mission and linked with safety, it is also an important consideration in the agency's actions. The agency continuously works to improve its openness, effectiveness and efficiency, and management excellence consistent with its safety and security mission. The NRC's resources are allocated to its Nuclear Reactor Safety Program and Nuclear Materials and Waste Safety Program areas. Activities in these two major program areas contribute directly to the achievement of the agency's goals. The table below shows the alignment of the NRC's fully costed Nuclear Reactor Safety Program and Nuclear Materials and Waste Safety Program with the goals, Safety and Security.

ALIGNMENT OF RESOURCES TO NRC GOALS
(Dollars in Thousands)

	FY 2006 Current Estimate Full Cost			FY 2007 Request Full Cost		
Major Program	**Safety**	**Security**	**Total**	**Safety**	**Security**	**Total**
Nuclear Reactor Safety	468,162	47,012	515,174	522,968	40,345	563,313
Nuclear Materials and Waste Safety	185,731	32,299	218,030	175,184	29,913	205,097
Totals	**653,893**	**79,311**	**733,204**	**698,152**	**70,258**	**768,410**

Note: Excludes OIG.

FY 2006-FY 2007 PERFORMANCE MEASURES

Goal 1-Safety: Ensure protection of public health and safety and the environment.

Strategic Outcomes:

1.1 - No nuclear reactor accidents.[1]
1.2 - No inadvertent criticality events.
1.3 - No acute radiation exposures resulting in fatalities.
1.4 - No releases of radioactive materials that result in significant radiation exposures.[2]
1.5 - No releases of radioactive materials that cause significant adverse environmental impacts.[3]

GOAL 1: SAFETY-PERFORMANCE MEASURES							
		FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
1. Number of new conditions evaluated as red by the NRC's reactor oversight process.[4]							
Target:	New Metric				≤ 3	≤ 3	≤ 3
Actual:					0		
2. Number of significant accident sequence precursors (ASPs) of a nuclear reactor accident.[5]							
Target:		≤ 1	≤ 1	≤ 1	0	0	0
Actual:		1	0	0	0		
3. Number of operating reactors whose integrated performance entered the Manual Chapter 0350 process, the multiple/repetitive degraded cornerstone column or the unacceptable performance column of the ROP Action Matrix with no performance exceeding Abnormal Occurrence Criterion I.D.4.[6]							
Target:	New Metric				≤ 4	≤ 4	≤ 4
Actual:					0		
4. Number of significant adverse trends in industry safety performance.[7]							
Target:		0	0	0	≤ 1	≤1	≤1
Actual:		0	0	0	0		
5. Number of events with radiation exposures to the public and occupational workers that exceed Abnormal Occurrence Criterion I.A							
Reactor Target:		0	0	0	0	0	0
Actual:		0	0	0	0		
Material Target:		≤ 6	≤ 6	≤ 6	≤ 6	≤ 6	≤ 6
Actual:		0	0[8]	0	1		
Waste Target:		0	0	0	0	0	0
Actual:		0	0	0	0		

PERFORMANCE MEASUREMENT

GOAL 1: SAFETY-PERFORMANCE MEASURES						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
6. Number of radiological releases to the environment that exceed applicable regulatory limits.[9]						
Reactor ***Target:***[10]	≤ 3	≤ 3	≤ 3	≤ 3	≤ 3	0
Actual:	0	0	0	0		
Material ***Target:***	≤ 5	≤ 5	≤ 5	≤ 5	≤ 5	≤ 5
Actual:	4	0	0	0		
Waste ***Target:***	0	0	0	0	0	0
Actual:	0	0	0	0		

Goal 2-Security: Ensure the secure use and management of radioactive materials.

Strategic Outcome:
2.1 – No instances where licensed radioactive materials are used domestically in a manner hostile to the security of the United States.

GOAL 2: SECURITY-PERFORMANCE MEASURES						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
1. Unrecovered losses or thefts of risk-significant radioactive sources.						
Target:	0	0	0	0	0	0
Actual:	0	0	0	0		
2. Number of security events and incidents that exceed the Abnormal Occurrence Criteria I.C 2-4.						
Target:	New measure in FY 2005			≤ 4	≤ 4	≤ 4
Actual:				0		
3. Number of significant unauthorized disclosures of classified and/or safeguards information.[11]						
Target:	**0**	**0**	**0**	**0**	**0**	**0**
Actual:	**0**	**0**	**0**	**0**		

PERFORMANCE MEASUREMENT

Goal 3-Openness: Ensure openness in our regulatory process.

Strategic Outcome:
3.1 - Stakeholders are informed and involved in NRC processes as appropriate.

GOAL 3: OPENNESS-PERFORMANCE MEASURES			
	FY 2005	**FY 2006**	**FY 2007**
1. Percentage of stakeholders that perceive the NRC to be open in its processes is equal to or greater than other Federal Agency measures, when available.			
Target:	> Federal Agency Weighted Average	≥ Federal Agency Weighted Average	≥ Federal Agency Weighted Average
Actual:	New Measure in FY 2006		
2. Percentage of selected openness output measures that achieve performance targets.			
	FY 2005	**FY 2006**	**FY 2007**
Target:	≥ 70%	≥ 78%	≥ 88%
Actual:	50%		

The following output measures support the Openness goal performance measure number two:

(a) Ninety percent of stakeholder formal requests for information receive an NRC response within 60 days of receipt *(supported by all seven activities under the agency's two major programs areas)*.

(b) Ninety percent of non-sensitive, unclassified regulatory documents generated by the NRC and sent to the agency's Document Processing Center are released to the public by the sixth working day after the date of the document *(supported by all seven activities under the agency's two major programs areas).*

(c) Ninety percent of non-sensitive, unclassified regulatory documents received by the NRC are released to the public by the sixth working day after the document is added to the ADAMS main library *(supported by all seven activities under the agency's two major programs areas).*

(d) The NRC achieves a user satisfaction score for the agency's public Website greater than or equal to the Federal Regulatory Agency mean score based on results of the yearly American Customer Satisfaction Index for Federal Web sites *(supported by all seven activities under the agency's two major programs areas).*

(e) Respond to Freedom of Information Act Requests in less than 20 days (FY 2005 result: 12) *(supported by all seven activities under the agency's two major programs areas).*

(f) Issue 90 percent of Director's Decisions under 2.206 within 120 days (FY 2005 result: 100

percent) *(supported by the Reactor Licensing, Nuclear Materials Users, Fuel Facilities, Decommissioning and Low-Level Waste, and Spent Fuel Storage and Transportation activities).*

(g) Make 90 percent of Final Significance Determination Process Determinations within 90 days for all potentially greater than green findings (FY 2005 result: 68 percent) *(supported by Reactor Inspection activities).*

(h) 90 percent of stakeholders believe they were given sufficient opportunity to ask questions or express their views (FY 2005 result: 90 percent) *(supported by all seven activities under the agency's two major programs areas).*

(i) At least 90 percent of Category 1, 2 and 3 meetings on regulatory issues for which public notices are issued 10 days in advance of the meeting (FY 2005 result: 89 percent) *(supported by all seven activities under the agency's two major programs areas).*

(j) Complete all the key stakeholder and public interactions for the reactor performance assessment cycle consisting of mid-cycle review and letter report, end-of-cycle review report and letter, public meetings, agency action review, and Commission meeting (FY 2005 result: met) *(supported by Reactor Inspection activities).*

Goal 4 - Effectiveness: Ensure that NRC actions are effective, efficient, realistic, and timely.

Strategic Outcome:
4.1 – No significant licensing or regulatory impediments to the safe and beneficial uses of radioactive materials.

GOAL 4: EFFECTIVENESS - PERFORMANCE MEASURES					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
1. Programs assessed during the fiscal year using the Program Assessment Rating Tool (PART) receive a minimum score of 85 from OMB.					
Program:	Reactor Inspection and Performance Assessment Program	Nuclear Material User Program	Reactor Licensing Program	Decommissioning and Low-Level Waste Program	Measure to be discontinued in FY 2007
Target:	≥ 85	≥ 85	≥ 85	≥ 85	
Actual:	89	93	74		
Program:	Fuel Facilities Program	N/A	Spent Fuel Storage and Transportation Program	N/A	
Target:	≥ 85	N/A	≥ 85	N/A	
Actual:	89	N/A	89	N/A	

GOAL 4: EFFECTIVENESS - PERFORMANCE MEASURES			
	FY 2005	**FY 2006**	**FY 2007**
2. The percentage of selected processes that deliver desired efficiency improvement is > 70%. (Goal is > 90% by 2008).[12]			
2a. Reactor Licensing Actions *(supported by Reactor Licensing activities).*			
Target:	New measure in FY 2006	Reduce the average time spent conducting reactor license amendment reviews by at least 5% compared to the historical average while maintaining cost and quality at or above FY 2005 level	Measure discontinued after FY 2006
Actual:			
2b. Enforcement Process for Handling Discrimination Allegations ***(****supported by all seven activities under the agency's two major programs areas****).***			
Target:	New measure in FY 2006	10% reduction in the average enforcement processing time[13]	10% reduction in the average enforcement processing time[13]
Actual:			
2c. Fuel Cycle Licensing *(supported by Fuel Facilities activities).*			
Target:	New measure in FY 2006	For the next cycle of license renewals for Category III fuel cycle facilities, reduce time spent conducting these renewals by 25% as compared to the historical averages with the ultimate goal to eliminate renewals for these licenses.	Eliminate the requirement for license renewal and approve a living license for the two Category III facilities which have been renewed in FY 2006 and FY 2007 (1 each fiscal year).*
Actual:			
*This assumes the Integrated Safety Analysis results support a continuous license and that there is stakeholder and Commission acceptance of this proposal.			
2d. Decommissioning License Termination Review *(supported by Decommissioning and Low-Level Waste activities).*			
Target:	New measure in FY 2006	Improve the timeliness of the review process for nuclear power reactor License Termination Plans by at least 30% over 3 years as compared to the historical average.	Continuation of FY 2006 3 year metric
Actual:			
2e. Incident Response and Emergency Preparedness Exercises ***(****supported by all seven activities under the agency's two major programs areas****).***			
Target:	New measure in FY 2006	Reduce resources expended in support of each interagency exercise by 5% while still accomplishing agency goals for each exercise.	Reduce resources expended i support of each interagency exercise by 5% while still accomplishing agency goals for each exercise.
Actual:			

PERFORMANCE MEASUREMENT

GOAL 4: EFFECTIVENESS - PERFORMANCE MEASURES			
	FY 2005	**FY 2006**	**FY 2007**
2f. Reactor Rulemaking *(supported by Reactor Licensing activities).*			
Target:	New measure in FY 2007	New measure in FY 2007	Implement process enhancements to permit improvement of the rulemaking petition timeliness by 5%.
Actual:			
2g. Reactor Licensing Renewals *(supported by Reactor Licensing activities).*			
Target:	New measure in FY 2007	New measure in FY 2007	Achieve an average 5% reduction in license renewal resources for applications completed in FY 2007.
Actual:			
3. No more than one instance per program where licensing or regulatory activities unnecessarily impede the safe and beneficial uses of radioactive materials.			
Target:	New measure in FY 2006	Reactor Program = 2 (1 per Tier II program) Materials/Waste Program = 5 (1 per Tier II program)	Reactor Program = 2 (1 per Tier II program) Materials/Waste Program = 5 (1 per Tier II program)
Actual:			

Goal 5 - Management: Ensure excellence in agency management to carry out the NRC's strategic objective.

Strategic Outcomes:

5.1 – Continuous improvement in NRC's leadership and management effectiveness in delivering the mission.

5.2 – A diverse, skilled workforce and an infrastructure that fully supports the agency's mission and goals.

GOAL 5: MANAGEMENT-PERFORMANCE MEASURES			
	FY 2005	**FY 2006**	**FY 2007**
1. The percentage of selected processes reported by support offices that deliver desired efficiency improvements.			
Target:	New measure in FY 2006	**≥ 75%**	**≥ 90 %**
Actual:			

PERFORMANCE MEASUREMENT

The following output measures support Management Excellence performance measure number one:

Ninety percent of selected process reported by support offices deliver desired efficiency improvements:

(a) Percent reduction in time (10 percentage in FY 2006 and 5 percentage in FY 2007) necessary to add or remove employees from drug testing pool.

(b) Five percent reduction of agency FTE used to develop and submit the FY 2008 and FY 2009 performance budgets.

(c) Issue offer letter eighty percent of the time within 45 work days of the closing date of the announcement.

GOAL 5: MANAGEMENT-PERFORMANCE MEASURES			
	FY 2005	**FY 2006**	**FY 2007**
2. Percentage of selected NRC management programs reported by support offices that deliver intended outcomes.			
Target:	≥ 70%	≥ 70%	≥ 70%
Actual:	60%		

The following output measures support the Management Excellence performance measure number two.

Seventy percent of selected NRC management programs reported by support offices deliver intended outcomes:

2.a. Eighty percent of Infrastructure Management activities achieve performance targets (FY 2005 result: 100 percent).

1. Space Management activity - Space occupancy rate at NRC Headquarters 85-95 percent.

2. Facilities Management - Overall customer satisfaction with NRC Headquarters building services provided by Administration Directorate of 85 percent.

3. Security- No incidents of unauthorized access to NRC Headquarters and Regional Offices that results in personal injury to NRC occupants, property damage, or release of protected information.

4. Administrative Support Services - 95 percent of staff are satisfied with administrative support services.

5. Acquisition of Goods and Services - 90 percent of contract actions are completed within established schedule.

6. Information Technology Infrastructure- 99 percent of time agency-wide key Information Technology infrastructure services are available to the staff.

2.b. Financial Performance/Budget and Performance Integration Program - 70 percent of Financial Performance/Budget and Performance Integration activities achieve performance targets (FY 2005 result: 67 percent).

1. Planning, Budget, and Analysis activity - Did NRC submit and publish the agency's Performance Budget on or before the due dates established by OMB and Congress?

2. Financial Management activity - Did NRC submit and publish the agency's Performance and Accountability Report (PAR) on or before the due dates established by OMB?

3. Financial Management Activity - Did NRC receive an unqualified opinion on the Agency's financial statement audit with no material weaknesses?

4. Financial Management activity - Do agency-wide financial systems meet government-wide requirements for financial systems?

5. Financial Management activity - 95 percent of non-salary payments made accurately within established schedule.

6. Financial Management activity- 95 percent of salary payments made accurately within established schedule

7. Cost Accounting- Produce 100 percent of routine quarterly reports at the end of each accounting quarter.

2.c. Expanded Electronic Government Program - 75 percent of Expanded Electronic Government activities achieve performance targets (FY 2005 result: 50 percent).

1. Federal Information Security Management Act (FISMA)- 90 percent FISMA compliance across all NRC major application and general support systems.

2. OMB Scorecard- Achieve 3 out of 5 yellow criteria on OMB e-gov scorecard (4 out of 5 in FY 2007)

3. Project Management Methodology (PMM) - Complete preliminary testing and validation for PMM pilot by the end of FY 2006. New development activities will use PMM by FY 2007.

4. Portfolio Management - review major IT Investments using a Portfolio Management system. Eighty percent of major IT investments use a portfolio management system in FY 2007 (90 percent in FY 2007)

2.d. Management of Human Capital Program - 70 percent of Human Capital activities achieve performance targets (FY 2005 result: 80 percent).

1. Recruitment and Staffing - Percent of actual FTE utilization will be within 2 percent of an authorized ceiling.

2. Recruitment and Staffing - 85 percent of professional hires retained for a minimum of 3 years after initial NRC employment.

3. Recruitment and Staffing - 90 percent of human capital strategies to close critical skill gaps are identified within 60 days

4. Recruitment and Staffing - The NRC will participate in the bi-annual Federal Human Capital Survey to measure work environment and valuing diversity. When results are available, the NRC will score equal to, or greater than, the aggregate federal agency mean score.

5. Recruitment and Staffing - 25 percent of professional hires at the entry level.

6. Training and Development - 95 percentage of identified training needs addressed with training and development opportunities.

7. Work Life Services - The NRC will participate in the bi-annual Federal Human Capital Survey to measure work life services. When results are available, the NRC will score equal to, or greater than, the aggregate federal agency mean score.

2.e. Internal Communication Program - Percentage of Internal Communication activities that achieve performance targets (FY 2005 result: 100 percent).

1. Internal Web Site - Staff satisfaction with internal web site. This is a new measure for FY 2006. A baseline will be established in FY 2007. The FY 2008 target is to improve satisfaction from the FY 2007 level.

2. Internal Communication Activity - Greater percentage of NRC staff that perceives NRC internal communications to be effective in FY 2002 than in previous survey.

PRESIDENT'S MANAGEMENT AGENDA

President's Management Agenda

Overview

The President's Management Agenda prescribes governmentwide initiatives to make the U.S. Government more citizen-centered, results-oriented, and market-based and to actively promote competition instead of stifling innovation. To achieve this goal, the Administration has identified five initiatives to improve Government performance in the areas of: (1) strategic management of human capital; (2) budget and performance integration; (3) competitive sourcing; (4) expanded Electronic Government; and (5) improved financial management. The following sections explain how the NRC's FY 2007 budget request supports the President's Management Agenda initiatives.

Initiative 1: Strategic Management of Human Capital

Strategic Alignment. In FY 2005, the NRC continued the work begun in FY 2004 in its updated Strategic Human Capital and Workforce Restructuring Plan, which describes objectives and strategies for addressing the agency's human capital challenges. This plan aligns with the agency's FY 2004 - FY 2009 Strategic Plan and with the agency's action plans for recruitment, training and development, and diversity management. In accordance with the plan, the NRC continues to identify future human capital investments through the agency's planning, budgeting, and performance management process.

Workforce Planning and Deployment. Over the past 4 years, the NRC made significant improvements in the agency's strategic workforce planning methodology and system based on emerging needs and end user surveys. Each year, more than 80 percent of the NRC's supervisors, managers, and employees use the strategic workforce planning system to identify critical skills and to indicate their respective levels of expertise. NRC's Strategic Workforce Planning Workgroup conducted briefings for managers and supervisors on agency-wide best practices, accomplishments, critical skills needs, and gap closure strategies and trends, among other topics. In addition, the workgroup continues to evaluate end user information to upgrade the Strategic Workforce Planning System. The Strategic Workforce Planning System will be used to address the agency's FY 2007 staffing needs, such as the planned growth to support reviews of new reactor designs.

The Office of Personnel Management continues to cite the NRC's strategic workforce planning process and related web-based application as an exemplary model for other Federal agencies. As a result, the NRC has received numerous requests for information and has demonstrated its Strategic Workforce Planning System and methodology to several Federal agencies. The Commodity Futures Trading Commission has implemented a strategic workforce planning system modeled on the NRC's system, and the Library of Congress has made significant progress toward implementing its own customized version.

Talent. The NRC employs human capital strategies to maintain the technical excellence of the NRC workforce, prepare for emerging work, address identified critical skill gaps, and meet and exceed the agency's human capital goals. The strategies include recruitment, relocation and retention incentives, student loan repayments, waivers of dual compensation limitations, partnerships with colleges and universities, the Cooperative Education Program, the Honor Law Graduate Program, the Graduate Fellowship Program, the Summer Employment Program, the Nuclear Safety Professional Development Program, rotational assignments, succession planning, mentoring, and training and development opportunities. These strategies have had a positive impact on the agency's efforts to recruit and retain staff with critical skills. In addition, the Energy Policy Act of 2005 will assist the agency in addressing hiring challenges quickly and successfully, including authority to approve pension offset waivers without Office of Personnel Management review and approval, and the establishment of scholarship and fellowship programs at institutions of higher learning, which is supported in the FY 2007 budget request. The NRC's attrition rate of approximately six percent, which includes external losses (other than retirements) of one percent, is among the lowest attrition rates in the Federal Government, according to a recent report by the American University's Institute for the Study of Public Policy Implementation. In addition, while the average age of the Federal workforce has risen in recent years, the NRC's recruiting strategies, particularly at the entry level, have helped to modulate the agency's age distribution mix.

The NRC offers a wide range of flexible work options and employee-friendly programs and policies designed to make the NRC a workplace of choice and to enhance organizational effectiveness. The options and programs include flexible workplace options, adjustable work schedules, health and fitness centers, employee assistance, an onsite child development center, and child care tuition assistance.

Leadership and Knowledge Management. The NRC uses succession planning, training and development, and knowledge management strategies to close identified critical skill gaps and to ensure continuity of leadership. The NRC continues to offer leadership competency development programs such as executive leadership seminars, the Senior Executive Service Candidate Development Program, leadership training for new supervisors and team leaders, and the Leadership Potential Program. These programs comprise a critical aspect of the NRC's succession and leadership development strategies by ensuring that leaders are prepared to assume entry-level, mid-level and senior-level leadership positions throughout the agency. The agency has completed the final selection process for the 2005 Leadership Potential Program. The FY 2007 budget request provides for concurrent Senior Executive Service Candidate Development and Leadership Potential programs to ensure continuity of leadership.

The NRC provides a wide variety of in-house, contracted, and on-line technical and professional training in the areas of reactor technology, engineering support, health physics, regulatory skills, communications, acquisition, and computer support. The NRC develops and conducts courses based on results from an annual training needs survey, scheduling sufficient training courses to address identified needs. The NRC's training supports the agency's formal qualification and development

programs and enhances the technical and professional competencies needed to carry out the agency's activities.

The NRC has made substantial progress in implementing various initiatives and tools to create a knowledge-sharing culture. The staff also has begun several knowledge management pilot projects to develop methodologies and to accumulate data to inform its decisions for future knowledge management activities. The results of these activities will be posted on the knowledge management Website.

Performance Culture. Last year, the NRC implemented a new Senior Executive Service performance management system to improve its value as a management tool and to incorporate legislative changes and regulatory changes implemented by the Office of Personnel Management. The new system aligns individual executive performance expectations with the agency's Strategic Plan, Performance Budget, and office operating plans. The Office of Personnel Management and the Office of Management and Budget provisionally certified the NRC's Senior Executive System for CY 2004 and CY 2005, signifying that the NRC's system makes meaningful distinctions between the performance of various executives.

In addition, the NRC has a performance management program which includes agency-level and government-wide recognition for high performers at all levels, from Presidential Rank Awards for Senior Executive Service managers to monetary, nonmonetary, and recognition awards for other employees.

Accountability

The NRC continues to evaluate how well the agency is succeeding in achieving the human capital goals and outcomes in the areas of recruitment, staffing, retention, and training and development. In addition, the NRC staff briefs the Commission annually on the agency's human capital efforts. Twice each year, the NRC analyzes and reports to the Commission on the status of workforce statistics by demographic groups over a five-year period. The analysis includes workforce size and composition, hires, attrition, rotational assignments, performance appraisals, and awards. These statistics are shared throughout the agency.

Initiative 2: Budget and Performance Integration

The NRC continues to make progress in achieving budget and performance integration in accordance with the President's Management Agenda. This progress includes adopting new outcome-based performance measures aligned with the agency's FY 2004 - FY 2009 Strategic Plan, accurately monitoring program performance, and integrating performance information with associated costs. To address these initiatives, the NRC has pursued and completed a number of actions in FY 2005, as discussed in the following paragraphs.

PRESIDENT'S MANAGEMENT AGENDA

Integrating Planning and Budgeting. The NRC's planning, budgeting, and performance management process is the fundamental framework for the agency's planning and budgeting activities. This process establishes plans that define clear goals to be accomplished and tracks progress throughout the year to ensure that the NRC achieves the desired results. The process also links the NRC's various budget accounts to the agency's primary goals of Safety and Security and clearly identifies the budgetary resources devoted to them. The agency's FY 2006 budget request identified the alignment of resources to these two primary goals, as does this budget request for FY 2007.

The NRC continued developing management directives that define the roles and responsibilities of offices and individuals involved in the NRC planning, budgeting, and performance management process. These directives will provide guidance to agency employees on planning, budgeting, and performance management. The NRC expects to complete and implement these management directives in early FY 2006.

Full Budgetary Cost. NRC program managers currently receive cost reports that show the full cost of major programs. These reports allow managers to plan and manage their programs better throughout the budget year. The NRC's Performance Budget presents the NRC's full-cost budget to achieve the agency's goals. The NRC will continue to refine the integration of outputs, goals, and assignment of full cost across programs, as outlined in the Office of Management and Budget guidance for FY 2007.

Program Effectiveness. The NRC's Reactor Licensing program and Spent Fuel Storage and Transportation program were evaluated using the Program Assessment Rating Tool promulgated by the Office of Management and Budget. The Spent Fuel Storage and Transportation program was rated effective, which is the Office of Management and Budget's highest rating. The Reactor Licensing program was rated as moderately effective, the second highest rating. This finding resulted from the assessment that this program needed more challenging annual measures and better efficiency measures. The NRC's experience from both reviews has yielded valuable insights for improving the measurement of the efficiency and effectiveness of its activities. The NRC remains on schedule for the Program Assessment Rating Tool reviews and supporting program evaluations through FY 2007.

Initiative 3: Competitive Sourcing

One of the NRC's corporate management strategies is to acquire goods and services in an efficient manner. To achieve efficiency, the NRC established output measures associated with the implementation of the competitive sourcing initiative under the President's Management Agenda, adopted a performance-based approach to contracting, and posted procurement synopses on the agency's Website.

The NRC submitted its 2004 Federal Activities Inventory Reform Act inventory to the Office of Management and Budget in June 2004 and received approval from the Office of Management and Budget on November 16, 2004. That inventory identifies 248 commercial activity full-time equivalent units that are available for public-private competition. The NRC published the inventory to its external Website on November 17, 2004. The NRC received one challenge to the CY 2004 commercial inventory. The NRC rendered its initial decision denying the challenge on February 10, 2005. The NRC denied the appeal of the initial decision on March 11, 2005. The NRC submitted its 2005 Federal Activities Inventory Reform Act inventory to the Office of Management and Budget on June 30, 2005.

The NRC conducted three business case analyses covering nine full-time equivalents during FY 2005 to determine whether the selected commercial activities were appropriate for public-private competition based on the factors outlined in the NRC's Competitive Sourcing Plan. Based upon the source selection authority's completed review of the four business case analyses, the NRC determined that it was not cost-effective and therefore not appropriate to initiate public-private competitions for these activities. Three business case analyses will be completed by September 30, 2006, in accordance with NRC's Competitive Sourcing Plan.

The NRC continues to implement performance-based contracting for facility management services, data entry, information technology, and other support services. To give vendors a better understanding of contract requirements, the NRC includes such criteria as measurable performance requirements, quality standards, quality surveillance plans, and provisions for reducing the fee or price when the vendor fails to perform services as required. The NRC continues to exceed its target for expending eligible service contacting dollars through performance-based contracting. As a result, vendor performance has improved, and acquisition costs have fallen.

The NRC continues to post on its external Website all required synopses and solicitations for acquisitions valued at more than $25,000.

Initiative 4: Expanded Electronic Government

The NRC continues to integrate and align its information technology investments with the Federal Government's Electronic Government program. The NRC uses Electronic Government services for payroll, security clearance, acquisition support, governmentwide customer service, recruitment, and training, and the NRC is currently implementing support for travel. In addition, for the 15 Presidential Priority initiatives in which the NRC participates through internal agency coordination, the NRC ensures alignment and consistency with governmentwide standards and solution approaches. The NRC has established procedures to avoid information technology investments that would duplicate other Federal Electronic Government programs and to take advantage of the SMARTBUY program. The NRC is participating in the Finance and Human Capital Lines of Business, and the agency is well positioned to take advantage of these programs because the NRC

currently receives payroll and human resource services from Department of the Interior. The FY 2007 budget request supports implementation and operation of the E-Travel system for the agency. The NRC is also participating in the Information Technology Security Line of Business. The agency completed analysis of its Electronic Government implementation and alignment efforts, as requested by the Office of Management and Budget, and established key milestone dates. The NRC's Licensing Support Network system was singled out by the Office of Management and Budget and included in its annual Electronic Government report to Congress as an example of a highly effective cross-agency initiative.

E-Authentication. The Office of Management and Budget issued "E-Authentication Guidance for Federal Agencies" to update earlier guidance under the Government Paperwork Elimination Act ensuring that on-line Government services are secure and protect privacy. The updated guidance directed agencies to conduct electronic authentication risk assessments and categorize all existing transactions and systems that require user authentication into four "identity assurance levels" by September 15, 2005. The NRC received an extension from OMB and completed all required electronic authentication risk assessments by the end of December, 2005. The NRC awarded a contract to complete these assessments for all electronic transactions in accordance with guidance promulgated by the National Institute of Standards and Technology.

Electronic Information Exchange—Minimizing the Burden on Business. The NRC maintains an electronic information exchange program, for the transmission of digitally signed electronic documents to the NRC over the Internet. Information received in this manner can then be electronically disseminated directly through the agency's information systems. The NRC's Electronic Information Exchange program plays a major role in enabling the agency to meet the Government Paperwork Elimination Act requirement to allow the public the option of transacting business electronically with the agency. The NRC implemented system changes to accommodate the high-level waste activities. During FY 2005, approximately 30 legal briefs have been filed via Electronic Information Exchange in the High-Level Waste Pre-License Application Presiding Officer proceeding.

Improvements to the NRC's Internal and Public Websites. NRC began participating in the American Customer Satisfaction Index by deploying it on the NRC's public website. Statistics compiled from the survey results will allow NRC to evaluate how the public website performs in relation to other Government and private industry clients participating in the American Customer Satisfaction Index. Results will assist in identifying areas throughout the site that may need improvement.

NRC also launched a new public meeting notice system, accessible through its public website, that allows the public to retrieve information about public meetings by docket number, facility name, meeting location, participants, or meeting dates. This system will help the NRC's stakeholders more easily identify and plan for meetings that are of interest to them.

NRC has improved its readiness to use its public website effectively in the event of an emergency. Staff from NRC's emergency response, public affairs, and web content management organizations collaborated to prepare appropriate procedures, web page templates, and content that will be used during an emergency. The new procedures were tested and improved during two exercises in March and May 2005. NRC also began using a web hosting service this year that avoids overload in the event of a "denial of service" attack or an emergency in which many members of the public may try to access NRC's Website simultaneously.

Information Security and Sensitive Information Screening. The NRC continues to emphasize maintaining compliance with the Federal Information Security Management Act (FISMA). For example, the FY 2007 budget request supports annual system security program reviews for FISMA, a database for tracking information technology security compliance, and information technology security policies and procedures. The NRC's information technology security budget for FY 2007 is approximately $7 million, which includes approximately 12 FTE.

Early this year, the NRC removed numerous documents from its publicly available records library (accessible from NRC's public website) and screened the documents for information that could reasonably be expected to be useful to terrorists. Most of these documents, except the documents related to materials licenses, have been returned to public access after an extensive staff review and significant work by the agency's IT staff to selectively remove and then restore segments of the information as the screening was completed.

Initiative 5: Improved Financial Management

Financial Management Systems. The NRC's financial systems strategy is to improve business processes, systems performance, and access to information while reducing life-cycle costs by relying on commercially available software and cross-service providers wherever possible. The NRC's core accounting, payroll, and human resources systems are cross-serviced by a federal agency Center of Excellence. The remaining internally maintained and managed financial systems are periodically reviewed to identify ways to improve performance, interface with other systems, and utilize cross-servicing, as appropriate. The core accounting system has interfaces for the fee billing, collection, vendor, cost accounting, and payroll data. The agency also provides electronic access to daily financial transaction data and reports, monthly budget execution reports, as well as agency standard cost ratio and performance data. Our current systems satisfy operational and reporting requirements and provide timely, accurate, and useful information to agency managers.

The NRC's financial systems are in substantial compliance with the Improvement Act, except for its Fee Billing System and the payroll and core accounting systems cross-serviced by the Department of Interior (DOI) National Business Center (NBC). These systems are in substantial noncompliance with federal financial management system requirements. As a result, the NBC also concluded that they do not substantially comply with the Improvement Act requirements. The NBC will need to

develop a remediation plan to bring their systems into compliance with the Improvement Act. The NRC plans to monitor DOI's progress in addressing the security issues and will evaluate possible actions that we can take to further secure the NRC's data maintained by DOI.

Improvements were also made in the cost accounting system in FY 2005. An obligation model was created that will allow tracking costs by obligation which resource managers use to make decisions regarding resource utilization. New reports were created in the cost accounting system which are used to monitor charges to the Nuclear Waste Fund by program offices using a full cost methodology. Also, the Cost Accounting System was updated to reflect the FY 2005 budget structure. All financial and managerial cost reports were issued on time or ahead of schedule for FY 2005.

Integrated Financial and Performance Management Systems. The NRC has achieved a high level of financial systems integration, which supports the agency's day-to-day operations. To achieve this integration, core accounting is interfaced with the cost accounting, payroll, and fee billing systems. The agency also provides electronic access to daily financial transaction data and periodic summary reports for management use. Senior managers receive monthly budget execution reports as well as agency standard cost ratio and performance data.

Annual Financial Statements and Internal Controls. The NRC's process for completing its annual Integrity Act review is documented in Management Directive 4.4, Management Controls. Pursuant to OMB Circular No. A-123, and consistent with the management directive, the NRC's employees and managers are advised to report deficiencies to the next supervisory level which allows the chain of command structure to determine the relative importance of each deficiency.

The NRC earned an unqualified audit opinion on the agency's financial statements in FY 2005. The NRC will continue to pursue actions that will result in the issuance of financial statements with unqualified audit opinions and no material internal control weaknesses. During FY 2005, NRC continued efforts to eliminate the auditor-identified material internal control weakness related to the Fee Billing System. NRC implemented improvements to the fee billing process and resolved two reportable conditions, but further corrective action is needed to address the remaining three.

NRC is currently developing a plan which includes establishing a Senior Assessment Team and Working Group to review and revise NRC procedures for implementing the revised Office of Management and Budget Circular A-123, Appendix A which became effective in FY 2006. These groups will document NRC's process and standardize both risk assessment and documentation procedures for implementation of Appendix A. The FY 2007 budget request includes resources to address the internal control requirements of OMB Circular A-123 for both financial and program management.

OFFICE OF THE INSPECTOR GENERAL

The American people expect excellence and accountability from their Government. To that end, the U.S. Congress passed the Inspector General (IG) Act in 1978 to ensure integrity and efficiency in the Federal Government and its programs. In accordance with the 1988 amendment of the act, NRC's Office of the Inspector General (OIG) was established as a statutory entity on April 15, 1989.

OIG's mission is to: (1) independently and objectively conduct and supervise audits and investigations related to NRC programs and operations; (2) prevent and detect fraud, waste, and abuse; and (3) promote economy, efficiency, and effectiveness in NRC programs and operations. In addition, OIG reviews existing and proposed regulations, legislation, and directives and provides comments, as appropriate, on identified significant concerns. The Inspector General also keeps the NRC Chairman and members of Congress fully and currently informed about problems, makes recommendations to the agency for corrective actions, and monitors the NRC's progress in carrying out such actions.

The FY 2003 - FY 2008 OIG Strategic Plan identifies the strategic challenges facing the NRC. The OIG strategic plan is generally aligned with the agency's goals, and focuses on agency programs and operations that involve the major challenges and risk areas for the NRC. OIG's Strategic Plan features three goals which guide the activities of its audit and investigative programs:

OIG STRATEGIC GOALS

- Advance NRC's efforts to enhance safety and protect the environment.
- Enhance NRC's efforts to increase security in response to the current threat environment.
- Improve the economy, efficiency, and effectiveness of NRC corporate management.

OIG's FY 2007 budget and performance plan supports the implementation of the OIG's strategic plan and the associated goals and strategies.

Budget Overview

Summary	FY 2005 Enacted	FY 2006 Enacted	FY 2007 Request	FY 2007 Change From FY 2006
Budget Authority by Function ($K)				
Salaries and Benefits	6,187	6,621	6,839	218
Contract Support and Travel	1,325	1,687	1,305	-382
Total Budget Authority	7,512	8,308	8,144	-164
FTE	47	49	49	0

OIG is requesting a FY 2007 budget of $8.144 million and 49 FTE. This funding request includes increased personnel costs in salaries and benefits of $218,000 due to the Federal pay raise and other increases in base pay and benefits necessary to sustain existing staff. The FY 2007 budget includes $1,305,000 for contract support and travel funding.

The requested resources will enable OIG to accomplish its strategic goals, thereby assisting NRC in protecting public health and safety and the Nation's common defense and security, by ensuring integrity, efficiency, and accountability in agency programs that regulate the civilian use of byproduct, source, and special nuclear materials.

Further, in accordance with Office of Management and Budget (OMB) requirements, OIG is showing the full cost associated with its programs for the FY 2007 budget with the following caveat. As a result of an October 1989 memorandum of understanding between NRC's Chief Financial Officer and the Inspector General and a subsequent amendment in March 1991, OIG no longer requests that funding for some OIG management and support services be included in the OIG appropriation. It was agreed that funds for OIG infrastructure requirements and other agency support services would instead be included in NRC's main appropriation. For the most part, these costs are not readily severable. Thus, this funding continues to be included in NRC's main appropriation.

Selected FY 2005 Accomplishments

The following sections discuss examples of the work performed in FY 2005 by the OIG audit and investigative programs.

Audits

In FY 2005, OIG issued 23 audit reports pertaining to NRC programs and operations. These audits either evaluated high-risk agency programs or complied with mandatory financial and computer security-related legislation. The following are examples of recent work.

- ***Audit of NRC's Drug Testing Program*:** The use of illegal drugs, on or off duty, by Federal employees can pose a serious health and safety threat to members of the public and to other Federal employees. In recognition of this concern Executive Order 12564, Drug-Free Workplace, was signed on September 15, 1986, to improve the efficiency of the Federal workforce and help prevent the use of illegal drugs in the workplace. The Order requires that each agency head develop a plan for achieving a drug-free workplace while maintaining the rights of employees, the public, and the Government and to establish a program to test for evidence of illegal drug use by employees in sensitive positions. The objective of this audit was to assess the agency's implementation of its drug testing program.

  The audit found that: 1) the random testing pool does not include all employees who should be tested for drug use; 2) the agency is not applying the random selection methodology correctly when selecting employees for random testing; and 3) some employees are not notified for testing in accordance with Federal requirements. As a result, some NRC employees with public health and safety responsibilities are not appropriately included in the random drug testing pool.

  In addition, the agency does not maintain sufficient program records and program guidance is not readily available to employees. As a result, the agency's oversight of the drug testing program is weak and employees lack a full understanding of drug testing policies and procedures.

- ***Audit of NRC's Baseline Inspection Program*:** NRC's scope of responsibility includes regulation of commercial nuclear power plants. To carry out that responsibility, NRC conducts inspections at the Nation's 104 operating nuclear power reactors. Beginning in April 2000, NRC Reactor Inspection Program and Reactor Performance Assessment Program were combined into a single program for commercial nuclear power plants. This combined program implements the revised reactor oversight process (ROP) and is a critical part of NRC's ability to ensure the safe use and control of radioactive materials. An integral part of the ROP is the baseline inspection program that was developed using a risk-informed

approach to determine a comprehensive list of areas to inspect within seven established cornerstones of safety. The baseline inspection program evaluates licensee performance in areas not measured, or not fully measured, by licensee-reported performance indicators in order to remain cognizant of plant status and conditions.

The audit found that while the baseline inspection program framework is generally sound, improvements are needed. Specifically, (1) the rationale for sampling methodology needs to be documented; (2) the adverse impact of resource constraints needs to be addressed; (3) the resident inspector training program needs improvement; and (4) the guidance for new baseline completion criteria needs to be clarified.

The baseline inspection program is the *"minimum"* inspection oversight that should be conducted at each nuclear power plant. As a result, issues such as unclear guidance, inconsistent implementation of the program, insufficient resources, and insufficient documentation of inspection activities need to be addressed. Addressing these weaknesses will improve the efficiency and effectiveness of the baseline inspection program.

- ***Audit of the Budget Formulation Process*:** The Government Performance and Results Act (GPRA) was enacted to establish strategic planning and performance measurement in the Federal Government, and for other purposes. In furtherance of its requirements, agencies are required to submit to Congress annual performance plans that link resources to performance goals.

  In 1998, NRC established the Planning, Budgeting, and Performance Management (PBPM) process to link resources with strategic goals and performance. OIG conducted an audit to determine whether the NRC's budget formulation portion of PBPM process is: (1) effectively used to develop and collect data to align resources with strategic goals; and (2) efficiently and effectively coordinated with program and support offices.

  The audit found that the agency develops and collects data to align resources with strategic goals and the budget is prepared in alignment with the Strategic Plan. Further, as required by the Office of Management and Budget, the agency conducted Program Assessment Rating Tool evaluations during the budget formulation cycles for Fiscal Years 2005 and 2006. NRC continued to improve the internal coordination of the budget formulation portion of the PBPM process with program and support offices.

  However, additional efforts are needed in the area of internal coordination and communication. Specifically, (1) the roles and responsibilities of the Chief Financial Officer and the Executive Director for Operations in the budget formulation process require clarification; (2) determining budget priorities needs a defined methodology; (3) the decision making process needs to be documented, and (4) early Commission direction and approval is needed.

The lack of written policies that clarify the roles and responsibilities of key participants in the budget formulation process result in inefficiencies, particularly workflow disruption, confusion, and rework.

- ***Audit of NRC's Reactor Program System:*** NRC's mission is to regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment. Fundamental to the regulatory process is NRC's commercial nuclear power plant inspection program, which assesses whether plant operations are properly conducted and equipment is properly maintained. Inspectors examine licensee activity, provide inspection findings to licensee managers, and conduct followup inspections to ensure that corrective actions are taken.

  The Reactor Program System is an information technology tool that provides planning, scheduling, and reporting capabilities to support the NRC reactor inspection and licensing programs. It is used by NRC managers to assess the effectiveness and uniformity of the implementation of those programs and related policies. The Office of Nuclear Reactor Regulation (NRR) and the regions use the Reactor Program System to schedule their work assignments and to plan and schedule licensing activities in NRR and inspection activities at nuclear power plants.

  OIG conducted this audit to determine whether the Reactor Program System: (1) provides for the availability, confidentiality, and integrity of the data stored in the system; and (2) meets its required operational capabilities.

  The audit found that while the implementation of the Reactor Program System has allowed for a single system for entering inspection information, the information is not well protected, is not complete, and is not fully accurate. To ensure that the system meets operational requirements, NRC needs to:

  - Comply with system access control requirements.
  - Ensure accurate and timely inspection data.
  - Improve management of the system help service.
  - Improve the system configuration control process.
  - Provide training to system users.

  OIG concluded that without improvements to the Reactor Program System, NRC decision makers cannot rely on the information in the system nor have a complete and accurate picture of the nuclear power plant inspection program.

- ***Audit of NRC's Contract Closeout Process:*** An expired contract is closed once it is both physically and administratively completed. The contract closeout process involves several administrative steps that can include, but not limited to, settlement of subcontracts by the prime contractor; completion of a contract audit to determine final indirect and direct costs, if appropriate; payment of the final invoice; and deobligation of excess funds. The contract closeout process is subject to the requirements set forth in Federal Acquisition Regulation 4.804, "Closeout of contract files." The objective of this audit was to determine whether:

  - ♦ NRC's contract closeout policies and procedures adhere to applicable regulations.
  - ♦ Management controls associated with the closeout process are adequate.
  - ♦ NRC complies with its own closeout procedures, with an emphasis on timeliness.

  The audit disclosed that NRC generally does not close expired contracts in accordance with Federal Acquisition Regulation required time standards. This delay is the result of inadequate policies and management's use of an incorrect performance metric. The audit also determined that there was approximately $6.4 million on 148 contracts awaiting closeout as of September 30, 2004, which had not been deobligated within 90 days of contract expiration, as required by NRC policy. The delay in deobligating these funds caused a delay in making the funds available for other agency priorities.

- ***Audit of NRC's Generic Communications Program:*** NRC's primary means of communicating concerns or issues to licensees is through generic communications. These communications allow NRC to communicate and share industry experiences with applicable groups of licensees and other interested stakeholders. The information is relayed in writing to licensees in the form of Generic Letters, NRC Bulletins, Information Notices, and other documents. Some generic communications are intended solely to transmit information, while other request actions and require responses from licensees.

  The purpose of this audit was to assess the effectiveness of the agency's generic communications program.

  The audit identified generic communications, specifically, safeguards advisories, that are issued outside of NRC's existing regulatory framework. As a result, the agency (1) may be unable to pursue actions requested or required of licensees in its generic communications; and (2) compromises its openness policy, thereby affecting the public's confidence in NRC's regulatory processes and decisionmaking.

  Additionally, controls for oversight of licensee action on generic communications are inadequate and NRC did not employ a sound methodology when conducting its effectiveness assessment of the Generic Communication Program. As a result, the agency risks the potential loss of safety/regulatory data and lacks assurance that its generic communications are effective.

- ***Independent Evaluation of NRC's Implementation of the Federal Information Security Management Act (FISMA) for Fiscal Year 2005:*** The Federal Information Security Management Act (FISMA) was enacted on December 17, 2002. FISMA outlines the information security management requirements for agencies, including the requirements for an annual review and annual independent assessment by agency Inspectors General. The annual assessments provide agencies with the information needed to determine the effectiveness of overall security programs and to develop strategies and best practices for improving information security.

  The objective of the review was to perform an independent evaluation of NRC's implementation of FISMA for FY 2005.

  OIG found that NRC's information security program has several major weaknesses. Specifically:

  - ♦ The majority of NRC systems have not been categorized in accordance with Federal Information Processing Standards (FIPS) Publication 199, *Standards for Security Categorization of Federal Information and Information Systems*.
  - ♦ Agency self-assessments are not timely.
  - ♦ Annual contingency plan testing is not being performed.
  - ♦ Oversight of contractor systems is lacking.
  - ♦ The agency's inventory of information systems is only 51-70 percent complete because (1) information in the two systems that maintain inventory information is inaccurate and inconsistent and (2) only one system contains information on system interfaces and that information is inaccurate and inconsistent. In addition, the agency's inventory is not maintained and updated annually.
  - ♦ E-authentication risk assessments completed in accordance with OMB-04-04, *E-Authentication Guidance for Federal Agencies*, are incorrect and inconsistent with the systems' FIPS 199 security categorizations.
  - ♦ Nineteen of the agency's 27 operational information systems are operating under an interim authorization to operate, and therefore are not considered certified and accredited.
  - ♦ The agency lacks procedures for ensuring employees with significant information technology security responsibilities receive security training and awareness.

Investigations

In FY 2005, OIG completed 89 investigations and two Event Inquiries. These investigative efforts focused on violations of law or misconduct by NRC employees and contractors and allegations of irregularities or inadequacies in NRC programs and operations. The following are examples of recent work:

- OIG conducted an investigation into information that a former NRC employee was involved in the operation of a private company while receiving workers' compensation benefits. In coordination with the U.S. Department of Labor (DOL), OIG determined that the former NRC employee was under a "no wage earning capacity" status which prohibited him from earning revenue from outside employment sources or business activities without reporting the revenue to the DOL Office of Workers' Compensation Programs (OWCP).

  The former employee filed a claim with OWCP in August 1991 claiming he suffered an NRC work related injury in February 1986 which prevented him from performing his job. In June 1993, the former employee began receiving medical and compensation payments from DOL based on his claim. In forms filed annually between FY 1995 and FY 2004 with OWCP, the former employee certified his eligibility to receive workers' compensation payments. In each instance, he certified that he was not involved in any business enterprises and he had not generated any income from employment activities or personal involvement in business enterprises.

  OIG's review of records maintained by the Division of Corporations for the State of Florida identified the former employee as a 50 percent shareholder and the corporate secretary for a private company during the time he was collecting compensation from OWCP. As result of the information provided by OIG, OWCP determined that the former employee received overpayments and was ordered to make restitution in the amount of $51,539.05.

- OIG completed an investigation into an allegation that NRC's Office of the Chief Financial Officer (OCFO) staff had failed to report to the OIG independent auditors 75 underbilled reactor inspection invoice errors totaling $2.4 million during FY 2003. In conjunction with their FY 2004 audit field work, OIG's independent auditors found that 75 reactor inspection invoices for FY 2003 had been corrected and reissued by OCFO in FY 2004. OIG learned that in July 2003, a licensee advised OCFO staff that there was a possible error in a reactor inspection bill for FY 2003. By December 10, 2003, OCFO determined that this licensee's reactor inspection bill was underbilled by approximately $500,000. OCFO staff could not determine the cause of this error. In December 2003, OCFO managers directed a review of reactor license fee invoices issued during FY 2003 for all reactor plant licensees since the error indicated a potential internal control deficiency within the NRC license fee billing system. In February 2004, OCFO staff identified an additional 74 invoices to NRC reactor licensees that were underbilled for a total of $1.9 million.

  OCFO managers were aware that the billing errors indicated an internal control weakness which could impact the reliability of NRC's FY 2003 financial statements. Although there were a number of opportunities, OCFO managers never reported the initial $500,000 billing error or the additional 74 billing errors to the OIG or its independent auditors. In December 2003, NRC transmitted two letters to the Office of Management and Budget which forwarded the NRC Performance and Accountability Report (signed by the NRC Chairman)

and a copy of the NRC management representation letter (signed by the NRC Chairman and NRC's Chief Financial Officer) that asserted, in part, the agency had effective internal controls and all material transactions were properly recorded. However, OIG found that OCFO managers, who concurred on these letters, were aware of the $500,000 underbilling error for the reactor plant licensee, that its cause was unknown, and consequently, that it was possible the error was the result of an internal control deficiency. As a result of the underbilling errors, NRC had to restate its FY 2003 financial statements and the independent auditors changed the NRC audit opinion for FY 2003 from unqualified to qualified.

- In response to a Congressional request and allegations from the public, OIG conducted an Event Inquiry (EI) to determine the adequacy of NRC's handling of a Vermont Yankee Nuclear Power Station (Vermont Yankee) license amendment request. Entergy Nuclear Vermont Yankee (Entergy), the NRC licensee, submitted a proposed license amendment to NRC requesting an increase in the maximum authorized power level, known as an extended power uprate (EPU). The EI addressed whether NRC had: (1) followed its regulatory process; (2) been pressured by or colluded with Entergy and/or General Electric (who assisted Entergy in the license amendment); and (3) provided inaccurate and/or misleading statements to the public.

  Members of the public questioned whether NRC was going to allow the licensee to take credit for a large amount of containment accident pressure over a long period of time when calculating the available net positive suction head (NPSH) of safety related pumps. Members of the public asserted that such credit was not allowed by the NRC's regulatory process. According to NRC's Regulatory Guide 1.82, Rev. 3, "Water Sources for Long Term Recirculation Cooling Following a Loss-of Coolant Accident," credit for containment accident pressure in calculating the available NPSH of safety related pumps should be minimized to the fullest extent possible. Members of the public maintained that in recent years, NRC approved some licensee amendment requests for EPUs that took credit for a small amount of containment accident pressure over a short period of time. However, allegedly this was not the case in Vermont Yankee's EPU request; consequently, if NRC approved this request, it would not be following its process in reviewing the Vermont Yankee EPU. OIG found that since 2001, NRC has consistently interpreted and applied Regulatory Guide 1.82 in approving five other EPUs. However, NRC staff acknowledged to OIG that the language in Regulatory Guide 1.82 was not clear. Consequently, the staff is revising Regulatory Guide 1.82 to more accurately reflect the agency's position that credit can be taken for containment accident pressure in calculating the NPSH.

  In addition, OIG received three additional allegations relating that NRC staff had been pressured by or colluded with Entergy and General Electric during the Vermont Yankee power uprate review process and four allegations that NRC staff had mislead and/or provided inaccurate statements to the public regarding the Vermont Yankee EPU. OIG's investigation did not identify any wrongdoing on the part of NRC staff concerning these allegations.

- OIG investigated the conduct of an NRC materials licensee in Puerto Rico and its president as a result of a review of the NRC Small Business Entity Status Program. Part 171 of Title 10 of the Code of Federal Regulations provides that a materials licensee may pay a reduced annual fee if it qualifies as a small entity. The NRC bases its standards for small entity status on the company's gross annual receipts for the previous tax year. A licensee may pay a maximum license fee of $2,300 or $500 for small entity status depending upon the licensee's gross receipts.

  OIG determined that between Fiscal Years 2001 and 2005, to receive reduced annual fee assessments from the NRC, the president of the company certified significant lower gross receipts for the company than it actually had by inaccurately completing five NRC Forms 526, Certification of Small Entity Status for the Purposes of Annual Fees Imposed Under 10 CFR Part 171. OIG found that the company's president claimed on each NRC Form 526 that the company's gross receipts were less than $350,000. The company benefitted each year from reduced annual fees for its NRC license. For the past five years, the company underpaid the NRC a total of $55,000.

  The investigation was referred to the Department of Justice for action under the Program Fraud Civil Remedies Act (PFCRA) of 1986 for monetary recoveries.

- OIG conducted an investigation concerning a female who posed as an NRC employee after which she gained unauthorized entry to NRC headquarters and wandered through the One White Flint North and Two White Flint North buildings taking cash from unattended cubicles and offices of nine NRC employees. The subject's entry into the NRC buildings took place during a "Code Orange" (heightened terrorist alert) day.

  The OIG investigation identified the subject, and, subsequent to her apprehension, she agreed to cooperate with OIG. She was interviewed to determine how she gained entry to the NRC headquarters buildings and how she was able to move freely once inside the buildings.

  As a result of this investigation, OIG determined that the subject gained entry to NRC headquarters by posing as an NRC employee on a smoking break outside the building.

  Upon entry into the building, the subject bypassed manned security checkpoints and accessed upper floors by following behind NRC employees who were opening doors with their key-cards.

  This investigation was referred to the Montgomery County, Maryland States Attorney's Office. The subject was prosecuted in Montgomery County District Court, found guilty, and imprisoned.

Additionally, the security deficiencies identified during this investigation were reported to the agency and corrective actions were taken.

BUDGET AUTHORITY AND FULL-TIME EQUIVALENT BY PROGRAM

Summary	FY 2005 Enacted	FY 2006 Enacted	FY 2007 Request	FY 2007 Change From FY 2006
Budget Authority by Program ($K)				
Audits	4,287	4,963	4,759	-204
Investigations	3,225	3,345	3,385	40
Total Budget Authority	7,512	8,308	8,144	-164
Full-Time Equivalent Employment by Program				
Audits	25	27	27	0
Investigations	22	22	22	0
Total FTE	47	49	49	0

Justification of Program Requests

The work to be performed by OIG during FY 2007 will be carried out through OIG's two major programs, Audits and Investigations. In accordance with OMB requirements, OIG is providing the full cost of these programs for the FY 2007 budget. The FY 2007 budget identifies OIG's management and operational support costs and distributes these costs to the audit and investigative programs as a portion of the full cost of these programs.

The following section presents program resource tables and descriptions of the requested resources, the associated efforts within each program, as well as the goals and measures for each program. The costs for management and operational support are included at the end of this chapter.

AUDITS

Summary	FY 2005 Enacted	FY 2006 Enacted	FY 2007 Request	FY 2007 Change From FY 2006
Budget Authority by Function ($K)				
Salaries and Benefits	3,291	3,630	3,769	139
Contract Support and Travel	996	1,333	990	-343
Total Budget Authority	4,287	4,963	4,759	-204
FTE	25	27	27	0

For FY 2007, OIG requests $4.759 million and 27 FTE to carry out its audit program activities. With these resources, OIG will conduct approximately 24 to 26 audits and special evaluations that will focus on agency programs involving the major management challenges and risk areas facing the NRC. This funding will sustain the existing program and provide the necessary resources to identify opportunities for improvement in the agency and to conduct activities to prevent and detect fraud, waste, mismanagement, and inefficiencies in NRC programs and operations.

To fulfill its audit mission, OIG conducts performance, financial, and contract audits. Performance audits focus on NRC administrative and program operations and evaluate effectiveness and efficiency with which managerial responsibilities are carried out and whether the programs achieve intended results. Financial audits attest to the reasonableness of NRC's financial statements and evaluate financial programs. Contract audits evaluate the cost of goods and services procured by NRC from commercial enterprises. In addition, the audit staff prepares special evaluation reports that present OIG perspectives or information on specific topics.

FY 2006–FY 2007 Audit Performance Goals

OIG audits planned for FY 2006–FY 2007 will link directly to the OIG Strategic Plan and its associated general goals and strategies. Each year, OIG develops a comprehensive annual audit plan that includes input from various elements of the NRC, Congress, other Federal agencies, the nuclear industry, and OIG staff. This plan also identifies the specific program areas and key priorities, strategies, and activities on which OIG audit resources will focus during the fiscal year. OIG plans audits to encourage efficiency, economy, and effectiveness in NRC's critical risk programs and operations; improve program activities at headquarters and regional offices, and respond to unplanned priority requests and emerging issues.

The requested resources for the audit program will support OIG efforts to focus on identifying risk areas and management challenges relating to the improvement of NRC's safety, security, and/or

corporate management programs. To measure its success, the OIG audit program has established the following FY 2007 performance goals.

- Identify risk areas or management challenges relating to the improvement of NRC's safety programs for 80 percent of OIG audit products or activities undertaken involving these programs during the fiscal year.

- Identify risk areas or management challenges relating to the improvement of NRC's security programs for 80 percent of OIG audit products or activities undertaken involving these programs during the fiscal year.

- Identify risk areas or management challenges relating to NRC's corporate management programs for 80 percent of OIG audit products or activities undertaken involving these programs during the fiscal year.

- Have a high impact on improving NRC's safety, security, and/or corporate management programs for 70 percent of OIG audit products or activities completed during the fiscal year.

- Obtain agency agreement on at least 90 percent of OIG audit recommendations.

- Obtain final agency action on an aggregate of 65 percent of OIG audit recommendations within one year.

INVESTIGATIONS

Summary	FY 2005 Enacted	FY 2006 Enacted	FY 2007 Request	FY 2007 Change From FY 2006
Budget Authority by Function ($K)				
Salaries and Benefits	2,896	2,992	3,070	78
Contract Support and Travel	329	353	315	-38
Total Budget Authority	3,225	3,345	3,385	40
FTE	22	22	22	0

For FY 2007, OIG requests $3.385 million and 22 FTE to carry out its investigative program activities. With these resources, OIG will conduct 60–80 investigations and Event Inquiries covering a broad range of misconduct and mismanagement affecting various NRC programs. OIG will also continue its regional liaison activities to facilitate closer coordination between OIG and NRC's regional offices. OIG will also continue to conduct fraud awareness briefings and participate in projects or task forces that strengthen agency operations. In addition, OIG will continue working with the NRC staff to increase their awareness of the vulnerabilities associated with computer intrusion involving unauthorized access to the agency's operating systems.

Proactive investigations are also conducted when indications are raised concerning potentially systematic violations such as theft of Government property or contract fraud. In addition, OIG periodically conducts Event Inquiries that identify staff actions that may have contributed to the occurrence of an event.

FY 2006–FY 2007 Investigative Performance Goals

OIG investigative program for FY 2006 – FY 2007 will include investigative activities related to the integrity of the NRC's programs and operations. OIG routinely receives and investigates allegations concerning violations of Federal laws and regulations, as well as allegations of mismanagement, waste, or staff misconduct that could adversely affect public health and safety. In addition, OIG routinely undertakes proactive investigations directed at particular areas of agency programs that have a high potential for fraud, waste, and abuse. On a priority basis, investigative program products and activities will be directed to address allegations in the safety, security, and corporate management mission-related areas articulated in the OIG Strategic Plan.

The requested resources for the investigative program will support OIG efforts to focus on identifying risk areas or management challenges relating to the improvement of NRC's safety, security, and/or corporate management programs. To measure success, the OIG investigative program has established the following FY 2007 performance goals:

- Identify risk areas or management challenges relating to the improvement of NRC's safety programs for 85 percent of OIG investigations and activities undertaken involving these programs during the fiscal year.

- Identify risk areas or management challenges relating to the improvement of NRC's security programs for 90 percent of OIG investigations and activities undertaken involving these programs during the fiscal year.

- Identify risk areas or management challenges relating to the improvement of NRC's corporate management programs on 60 percent of OIG investigations and activities undertaken involving these programs during the fiscal year.

- Have a high impact on improving NRC's safety, security, and/or corporate management programs on 70 percent of OIG investigations or activities completed during the fiscal year.

- Obtain 90 percent agency action in response to OIG investigative reports provided to the agency.

- Obtain 70 percent acceptance by NRC's Office of the General Counsel of OIG-referred Program Fraud and Civil Remedies Act cases.

Following is a description of the linkage between OIG's Strategic Plan goals and its Performance Plan for FY 2006–FY 2007.

Linkage Between OIG's Strategic Plan Goals and OIG's Performance Plan for FY 2006 – FY 2007

OIG Strategic Plan for FY 2003 – FY 2008 and associated performance goals present a results-based business case and return-on-investment. The plan serves to strengthen OIG by establishing a shared set of expectations for OIG's stakeholders regarding the goals it expects to achieve and the strategies and actions that it will use to do so. OIG will adjust the plan as circumstances necessitate, use it to develop our annual plan and budget submission, report on progress in OIG's semiannual reports, and hold OIG managers and staff accountable for achieving the goals and outcomes.

OIG's strategic plan includes three strategic goals and six general goals with a number of supporting strategies and actions that describe planned accomplishments over the strategic planning period. Through associated annual planning activities, audit and investigative resources will focus on assessing NRC's safety, security, and corporate management programs involving the major challenges and risk areas facing the NRC in the given budget year. The work of OIG auditors and investigators support and complement each other in the pursuit of these objectives.

Following is a discussion of how the three strategic goals and six general goals of the OIG Strategic Plan link with the FY 2006 – FY 2007 Performance Plan. This includes a tie-in between the level of activity by the OIG in its audit and investigation functions and the strategies and actions related to the strategic and general goals. It also includes the performance goals for FY 2006 and FY 2007.

Goals and Strategies

STRATEGIC GOAL 1: Advance NRC's Efforts to Enhance Safety and Protect the Environment.
General Goals **1. 80% of OIG products and activities undertaken to accomplish Strategic Goal 1 will identify risk areas or management challenges related to enhancing safety.** **2. 70% of OIG products and activities undertaken to accomplish Strategic Goal 1 will have a high impact on improving safety.**

Discussion: NRC faces many safety challenges and an associated increasing workload concerning nuclear reactor oversight, the regulation of nuclear materials, and the handling of high-level waste.

A significant focus for NRC is ensuring the safe operation of the Nation's operating nuclear power plants through an established oversight process developed to ensure that licensees identify and resolve safety issues before they affect safe plant operation.

In addition, NRC needs to address an increasing number of license amendment requests to increase the power generating capacity of specific commercial reactors; license renewal requests to extend reactor operations beyond originally set expiration dates; the introduction of new technology such as new and advanced reactor designs; and the construction of new nuclear power plants.

INSPECTOR GENERAL

In fulfilling its responsibilities to regulate nuclear materials, NRC must ensure that its regulatory activities regarding nuclear fuel cycle facilities and nuclear materials adequately protect public health and safety. NRC is especially reliant on the effectiveness of the Agreement States program in meeting these responsibilities. Additionally, NRC's regulatory activities concerning nuclear materials must protect against radiological sabotage and theft or diversion of the materials. Licensing of new facilities (e.g., uranium enrichment and mixed oxide [MOX] fuel fabrication) pose additional challenges.

In the high-level waste area, NRC will face significant issues involving the licensing of the Yucca Mountain repository and the transportation of designated high-level waste from plants and facilities. Additional high-level waste issues include the interim storage of spent nuclear fuel both at and away from reactor sites, certification of storage and transport casks, and the oversight of the decommissioning of reactors and other nuclear sites

In response to these agency challenges, OIG is implementing the following strategies and actions over the 5 year strategic planning period:

Strategy 1-1: Identify risk areas associated with NRC efforts to implement the Reactor Oversight Program and make recommendations, as warranted, for addressing them.

Actions:

a. Assess the adequacy of NRC's implementation of licensing and other oversight activities with regard to the safe operation of existing nuclear reactors.
b. Assess the extent to which NRC has integrated into the reactor oversight process its emergency preparedness and incident response obligations associated with a potential significant nuclear event or incident.
c. Assess NRC's implementation of its risk-informed inspection process.
d. Assess the impact that an increase in license renewal requests would have on the licensing process.
e. Assess the effectiveness of NRC regulatory process and related enforcement actions.
f. Assess NRC's actions to address the potential risks associated with aging facilities and the introduction of new technology.
g. Monitor NRC activities and gather stakeholder information to identify potential gaps in NRC regulatory oversight. Conduct, as appropriate, Event Inquiries when gaps are identified.

Strategy 1-2: Identify risk areas facing the materials program and make recommendations, as warranted, for addressing them.

Actions:

a. Assess NRC's implementation of programs for controlling, accounting for, tracking, and inspecting nuclear materials.
b. Assess the extent to which NRC has integrated into the materials program its emergency preparedness and incident response obligations associated with a potential significant nuclear event or incident.
c. Assess NRC activities concerning the licensing and oversight of fuel cycle facilities, including MOX fuel fabrication and the potential oversight of DOE non-weapons laboratories.
d. Assess NRC's handling of low-level waste issues, including security, disposal, and coordination with Agreement States.
e. Assess impact of Agreement States program on the safety and security of materials and on NRC funding and regulatory activities.
f. Review NRC and licensee reports and engage interested stakeholders to identify issues of concern in NRC oversight of nuclear material held by NRC licensees.
g. Assess NRC's oversight of the nuclear waste issues associated with the decommissioning and cleanup of nuclear reactor sites and other facilities.

Strategy 1-3: Identify risk areas associated with the prospective licensing of the high-level waste repository and make recommendations, as warranted, for addressing them.

Actions:

a. Assess NRC's regulatory activities involving the interim storage of high-level waste and spent fuel both at and away from reactor sites.
b. Assess issues involving the review of a Yucca Mountain repository application, if received by NRC, and the transportation of designated high-level waste from plants and facilities.
c. Assess the consequences of Yucca Mountain not being licensed or not being available as planned, including NRC's ability to respond to DOE and industry contingency plans.
d. Closely monitor the Yucca Mountain license review process to ensure that there are no indications of process deviations and that the review is being conducted in a thorough and impartial manner.

STRATEGIC GOAL 2: Enhance NRC's Efforts to Increase Security in Response to the Current Threat Environment.
General Goals **1. 85% of OIG products and activities undertaken to accomplish Strategic Goal 2 will identify risk areas or management challenges related to security.** **2. 70% of OIG products and activities undertaken to accomplish Strategic Goal 2 will have a high impact on improving security.**

Discussion: Terrorist attacks have resulted in a sharpened focus on the security and protection of operating nuclear power plants and nuclear materials. NRC, in concert with other agencies, must continuously assess the risks faced by licensed activities, review existing security measures, and identify vulnerabilities. Similarly, continuous risk and vulnerability assessments must be conducted on NRC office facilities. Given this increased security focus, it is anticipated that NRC will expend considerable effort in developing responsive security plans and enhanced security capabilities.

NRC also faces new challenges in supporting U.S. international interests in the safe and secure use of nuclear materials and in nuclear nonproliferation. These challenges include improving controls on the export of nuclear materials and equipment and NRC's successful exercising of its international commitments.

In response to these agency challenges, OIG is implementing the following strategies and actions over the 5 year strategic planning period:

Strategy 2-1: Identify risk areas involved in effectively securing operating nuclear power plants and nuclear materials and make recommendations, as warranted, for addressing them.

Actions:

a. Assess the extent to which NRC has developed a comprehensive threat assessment with regard to nuclear power plants and nuclear materials and a process for keeping it up to date.
b. Assess the adequacy of the process for developing existing regulations to respond to an evolving threat environment and the extent to which NRC is making appropriate regulatory adjustments.
c. Assess NRC's coordination with other agencies.
d. Assess NRC's acquisition of resources and expertise to meet its security responsibilities.
e. Monitor the development of NRC requirements intended to enhance nuclear plant security.

Strategy 2-2: Identify risks associated with nonproliferation and make recommendations, as warranted, for addressing them.

Actions:

a. Assess NRC's efforts to improve controls on the export of nuclear materials or equipment.
b. Assess NRC's responsibilities linked to established statutes, international treaties, conventions, and agreements of cooperation.

Strategy 2-3: Identify threats to NRC security and make recommendations, as warranted, for addressing them.

Actions:

a. Assess the extent to which NRC has developed a comprehensive threat assessment for its facilities and personnel and a process for keeping it up to date.
b. Assess the extent to which NRC has implemented physical and information security controls and procedures.
c. Assess the effectiveness of NRC approaches for balancing physical and information security and public openness.
d. Assess NRC steps in ensuring continuity of its operations in the event that a significant incident occurs.
e. Assess other issues involving NRC security, including regional vulnerabilities and temporary facilities needed for Yucca Mountain hearings.
f. Through proactive initiatives and reactive investigations, assist the NRC's Office of Information Services and NRC systems administrators in the protection of NRC information technology infrastructure against internal and external computer intrusions.

STRATEGIC GOAL 3: Improve the Economy, Efficiency, and Effectiveness of NRC Corporate Management.
General Goals **1. 65% of OIG products and activities undertaken to accomplish Strategic Goal 3 will identify critical risk areas or management challenges related to corporate management.** **2. 70% of OIG products and activities undertaken to accomplish Strategic Goal 3 will have a high impact on corporate management.**

Discussion: NRC faces significant challenges to efficiently, effectively, and economically manage its resources. In the IG's assessment of the most serious management challenges facing the NRC, the IG identified three specific challenges that have the potential for a perennial weakness or vulnerability that, without substantial management attention, would seriously impact agency operations or strategic goals. The IG identified:

- Implementation of information resources,
- Administration of all aspects of financial management, and
- Managing human capital.

These management challenges dovetail with the President's Management Agenda, which NRC is striving to implement. The President's Management Agenda is an aggressive strategy for improving the management and performance of the Federal Government. It focuses on apparent deficiencies where the Government could make improvements and the most progress in the areas of:

- Strategic management of human capital,
- Competitive sourcing,
- Improved financial performance,
- Expanded electronic government, and
- Budget and performance integration.

In response to these agency challenges, OIG is implementing the following strategies and actions over the 5 year strategic planning period.

Strategy 3-1: Assess progress made in implementing the President's Management Agenda.

Actions:

a. Assess NRC strategies for addressing loss of knowledge, skills, and abilities through retirement and turnover and the impact of a diminishing "academic pipeline."
b. Assess NRC efforts to comply with OMB competitive sourcing requirements.
c. Assess steps taken by NRC to improve its financial management practices, including the overall process and steps undertaken to implement cost accounting capabilities and integrate financial systems.
d. Assess NRC efforts to embrace e-Government initiatives.
e. Assess NRC progress in integrating budget and performance.

Strategy 3-2: Identify other areas of corporate management risk within NRC and make recommendations, as warranted, for addressing them.

Actions:

a. Assess NRC property accountability and controls.
b. Assess NRC facilities management operations.
c. Assess NRC actions taken to address issues cited in the NRC safety culture and climate survey.
d. Assess NRC IT issues, including the return-on-investment obtained from IT initiatives, integration of NRC technology and systems, and NRC procedures for IT life cycle management.

e. Assess NRC acquisition and contracting controls and processes.
f. Coordinate with NRC's Office of the Chief Financial Officer and the Office of Information Services to identify any instances of misuse of NRC equipment and resources, such as computers, and travel and procurement credit cards.
g. Reduce instances of employee criminal and administrative misconduct through investigations and proactive initiatives.
h. Use proactive initiatives, in support of improved financial performance, to identify and investigate any instances of fraudulent payments associated with NRC programs.

PERFORMANCE MEASURES

Strategic Goal 1: Advance NRC's Efforts to Enhance Safety and Protect the Environment				
	Baseline 2004	**2005**	**2006**	**2007**
Measure 1. Percent of OIG products/activities[14] undertaken to identify risk areas or management challenges[15] relating to the improvement of NRC's safety program.				
Target		80%	80%	80%
Actual	100%	100%		
Measure 2. Percent of OIG products/activities that have a high impact[16] on improving NRC's safety program.				
Target		70%	70%	70%
Actual	100%	100%		
Measure 3. Number of audit recommendations agreed to by agency.				
Target		90%	90%	90%
Actual	100%	100%		
Measure 4. Final agency action within 1 year on audit recommendations.				
Target		50%	50%	50%
Actual	7%	35%[17]		
Measure 5. Agency action in response to investigative reports.				
Target		90%	90%	90%
Actual	100%	100%		

Strategic Goal 2: Enhance NRC's Efforts to Increase Security in Response to the Current Threat Environment				
	Baseline 2004	**2005**	**2006**	**2007**
Measure 1. Percent of OIG products/activities undertaken to identify risk areas or management challenges relating to the improvement of NRC's security program.				
Target		85%	85%	85%
Actual	100%	100%		
Measure 2. Percent of OIG products/activities that have a high impact on improving NRC's security program.				
Target		70%	70%	70%
Actual	100%	100%		
Measure 3. Number of audit recommendations agreed to by agency.				
Target		90%	90%	90%
Actual	100%	100%		
Measure 4. Final agency action within 1 year on audit recommendations.				
Target		65%	65%	65%
Actual	89%	60%[18]		
Measure 5. Agency action in response to investigative reports.				
Target		90%	90%	90%
Actual	100%	100%		

Strategic Goal 3: Improve the Economy, Efficiency, and Effectiveness of NRC Corporate Management				
	Baseline 2004	**2005**	**2006**	**2007**
Measure 1. Percent of OIG products/activities undertaken to identify risk areas or management challenges relating to the improvement of NRC's corporate management program.				
Target		65%	65%	65%
Actual	98%	100%		
Measure 2. Percent of OIG products/activities that have a high impact on improving NRC's corporate management program.				
Target		70%	70%	70%
Actual	89%	85.7%		
Measure 3. Number of audit recommendations agreed to by agency.				
Target		90%	90%	90%
Actual	100%	100%		
Measure 4. Final agency action within 1 year on audit recommendations.				
Target		65%	65%	65%
Actual	81%	85%		
Measure 5. Agency action in response to investigative reports.				
Target		90%	90%	90%
Actual	100%	100%		
Measure 6. Acceptance by NRC's Office of the General Counsel of OIG-referred Program Fraud and Civil Remedies Act cases.				
Target		70%	70%	70%
Actual	Zero cases	100%		

Verification and Validation of Measured Values and Performance

OIG implemented the first phase of an automated management and information system (MIS) in FY 2004. Phase one enabled OIG to capture its audits program performance data. Phase two was implemented in FY 2005 and incorporated its investigations program performance data. The integrity of the MIS was thoroughly tested and validated.

Crosscutting Functions With Other Government Agencies

The NRC's OIG has a crosscutting function relating to its investigatory case referrals to the Department of Justice and other State and local law enforcement entities.

FY 2007 Office of the Inspector General Budget Resources Linked to Strategic and General Goals

The following table depicts the relationship of the Inspector General program and associated resource requirements to its strategic and general goals.

Program Links to Strategic and General Goals ($K)	OIG Strategic and General Goals		
	Advance NRC's Safety Efforts ($K)	Enhance NRC's Security Efforts ($K)	Improve NRC's Corporate Management ($K)
FY 2007 Programs ($8,144; 49 FTE)			
Audits ($4,759; 27 FTE)	$1,700 11.5 FTE	$1,210 6.5 FTE	$1,849 9.0 FTE
Investigations ($3,385; 22 FTE)	$374 2.5 FTE	$374 2.5 FTE	$2,637 17 FTE

Following is a discussion of the OIG Management and Operational Support activities.

Management and Operational Support

The Inspector General's Management and Operational Support staff consists of senior executive managers, the general counsel, and an administrative support staff. OIG's senior executive managers will provide the continued vision, strategic direction, and guidance regarding the conduct and supervision of audits and investigations. Senior management will also ensure accountability regarding OIG's established goals and strategies and achievement of intended results. Further, senior management will ensure a diverse workforce with the proper focus on the President's Management Agenda.

In furtherance of OIG's mission to promote economy and efficiency, and to prevent fraud, waste, and abuse in agency programs and operations, OIG's general counsel, in coordination with cognizant OIG staff, will conduct analyses of existing and proposed legislation, regulations, directives, and policy issues. These objective analyses will result in timely written commentaries to the agency that prospectively identify and prevent potential problems.

The administrative support staff will support OIG programs by providing independent personnel services, information technology and information management support, financial management, policy and strategic planning support, training coordination, and the publication of the OIG's Semi-annual Report to Congress in accordance with the requirements of the IG Act.

To carry out the functions of this program in FY 2007, OIG estimates that its costs will be $1.285 million, which includes salaries and benefits for eight FTE. The tables below provide a breakdown of the FY 2007 budget estimates for Management and Operational Support by program and a cost comparison by function.

ALLOCATION OF SUPPORT COSTS TO OIG PROGRAMS

Management and Operational Support Allocation by Program ($K)	FY 2007 FTE	FY 2007 Salaries and Benefits	FY 2007 Contract and Support
Audits	4	559	92
Investigations	4	558	76
Total	8	$1,117	$168

COMPARATIVE COSTS OF MANAGEMENT AND OPERATIONAL SUPPORT

Summary	FY 2005 Enacted	FY 2006 Enacted	FY 2007 Estimate	
			Request[19]	Change from FY 2006
Budget Authority by Function ($K)				
Salaries and Benefits	1,054	1,090	1,117	27
Contract Support and Travel	202	217	168	-49
Total Budget Authority	1,256	1,307	1,285	-22
FTE	8	8	8	0

APPENDIX I: BUDGET AUTHORITY BY FUNCTION

BUDGET AUTHORITY BY FUNCTION
(Dollars in Thousands)

NRC Appropriation	FY 2005 Enacted	FY 2006 Enacted	FY 2007 Request	FY 2007 Change From FY 2006
Salaries and Expenses (S&E)				
Salaries and Benefits	388,370	434,066	445,855	11,789
Contract Support	255,138	278,396	303,247	24,851
Travel	18,242	20,742	19,308	-1,434
Total (S&E)	**661,750**	**733,204**	**768,410**	**35,206**
Office of the Inspector General (OIG)				
Salaries and Benefits	6,187	6,621	6,839	218
Contract Support	1,125	1,377	1,035	-342
Travel	200	310	270	-40
Total (OIG)	**7,512**	**8,308**	**8,144**	**-164**
Total NRC Appropriation				
Salaries and Benefits	394,557	440,687	452,694	12,007
Contract Support	256,263	279,773	304,282	24,509
Travel	18,442	21,052	19,578	-1,474
Total (NRC)	**669,262**	**741,512**	**776,554**	**35,366**

APPENDIX II: HOMELAND SECURITY

HOMELAND SECURITY
(Dollars in Thousands)

	FY 2005 Enacted	FY 2006 Enacted	FY 2007 Request	FY 2007 Change from FY 2006
Budget Authority by Major Programs				
Nuclear Reactor Safety				
Nuclear Reactor Licensing	21,108	28,142	21,211	-6,931
Nuclear Reactor Inspection	14,996	18,870	19,134	264
Subtotal - Nuclear Reactor Safety	**36,104**	**47,012**	**40,345**	**-6,667**
Nuclear Materials and Waste Safety				
Fuel Facilities	8,463	9,481	9,758	277
Nuclear Materials Users	11,053	19,162	16,149	-3,013
High-Level Waste Repository	293	211	245	34
Decommissioning and Low-Level Waste	107	189	186	-3
Spent Fuel Storage and Transportation	3,081	3,256	3,575	319
Subtotal - Nuclear Materials and Waste Safety	**22,997**	**32,299**	**29,913**	**-2,386**
Total	**59,101**	**79,311**	**70,258**	**-9,053**

EXPLANATION OF THE FULL COST BUDGET ALLOCATION

The FY 2007 Performance Budget identifies the agency's infrastructure and support costs and distributes them to programs as a portion of the total program cost. The allocation methodology is consistent with the methodology used for preparing the agency's financial statements.

The agency's infrastructure and support involve activities that are necessary for the staff and agency programs to achieve goals but are more efficiently and effectively performed centrally. These activities include space rental and facilities management, physical and personnel security, administrative support services, acquisition of goods and services, human resources management, training and development, matters involving small and disadvantaged businesses and civil rights, information resources management, planning and budget analysis, accounting and finance, and policy support services to the Commission and program staff in performing their regulatory mission activities and achieving their performance goals. The following table breaks down the costs of infrastructure and support by program.

INFRASTRUCTURE AND SUPPORT ALLOCATION BY PROGRAM
(Dollars in Thousands)

	FY 2005		FY 2006		FY 2007	
Program	FTE	Allocation ($)	FTE	Allocation ($)	FTE	Allocation ($)
Nuclear Reactor Safety						
Reactor Licensing	235	65,322	265	80,525	278	95,558
Reactor Inspection	206	61,354	212	69,865	217	78,046
Subtotal - Nuclear Reactor Safety	**441**	**126,676**	**477**	**150,390**	**495**	**173,604**
Nuclear Materials and Waste Safety						
Fuel Facilities	41	12,150	39	12,584	36	12,815
Nuclear Materials Users	69	20,187	69	23,989	69	24,326
High-Level Waste Repository	30	8,766	24	6,237	26	6,989
Decommissioning and Low-Level Waste	21	6,165	22	7,056	22	7,761
Spent Fuel Storage and Transportation	24	7,022	23	7,446	25	8,672
Subtotal-Nuclear Materials and Waste Safety	**185**	**54,290**	**177**	**57,312**	**178**	**60,563**
Total Infrastructure and Support Allocation	**626**	**180,966**	**654**	**207,702**	**673**	**234,167**

APPENDIX III: EXPLANATION OF THE FULL-COST BUDGET ALLOCATION

BUDGET AUTHORITY AND FULL-TIME EQUIVALENTS BY FUNCTION
(Dollars in Thousands)

Summary	FY 2005 Enacted	FY 2006 Enacted	FY 2007 Request	FY 2007 Change From FY 2006
Budget Authority by Function ($)				
Administration, Rent, and Human Resources	69,435	78,292	92,243	13,951
Information Technology and Information Management	57,900	68,248	75,337	7,089
Financial Management	18,371	20,166	22,387	2,221
Policy Support	26,882	26,607	28,818	2,211
Permanent Change of Station	8,378	14,389	15,382	993
Total Budget Authority	**180,966**	**207,702**	**234,167**	**26,465**
Full-Time Equivalent Employment by Function				
Administration, Rent, and Human Resources	161	174	180	6
Information Technology and Information Management	184	192	202	10
Financial Management	105	105	106	1
Policy Support	176	182	184	2
Permanent Change of Station	0	1	1	0
Total FTE	**626**	**654**	**673**	**19**

Justification of Costs by Function

There are five functions for infrastructure and support. Significant changes from FY 2006 resources are highlighted and FY 2007 major activities are discussed below.

Administration, Rent, and Human Resources

Resources increase for activities to support the Energy Policy Act of 2005. Additionally, resources increase for the Region I office move, space and infrastructure support for planned agency growth in headquarters, increases in contract management responsibilities, demand for specialized audio-visual services, additional transcription services, increased transportation subsidies, and a peak in reinvestigation activity. Resources also increase for the Governmentwide FY 2007 pay raise and other nondiscretionary compensation and benefits increases.

- Resources are included to support the growth in headquarters FTE during FY 2006 and FY 2007 to include rent, systems and office furniture, build out of space, transit subsidies, supplies, security equipment, investigations, and guard services.

- Resources are included to improve the quality of contract award and administration to include the development of a consolidated acquisition tracking system.

- Resources are included to begin implementation of procedures necessary to meet requirements of HSPD-12. Resources also provide specialized audio-visual services, fund administrative contract wage increases, and support fact-of-life increases in the cost of transportation subsidies and security investigations.

- Resources are included for the additional workload as a result of requirements under Title VI (including Executive Order 13166, Limited English Proficiency) and Title IX of the Civil Rights Act and for supporting diversity planning and strategy formulation.

- Resources are included to provide grants, loans, cooperative agreements, contracts, and equipment to institutions of higher education to support nuclear safety, security, and for environmental protection programs based on the provision included in the Energy Policy Act of 2005.

Output Measures. The requested resources will support agency efforts to achieve the output targets in the following tables and output targets included in Chapter 5. The tables provide historical performance, on the measures from FY 2002.

Output Measure: Diversity of agency workforce groups is equivalent to the relevant civilian labor force.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Workforce groups are no more than 25% under-represented in occupations relevant to NRC.	Workforce groups are no more than 25% under-represented in occupations relevant to NRC.	Workforce groups are no more than 25% under-represented in occupations relevant to NRC.	NRC's minority workforce compares favorably (within 25%) with relevant National labor market occupational data.	The NRC scores equal to, or greater than, the aggregate federal agency mean on relevant Federal Human Capital Survey questions on work environment and valuing diversity.	The NRC scores equal to, or greater than, the aggregate federal agency mean on relevant Federal Human Capital Survey questions on work environment and valuing diversity
Actual:	< 25%	< 25%	< 25%	> 25% Met Target		
This measure supports Management goal, performance measure number 2.						

APPENDIX III: EXPLANATION OF THE FULL-COST BUDGET ALLOCATION

Output Measure: Diversity of agency workforce groups is equivalent to the relevant civilian labor force.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Not less than 20%	Not less than 20%	Not less than 30%	Not less than 40%	Not less than 40%	Not less than 40%
Actual:	53%	59%	67.5%	78.9%		
This measure supports Management Goal, performance measure number 2.						

Output Measure: OMB-Directed Acquisition Reform Initiative Measure. Percent of required synopses for acquisitions that are posted on the government-wide point-of-entry Web site (www.FedBizOpps.gov) during the fiscal year. Synopses for acquisitions are those valued at over $25,000 for which widespread notice is required including all associated solicitations; excludes those covered by an exemption in the Federal Acquisition Regulations.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	100% of all required synopses.	100% of all required synopses.	100% of all required synopses.	100% of all required synopses.	100% of all required synopses.	100% of all required synopses.
Actual:	100%	100%	100%	100%		
This measure supports Management Goal, performance measure number 2.						

Output Measure: OMB-Directed Acquisition Reform Initiative Measure. Number of business case analyses performed on commercial activities listed on the approved FAIR Act inventory and conducted in accordance with agency competitive sourcing plan.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2004.	New measure in FY 2004.	3 business case analyses.	3 business case analyses.	3 business case analyses.	3 business case analyses.
Actual:	N/A	N/A	Met target	Met target		
This measure supports Management and support measures number 2						

Output Measure: Numbers and types of management and support training courses offered.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY2006**	**FY 2007**
Target:	New measure in FY 2005.	New measure in FY 2005.	New measure in FY 2005.	95% of identified training needs addressed with training and development opportunities (reported annually).	95% of identified training needs addressed with training and development opportunities (reported annually).	95% of identified training needs addressed with training and development opportunities (reported annually)
Actual:	N/A	N/A	N/A	98%		
This measure supports Management Goal, performance measure number 2.						

Information Technology and Information Management

An increase of resources in FY 2007 will provide for the Governmentwide FY 2007 pay raise and other nondiscretionary compensation and benefits increases, information technology seat management contract escalations, telecommunications equipment replacement, document and records management requirements, enhanced information security resulting from increased agency needs and from a shorter technology obsolescence life cycle, computer security awareness training, and migration to the Homeland Security Data Network.

- Resources are included for agency desktops and network support, telecommunications services and equipment, data and voice communications services, Internet service providers (ISP) services, telephone calling cards, audio and video teleconferencing services, and production operations support.

- Resources are included for applications development, maintenance, and operational support activities for several agency information systems. Resources are also included to support the agency enterprise architecture program.

- Resources are included for the agency computer security program in accordance with Federal laws and regulations. Resources are included for implementation of 10 CFR Part 95, "Facility Security Clearance and Safeguarding of National Security Information and Restricted Data Implementation," secure communications and infrastructure, the Safeguards Information Program, and development and implementation of a special access program.

- Resources support NRC-wide information services, including NRC's internal and external Web sites and technical library services; Federal programs, including the Freedom of Information Act and Privacy Act; and the management and operation of the agency's document and records management program.

Output Measures. The requested resources will support agency efforts to achieve the output targets in the following tables. The tables provide historical performance if available on the measures from FY 2002.

Output Measure: Increase the average security level for all NRC major applications and general support systems in accordance with the Federal IT Security Assessment Framework, as defined by the National Institute of Standards and Technology (NIST) and the CIO Council.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2003.	Achieve an average NIST level of 4.0 with all systems at a minimum level of 3.	Achieve an average NIST level of 4.0 with all systems at a minimum level of 3.	Achieve an average NIST level of 4.0 with all systems at a minimum level of 3.	Achieve an average NIST level of 4.0 with all systems at a minimum level of 3.	Achieve an average NIST level of 4.0 with all systems at a minimum level of 3.
Actual:	N/A	Target met.	Target met.	Target not met. In response to recent OIG findings in audits and FISMA reviews, system owners are becoming more familiar with security requirements and are self assessing themselves more accurately with an average level of 1.0.		
This measure supports Management Goal, performance measure number 2.						

Output Measure: All operational NRC major applications and general support systems meet the requirements of Management Directive 12.5, "NRC Automated Information Systems Program," including system security plans, contingency plans, and certification and accreditation.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2003.	90% of systems meet Management Directive 12.5 requirements.	95% of systems meet Management Directive 12.5 requirements.	100% of systems meet Management Directive 12.5 requirements.	100% of systems meet Management Directive 12.5 requirements.	100% of systems meet Management Directive 12.5 requirements.
Actual:	N/A	Target met.	Target met.	Target not met. 54% of systems meet the requirements of Management Directive 12.5. A lack of understanding of current and new IT security requirements have caused NRC to develop a new process to certify and accredit systems. This new process will ensure adequate protection and Management Directive 12.5 compliance, but this will take time.		
This measure supports Management Goal, performance measure number 2.						

Output Measure: Security, availability, and integrity of NRC major applications and general support systems will ensure no interruption to business functions due to IT system security breaches.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2003.	A robust computer security incident response capability is established and maintained to include the regional offices.	A security vulnerability patch testing, dissemination, and tracking capability is maintained for all major applications and general support systems.	All major applications and general support systems have updated security accreditation packages.	All major applications and general support systems have updated security accreditation packages.	All major applications and general support systems have updated security accreditation packages.
Actual:	N/A	Target met.	Target met.	Target met.		
This measure supports Management Goal, performance measure number 2.						

Output Measure: NRC is addressing all information technology and information management statutory requirements.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2003.	For 100% of statutory requirements, the NRC has action plans in place to address requirements.	For 100% of statutory requirements, the NRC has action plans in place to address requirements.	For 100% of statutory requirements, the NRC has action plans in place to address requirements.	For 100% of statutory requirements, the NRC has action plans in place to address requirements.	For 100% of statutory requirements, the NRC has action plans in place to address requirements
Actual:	N/A	Met target. Actions are underway for all statutory requirements.	Met target.	Met target		
This measure supports Management Goal, performance measure number 2.						

Output Measure: Complete at least one key process improvement per year in selected program and support areas to increase efficiency, effectiveness, and realism..						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2003.	1 key process completed.	1 key process completed.	1 key process completed.	1 key process completed.	1 key process completed.
Actual:	N/A	Target not met. A contract has been awarded and a list of proposed tasks has been identified by the contractor and is in the process of prioritization by OCIO management. The first of a series of process improvement studies will begin during the first quarter, FY 2004.	Target met. Contracted a review of the processes and procedures being used to manage the delivery of infrastructure services and received the comprehensive report entitled "Analysis of Operational Procedures" and outlining a high level roadmap to improve in five interrelated areas. The delivery of the report meets the measure in FY 2004.	Target met. The number of contract vehicles supporting cellular phones and pagers have been reduced from 14 to 9 per recommendation from business process review.		
This measure supports Management Goal, performance measure number 2.						

Output Measure: Network security will respond to any new network security vulnerability upon discovery.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Respond within 24 hours.	Respond within 24 hours.	Respond within 24 hours.	Respond within 24 hours.	Respond within 24 hours.	Respond within 24 hours.
Actual:	Target met. (216 potential network security vulnerabilities responded to within 24 hours of discovery).	Target met. (238 potential network security vulnerabilities responded to within 24 hours of discovery).	Target met. (274 potential network security vulnerabilities responded to within 24 hours of discovery).	Target met. (687 potential network security vulnerabilities responded to within 24 hours of discovery).		
This measure supports Management Goal, performance measure number 2.						

Output Measure: Ensure that system investments are effective, efficient, and realistic.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2003.	Major systems operate within 90% of cost, schedule, and performance targets as defined by their business case.	Major systems operate within 90% of cost, schedule, and performance targets as defined by their business case.	Major systems operate within 90% of cost, schedule, and performance targets as defined by their business case.	Major systems operate within 90% of cost, schedule, and performance targets as defined by their business case.	Major systems operate within 90% of cost, schedule, and performance targets as defined by their business case.
Actual:	N/A	Target met. The NRC verified that all major IT systems are operating within 90% of their targets. Where systems deviate from the 90% target, NRC will identify and implement the appropriate corrective action.	13 of 14 major IT systems operated within 90% of cost, schedule, and performance targets as defined by their business case. One system exceeded its cost baseline by 14% as a result of new requirements identified during its proof of concept and will be rebaselined.	Target met.		
This measure supports Management Goal, performance measure number 2C1.						

Output Measure: Percent of agency Enterprise Architecture (EA) data aligned with OMB guidance.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New measure in FY 2004.	New measure in FY 2004.	80% of agency EA data aligned.	80% of agency EA data aligned.	80% of agency EA data aligned.	80% of agency EA data aligned.
Actual:	N/A	N/A	83%	80%		
This measure supports Management Goal, performance measure number 2C1.						

FY 2005 Accomplishments

- The NRC is embracing enterprise architecture through teams, management councils, readiness assessments, tools, policy, and process methodologies specifically designed to identify patterns and aid decision-making for information technology investments to more effectively solve business problems and provide more efficient information technology services.

- In 2005, the NRC received a grade of "B" from the House Committee on Government Reform's Subcommittee on Technology, Information Policy, Intergovernmental Relations, and the Census for its compliance with the requirements of the Federal Information Security Management Act (FISMA) in FY 2004. Grades for FY 2005 were not issued at the time of this submittal. However, NRC is anticipating a lower score based on OMB's decision this year to reduce grades based on the use of Interim Approvals to Operate computer systems and the results of NRC's Office of the Inspector General's evaluations of compliance with FISMA. The NRC is focusing its certification and accreditation program on systems with national priorities and interest and those with the greatest impact on business operations. NRC has raised the visibility of the program by having the security team report to the Deputy Chief Information Officer, by periodically briefing the Commission on progress, and by increasing the funding for the program.

Financial Management

An increase of resources in FY 2007 will provide for the Governmentwide FY 2007 pay raise and other nondiscretionary compensation and benefits increases, the replacement of the agency fee billing system, migration to an integrated time and labor system, and implementation and training to meet OMB Circular A-123 internal controls.

- Resources are included for agency planning, accounting, and financial systems and activities.

- Resources are included for ensuring agency compliance with the Government Performance and Results Act (GPRA), including updating the agency's Strategic Plan

and preparing the agency's annual Performance Plan and the annual Performance Report.

- Resources are included for an agencywide, multiuser budget formulation application, which will replace the current single-user desktop database. The new system will increase efficiency by allowing multiple users to update the system and provide agencywide access to budget information, real-time aggregation of entered budget data, and more robust reporting capabilities.

- Resources are included for implementation of E-travel in FY 2007. E-travel will provide an integrated travel system that is expected to reduce the need for repetitive data input and more efficiently meet the needs of the travelers.

Output Measures. The requested resources will support agency efforts to achieve the output targets in the following tables. The tables provide historical performance, where available, on the measures from FY 2002.

Output Measure: Complete PART evaluations in accordance with agency-approved schedule.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	New target 2003.	Complete PART evaluations by September 2003.	Complete PART evaluations by June 2004 for Nuclear Materials Users Licensing and Inspection Subprogram.	Complete PART evaluations by June 2005 for Spent Fuel Storage and Transportation Licensing Inspection subprogram and for Reactor Licensing Inspection subprogram.	Complete PART evaluations by June 2006 for Decommission-ing and Low-Level Waste subprogram.	Complete PART evaluations by June 2007 for High-Level Waste Repository subprogram.
Actual:	N/A	Target met.	Target met.	Target met.		
This measure supports Management Goal, performance measure number 2.						

APPENDIX III: EXPLANATION OF THE FULL-COST BUDGET ALLOCATION

Output Measure: Submit and publish the triennial Strategic Plan to Congress and OMB on time.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Not required until FY 2003.	Submit and publish FY 2003 - FY 2008 Strategic Plan 9/29/03.*	Publish FY 2004 - FY 2009 Strategic Plan on 8/12/04.	Not required until FY 2007.	Not required until FY 2007.	Submit and publish FY 2007- FY 2012 Strategic Plan 8/11/07.
Actual:	N/A	Target not met*	Target met.	N/A		
*Date extended until August 12, 2004,because of extensive agency rewrite and review.						
This measure supports Management Goal, performance measure number 2.						

Output Measure: Meet statutory fee collection requirement.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Achieve approximately 100% actual collections when compared with projected collections. Maintain past due accounts receivable at 1% or less of annual billings for the fiscal year.	Achieve approximately 100% actual collections when compared with projected collections. Maintain past due accounts receivable at 1% or less of annual billings for the fiscal year.	Achieve approximately 100% actual collections when compared with projected collections. Maintain past due accounts receivable at 1% or less of annual billings for the fiscal year.	Achieve approximately 100% actual collections when compared with projected collections. Maintain past due accounts receivable at 1% or less of annual billings for the fiscal year.	Achieve approximately 100% actual collections when compared with projected collections. Maintain past due accounts receivable at 1% or less of annual billings for the fiscal year.	Achieve approximately 100% actual collections when compared with projected collections. Maintain past due accounts receivable at 1% or less of annual billings for the fiscal year.
Actual:	99.3% collected. Maintained past due accounts receivable at less than 1% of annual billings.	Target met.	Target met.	98.9% collected. Maintained past due accounts receivable at less than 0.08% of annual billings.		
This measure supports Management Goal, performance measure number 2.						

Output Measure: Publish proposed and final fee rules.						
	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target:	Proposed rule mid-March, final rule mid-June.	Proposed rule mid-March, final rule mid-June.	Proposed rule mid-March, final rule mid-June.	Proposed rule mid-March, final rule mid-June.	Proposed rule mid-March, final rule mid-June.	Proposed rule mid-March, final rule mid-June.
Actual:	Target met.	Target met.	Target met.	Target met.		
This measure supports Management Goal, performance measure number 2.						

Policy Support

An increase of resources in FY 2007 will provide for the Governmentwide FY 2007 pay raise and other nondiscretionary compensation and benefits increases, and for the development and implementation of an agency lessons-learned project, additional hearing docket software needs, an electronic news clip service, and increased materials and non-high-level waste safety independent advice.

- Resources support agency policy formulation, advice and assistance to the Commission on congressional issues, adjudicatory review, legal and independent safety advice, management and oversight of agency programs, and public affairs activities leading to openness and increased public confidence.

- Resources are included for the continued operation and maintenance of a single new-work tracking and reporting system.

Permanent Change of Station

An increase of resources in FY 2007 will provide for permanent-change-of-station costs based on projected FTE increases.

- Permanent-change-of-station costs are driven by employee relocations, including resident inspector moves and agency new hires, and by the average cost per move. Agency FTE growth and mandatory transfers of resident inspectors, in addition to inflation, result in increased costs.

- Resources support the maintenance of a commercial-off-the-shelf (COTS) relocation system expected to be acquired in FY 2006 which will provide expense management tracking and reporting for relocation of Federal employees. The system is expected to be mandated in the Federal Travel Regulation beginning in FY 2006.

APPENDIX IV: VERIFICATION AND VALIDATION OF NRC'S MEASURES AND METRICS

The NRC's Data Collection Procedures

Most of the data used to measure the NRC's performance against its strategic goals related to safety are obtained or derived from the NRC's abnormal occurrence (AO) data and reports submitted by licensees. The NRC developed its AO criteria in order to comply with the legislative intent of Section 208 of the Energy Reorganization Act of 1974, as amended. The Act requires the NRC to inform Congress of unscheduled incidents or events that the Commission determines to be significant from the standpoint of public health and safety. Events that meet the AO criteria are included in an annual "Report to Congress on Abnormal Occurrences" (NUREG-0090). In addition, in 1997, the Commission determined that events occurring at Agreement State licensed facilities that meet the AO criteria should be reported in the annual AO report to Congress. Therefore, the AO criteria developed by the NRC are uniformly applied to events that occur at facilities licensed or otherwise regulated by the NRC and the Agreement States.

Data for abnormal occurrences originate from external sources, such as Agreement States and NRC licensees. The NRC believes these data are credible because (1) the information needed from external sources is required to be reported to the NRC by regulations; (2) the NRC maintains an aggressive inspection program that, among other activities, audits licensees and evaluates Agreement State programs to determine whether information is being reported as required by the regulations; and (3) there are agency procedures for reviewing and evaluating licensees. The NRC database systems that support this process include the Licensee Event Report Search System (LERSearch), the Accident Sequence Precursor (ASP) Database, the Nuclear Materials Events Database (NMED), and the Radiation Exposure Information Report System.

The NRC has established procedures for the systematic review and evaluation of events reported by NRC licensees and Agreement State licensees. The objective of the review is to identify events that are significant from the standpoint of public health and safety based on criteria that include specific thresholds. The NRC uses a number of sources to determine the reliability and the technical accuracy of event information reported to the NRC. Such sources include (1) the NRC licensee reports, which are carefully analyzed, (2) NRC inspection reports, (3) Agreement State reports, (4) periodic review of Agreement State regulatory programs, (5) NRC consultant/contractor reports, and (6) U.S. Department of Energy Operating Experience Weekly Summaries. In addition, there are daily interactions and exchanges of event information between headquarters and the regional offices, as well as periodic conference calls between headquarters, the regions, and Agreement States to discuss event information. Identified events that meet the AO criteria are validated and verified by all applicable NRC headquarters program offices, regional offices, and agency management before submission to Congress.

The Agency Action Review meeting provides another opportunity for NRC's senior management to discuss significant events, licensee performance issues, trends, and the actions NRC needs to take to mitigate recurrences.

Data protection is maintained by the agency's computer security program, which provides administrative, technical, and physical security measures to protect the agency's information, automated information systems, and information technology infrastructure. These measures include special safeguards to protect classified information, unclassified safeguards information, and sensitive unclassified information that are processed, stored, or produced on designated automated information systems.

Goal 1 - Safety: Ensure protection of public health and safety and the environment.

Nuclear Reactor Safety

***Strategic Outcomes*:**

- ***No nuclear reactor accidents.***
- ***No inadvertent criticality events.***
- ***No acute radiation exposures resulting in fatalities.***
- ***No releases of radioactive materials that result in significant radiation exposures.***
- ***No releases of radioactive materials that cause significant adverse environmental impacts.***

Verification: Licensees report any nuclear reactor events at their facilities in licensee event reports (LERs). NRC reviews the LER data and the NRC's abnormal occurrence (AO) coordinators then discuss each potential AO during their periodic meetings at headquarters and the regional offices to determine whether it meets the AO reporting criteria. Any nuclear reactor accidents, deaths from acute radiation exposures, events that result in significant radiation exposure, or releases of radioactive materials that cause significant adverse environmental impacts that meet the criterion for an abnormal event would be identified through LERs. In addition, NRC specialists periodically conduct inspections to assess licensee compliance with reporting criteria as well as radiological and environmental release criteria. If a licensee reports an event involving core damage, NRC inspectors carefully investigate the event to ensure the validity of the information contained in the licensee's report. In addition, a resident inspector on duty at each reactor monitors the facility on a real-time basis. The resident inspector verifies the safe operation of the facility and would be aware of any instances in which core damage has occurred or any instance in which radiation was released from the reactor in excess of reporting limits.

The NRC staff prepares abnormal occurrence writeups and evaluates events using specific criteria to select those events that the staff recommends to the Commission to be considered abnormal occurrences. The NRC's Office of Nuclear Regulatory Research makes the final determination of

which events should be recommended to be considered potential abnormal occurrences. NRC Management Directive 8.1 "Abnormal Occurrence Reporting Procedure," provides thorough documentation of the abnormal occurrence reporting process.

Validation:

No nuclear reactor accidents. Nuclear reactor accidents are defined in the NRC Severe Accident Policy Statement as those events that result in substantial damage to the reactor fuel, whether or not serious offsite consequences occur.

No inadvertent criticality events. Events collected under this performance measure are actual occurrences of accidental criticality. Such events could compromise public health and safety, the environment, and the common defense and security. Events of this magnitude are not expected and would be rare. If such an event occurred, it would result in prompt and thorough investigation, including consequences, root causes, and necessary actions by the licensee and the NRC to mitigate the consequences and prevent recurrence.

No acute radiation exposures resulting in fatalities. Determining whether or not any deaths result from acute radiation exposure is fundamentally essential to protecting public health and safety. Events of this magnitude are rare. If such an unlikely event occurred, it would result in prompt and thorough investigation of the event, its consequences, its root causes, and necessary actions by the licensee and/or the NRC to mitigate the consequences and prevent recurrence. This strategic outcome measure is a direct measurement of the occurrence of radiation-related deaths at nuclear reactors.

No releases of radioactive materials that result in significant radiation exposures. Nuclear power generation produces radiation, which can be harmful if not properly controlled. Measuring the number of events resulting in significant radiation exposures, as well as any deaths from radiation exposure, indicates whether radiation-related deaths and illness are being prevented. Significant radiation exposures are defined as those that result in unintended permanent functional damage to an organ or a physiological system as determined by a physician in accordance with Abnormal Occurrence Criterion 1.A.3.

No releases of radioactive materials that cause significant adverse environmental impacts. The radiation produced in the process of generating power from nuclear materials can also potentially harm the environment if it is not properly controlled. Releases that have the potential to adversely impact the environment are currently undefined. As a surrogate for this performance measure, the NRC collects data on the frequency with which radiation is released into the environment in excess of specified limits. NUREG-0090, Appendix A, Criterion 1.B.1, defines such releases as those involving "the release of radioactive material to an unrestricted area in concentrations which, if averaged over a period of 24 hours, exceed 5,000 times the values specified in Table 2 of Appendix B to 10 CFR Part 20, unless the licensee has demonstrated compliance with 20.1301 using

20.1302(b)(1) or 20.1302 (b)(2)(ii)." The essence of the criterion is that events that result in unintended permanent functional damage to an organ or a physiological system as determined by a physician are used as the measure for events that result in releases of radioactive material causing an adverse impact on the environment. Such events are reported in LERs, which are sent to the NRC as reportable occurrences. This strategic outcome measure is a direct measurement of instances in which harmful impacts on the environment occur from nuclear reactors.

Performance Measures:

- ***Number of significant safety events and conditions per year at reactor facilities.***

- ***Number of new conditions evaluated as red by the NRC's reactor oversight process. Reactor Safety Target: Less than or equal to 3***

Verification: The data for this performance measure is collected in two ways as part of the NRC's reactor oversight process (ROP). Inspection findings are collected at least quarterly by NRC inspectors. Inspectors use formal detailed inspection procedures to review plant operations and maintenance. Inspection findings are reviewed by NRC managers to assess their significance as part of the ROP's significance determination process. The data for performance indicators is collected by licensees and submitted to the NRC at least quarterly. The significance of the data is determined by thresholds for each indicator. The NRC conducts inspections of licensees' processes for collecting and submitting the data to ensure completeness, accuracy, consistency, timeliness, and validity.

The NRC enhances the quality of its inspections through inspector feedback and periodic reviews of results, and inspectors are trained through a rigorous qualification program. The quality of performance indicators is improved through continuous feedback from licensees and inspectors that is incorporated into guidance documents. The NRC publishes the inspection findings and performance indicators on the agency's web site, and incorporates feedback received from all stakeholders as appropriate.

Validation: The inspection findings and performance indicators used by the ROP cover a broad range of plant operations and maintenance. NRC managers review significant issues that are identified and inspectors conduct supplemental inspections of selected aspects of plant operations as appropriate. Plants that are identified as having performance issues, as well as a self-assessment of the ROP, are reviewed by senior agency managers on an annual basis, and the results are reported to the Commission.

This measure is the number of new red inspection findings during the fiscal year plus the number of new red performance indicators during the fiscal year. Programmatic issues at multi-unit sites that result in red findings for each individual unit are considered separate conditions for purposes of reporting for this measure. A red performance indicator and a red inspection finding that are due

to an issue with the same underlying causes are also considered separate conditions for purposes of reporting for this measure. Red inspection findings are included in the fiscal year in which the final significance determination was made. Red performance indicators are included in the fiscal year in which the Reactor Oversight Process external web page was updated to show the red indicator.

- ***Number of significant safety events and conditions per year at reactor facilities.***

- ***Number of significant accident sequence precursors (ASP) of a nuclear accident.***

  Reactor Safety Target: Zero

Verification: The Commission has an ASP program to systematically evaluate U.S. nuclear power plant operating experience to identify, document, and rank those operating events that were most significant in terms of the potential for inadequate core cooling and core damage (i.e., precursors). The ASP program evaluation process has five steps. First, the NRC screens operating experience data to identify events and/or conditions that may be potential precursors to a nuclear accident. The data that are evaluated include LERs from a Licensee Event Report Search System (LERSearch) database; Incident Investigation Team or Augmented Inspection Team reviews; the NRC's daily screening of operational events; and other events identified by NRC staff as candidates. The second step is to conduct an engineering review of these screened events, using specific criteria, to identify those events requiring detailed analyses as candidate precursors. Third, the NRC staff calculates a conditional core damage probability by mapping failures observed during the event to accident sequences in risk models. Fourth, the preliminary potential precursor analyses are provided to the NRC staff and the licensee for independent peer review. However, for ASP analyses of noncontroversial, low-risk, precursors in which the ASP results reasonably agree with the Significant Determination Process (SDP) results, formal peer reviews by licensees may not be performed. The NRC staff will continue to perform an in-house review process for all analyses. Lastly, findings from the analyses are provided to the licensee and the public.

It must also be noted that there is a time lag in obtaining ASP analysis results since they are often based on LERs (submitted up to 60 days after an event) and most analyses take approximately 6 months to finalize. Final data will be reported in the year in which the event occurred.

Validation: The ASP program identifies significant precursors as those events that have a 1/1000 (10^{-3}) or greater probability of leading to a nuclear reactor accident. Significant Accident Sequence Precursor events have a conditional core damage probability (CCDP) or ΔCDP of $\geq 1 \times 10^{-3}$.

- ***Number of operating reactors whose integrated performance entered the Manual Chapter 0350 process, the multiple/repetitive degraded cornerstone column, or the unacceptable performance column of the ROP Action Matrix.***

Reactor Safety Target: Less than or equal to 4

Verification: The data for this performance measure is collected by the NRC's Reactor Oversight Process (ROP) on a continuous basis, and the information is published at least quarterly. NRC Inspectors use detailed formal procedures to conduct inspections of licensee performance and NRC managers review the results to ensure the completeness, accuracy, consistency, timeliness, and validity of the data.

The NRC enhances the quality of its inspections through inspector feedback and periodic reviews of results, and inspectors are trained through a rigorous qualification program. The quality is also improved through continuous feedback from licensees and inspectors that is incorporated into guidance documents. The NRC publishes the data on the agency's web site, and incorporates feedback received from all stakeholders as appropriate.

Validation: The information collected by the ROP covers a broad range of plant operations and maintenance. NRC managers review significant issues that are identified and inspectors conduct supplemental inspections of selected aspects of plant operations as appropriate. Plants that are identified as having performance issues are reviewed by senior agency managers on an annual basis, and the results are reported to the Commission. The same is true of the agency's self-assessment of the ROP.

This measure is the number of plants that have entered the Manual Chapter 0350 process, the multiple/repetitive degraded cornerstone column, or the unacceptable performance column during the fiscal year (i.e., were not in these columns or process the previous fiscal year). Data for this measure are obtained from the NRC external web Action Matrix Summary page, that provides a matrix of the five columns with the plants listed within their applicable column and notes the plants in the Manual Chapter 0350 process. For reporting purposes, plants that are the subject of an approved deviation from the Action Matrix are included in the column or process in which they appear on the web page.

- ***Number of significant adverse trends in industry safety performance.***

Reactor Safety Target: Less than or equal to 1

Verification: The data for this performance measure are derived from data supplied by all power plant licensees in LERs, and from monthly operating reports, as well as performance indicator data submitted for the Reactor Oversight Process (ROP). These data are required by 10 CFR 50.73 and/or plant-specific technical specifications, or are submitted by all plants as part of the ROP. Detailed NRC guidelines and procedures are in place to control each of these reporting processes. The NRC reviews these procedures for appropriateness both periodically and in response to licensee

feedback. The NRC also conducts periodic inspections of licensees' processes for collecting and submitting the data to ensure completeness, accuracy, consistency, timeliness, and validity.

All licensees report the data at least quarterly. The NRC staff reviews all of the data and conducts inspections to verify safety-significant information. The NRC also employs a contractor to review the data submitted by licensees, input the data into a database, and compile the data into various indicators. Quality assurance processes for this work have been established and included in the statement of work for the contract. The experience and training of key personnel are controlled through administration of the contract. The contractor identifies discrepancies to both licensees and the NRC for resolution. The NRC reviews the indicators and publishes them on the agency's web site on a quarterly basis. The agency also incorporates feedback from licensees and the public, where appropriate.

The target value is set based on the expected addition of several indicators and a change in the long-term trending methodology (which will no longer be influenced by the earlier data and will be more sensitive to changes in current performance).

Validation: The data and indicators that support reporting against this performance measure provide a broad range of information on nuclear power plant performance. The NRC staff tracks indicators and applies statistical techniques to provide an indication of whether industry performance is improving, steady, or degrading over time. If the staff identifies any adverse trends, the NRC addresses the problem through its processes for addressing generic safety issues and issuing generic communications to licensees. The NRC is developing additional, risk-informed indicators to enhance the current set of indicators. In doing so, the staff considers the costs and benefits of collecting the data through ongoing, extensive interactions with industry regarding the indicators. The Industry Trends Program is reviewed by senior agency managers on an annual basis, and the results are reported to the Commission.

- ***Number of events with radiation exposures to the public and occupational workers from nuclear reactors that exceed Abnormal Occurrence Criteria I.A.***

  Reactor Safety Target: Zero

Verification: Licensees report overexposures through the SCSS LER database, maintained at the Oak Ridge National Laboratory, which receives all LERs and codes them into a searchable database. The SCSS database is used to identify those LERs that report overexposures. NRC resident inspectors stationed at each nuclear power plant provide a high degree of assurance that all events meeting reporting criteria are reported to the NRC. In addition, the NRC conducts inspections if there is any indication that an exposure exceeded, or could have exceeded, a regulatory limit. Finally, areas of the facility that may be subject to radiation contamination have monitors that record radiation levels. These monitors would immediately reveal any instances in which high levels of radiation exposure occurred.

Validation: Given the nature of the process of using radioactive materials to generate power, overexposure to radiation is a potential danger from the operation of nuclear power plants. Such exposure to radiation in excess of the applicable regulatory limits may potentially occur through either a nuclear accident or other malfunctions at the plant. Consequently, tracking the number of overexposures that occur at nuclear reactors is an important indicator of the degree to which safety is being maintained.

- ***Number of radiological releases to the environment from nuclear reactors that exceed applicable regulatory limits.***

  Reactor Safety Target: Less than or equal to 2

Verification: As with worker overexposures, licensees report environmental releases of radioactive materials that are in excess of regulations or license conditions through the SCSS LER database maintained at the Oak Ridge National Laboratory. The SCSS database will be utilized to identify those LERs reporting releases and the number of reported releases is then applied to this measure. The NRC also conducts periodic inspections of licensees to ensure that they properly monitor and control releases to the environment through effluent pathways. In addition, onsite monitors would record any instances in which the plant releases radiation into the environment. If the inspections or the monitors reveal any indication that an accident or inadvertent release has occurred, the NRC conducts follow-up inspections.

Validation: The generation of nuclear power creates radioactive materials that are released into the environment in a controlled manner. These radioactive discharges are subject to regulatory controls which limit the amount discharged and the resultant dose to members of the public. Consequently, the NRC tracks all releases of radioactive materials in excess of regulatory limits as a performance measure because large releases in excess of regulatory limits have the potential to endanger public safety or harm the environment. The NRC inspects every nuclear power plant for compliance with regulatory requirements and specific license conditions related to radiological effluent releases. The inspection program includes enforcement actions to be taken for violations of the regulations or license conditions, based on the severity of the event.

This performance measure includes dose values that are classified as being as low as reasonably achievable (ALARA), contained in Appendix I to 10 CFR Part 50 as well as the public dose limits contained in 10 CFR Part 20. Because the performance measure includes ALARA values, which are not safety limits, and because Appendix I to Part 50 allows licensees to temporarily exceed, for good reason, the ALARA dose values, the performance measure is set to 2.

Goal 1 - Safety: Ensure protection of public health and safety and the environment.

Nuclear Material and Waste Safety

***Strategic Outcomes*:**

- ***No inadvertent criticality events.***
- ***No acute radiation exposures resulting in fatalities.***
- ***No releases of radioactive materials that result in significant radiation exposures.***
- ***No releases of radioactive materials that cause significant adverse environmental impacts.***

Verification: No inadvertent critically events. Inadvertent criticality events must be reported, regardless of whether they result in exposures or injuries to workers or the public, and regardless of whether they result in adverse impacts to the environment. Licensees immediately report criticality events to the NRC Headquarters Operations Center by telephone through the cognizant licensee safety officer. Follow up written reports are required to be submitted to the NRC within 30 days of the initial report. Such reports must contain specific information concerning the event, as specified by 10 CFR 70.50(c)(2) and 10 CFR 76.120(d)(2). The NRC then dispatches an inspection team to confirm the reliability of the data. The event is also tracked through the Nuclear Materials Event Database (NMED). An event of this nature would be immediately investigated and followed up by the NRC.

Should an event meeting this threshold occur, it would be reported to the NRC through a number of sources, but primarily through required licensee notifications. These events are summarized in event notifications and preliminary notifications, which are used to widely disseminate the information to internal and external stakeholders. For activities of the Office of Nuclear Material Safety and Safeguards (NMSS), the NMED is an essential system used to collect information on such events.

The fuel cycle, materials, high-level waste repository, and spent fuel storage and transportation inspection programs are key elements in verifying the completeness and accuracy of licensee reports. The Integrated Materials Performance Evaluation Program (IMPEP) also provides a mechanism to verify that NRC regions are consistently properly collecting and reporting such events as received from the licensees, and entering them into NMED.

The NRC has taken a number of steps to improve the timeliness and completeness of materials event data. These steps include assessment of the NMED data during monthly staff reviews, emphasis and

analysis during the IMPEP reviews, NMED training in headquarters, the regions and Agreement States, and discussions at all Agreement States and Conference of Radiation Control Program Directors (CRCPD) meetings.

Validation: Events collected under this strategic outcome are actual occurrences of accidental criticality. Such events could compromise public health and safety, the environment, and the common defense and security. Events of this magnitude are not expected and would be rare. If such an event occurred, it would result in prompt and thorough investigation, of the event, its consequences, its root causes, and the necessary actions by the licensee and the NRC to mitigate the situation and prevent recurrence. Therefore, the strategic outcome of no inadvertent criticalities represents a valid measure of ensuring adequate protection of public health and safety.

In assessing the validity of the data being collected as being appropriate for the strategic outcome, the staff has determined that there is a logical relationship between the data collected and the strategic outcome. Given the magnitude and rarity of a criticality event, NRC believes the probability of not being aware of an inadvertent criticality is very small.

Verification: No acute radiation exposures resulting in fatalities. Determining whether or not a death resulted from acute radiation exposure is fundamentally essential to ensure protection of public health and safety.

Should an event meeting this threshold occur, it would be reported to the NRC and/or Agreement States through a number of sources, but primarily through required licensee notifications. These events are summarized in event notifications and preliminary notifications, which are used to widely disseminate the information to internal and external stakeholders. For activities of the Office of Nuclear Material Safety and Safeguards, the NMED is an essential system used to collect information on such events.

The fuel cycle, materials, high-level waste repository, decommissioning, and spent fuel storage and transportation, inspection programs are key elements in verifying the completeness and accuracy of licensee reports. The IMPEP also provides a mechanism to verify that Agreement States and NRC regions are consistently collecting and reporting such events as received from the licensees, and entering them into NMED.

The NRC has taken a number of steps to improve the timeliness and completeness of materials event data. These steps include assessment of the NMED data during monthly staff reviews, emphasis and analysis during the IMPEP reviews, NMED training in headquarters, the regions and Agreement States, and discussions at all Agreement States and Conference of Radiation Control Program Directors (CRCPD) meetings.

Validation: There is a logical basis for using no acute radiation exposures resulting in fatalities as a strategic outcome for ensuring the protection of public health and safety. NRC's regulatory

process, including licensing, inspection, guidance, regulations, and enforcement activities, is sufficient to ensure that there are no fatalities due to acute radiation exposure.

Events of this magnitude are not expected and would be rare. In the unlikely event that a death should occur, the decision on whether or not to ascribe the cause of a death to conditions related to acute radiation exposures, or exposure to other radioactive hazardous materials (for fuel cycle activities, this extends to other hazardous materials used with, or produced from, licensed material consistent with 10 CFR Part 70) is made by the NRC or Agreement State technical specialists, with input provided by expert consultants, as necessary.

NRC believes the data collected to meet this strategic outcome are free from bias. NMSS does not use statistical sampling of data to determine results. Rather, all events data are reviewed to determine if the strategic outcome has been met.

There are two important data limitations in determining this strategic outcome. These include delay time for receiving information and/or the failure of NRC to become aware of an event that results in a fatality. Although NMSS procedures and NRC regulations associated with event reporting include specific requirements for timely notifications, there is a lag time separating the occurrence of an event and the known consequences of an event.

NRC believes the probability of not being aware of a fatality due to acute radiation exposure is very small. Periodic licensee inspections and regulatory reporting requirements are sufficient to ensure an event of this magnitude would become known.

If such an event occurred, it would result in prompt and thorough investigation of the event, its consequences, its root causes, and the necessary actions by the licensee and the NRC to mitigate the situation and prevent recurrence. In addition to these immediate actions, the NRC holds periodic meetings, where staff and management review events that appear to meet this strategic outcome.

Verification: No releases of radioactive materials that result in significant radiation exposures. NMSS defines this strategic outcome as any discharge or dispersal of radioactive materials from the intended place of confinement, or discharge or dispersal of radioactive wastes during storage, transport, or disposal, which cause significant radiation exposures to a member of the public or occupational worker that directly results in unintended permanent functional damage to an organ or physiological system, as determined by a physician. (This metric does not include exposures from sealed sources. Exposure from sealed sources would be counted under the performance measure, "Number of events with radiation exposures to the public and occupational workers from radioactive material that exceed Abnormal Occurrence Criterion I.A.")

Should an event meeting this threshold occur, it would be reported to the NRC and/or Agreement States through a number of sources, but primarily through required licensee notifications. These

events are summarized in event notifications and preliminary notifications, which are used to widely disseminate the information to internal and external stakeholders. For activities of the Office of Nuclear Material Safety and Safeguards, the NMED is an essential system used to collect information on such events.

The fuel cycle, materials, high-level waste repository, decommissioning, and spent fuel storage and transportation inspection programs are key elements in verifying the completeness and accuracy of licensee reports. The IMPEP also provides a mechanism to verify that Agreement States and NRC regions are consistently collecting and reporting such events as received from the licensees, and entering them into NMED.

The NRC has taken a number of steps to improve the timeliness and completeness of materials event data. These steps include assessment of the NMED data during monthly staff reviews, emphasis and analysis during the IMPEP reviews, NMED training in headquarters, the regions and Agreement States, and discussions at all Agreement State and CRCPD meetings.

Validation: There is a logical basis for using a threshold of no releases of radioactive materials that result in significant radiation exposures as a strategic outcome for ensuring the protection of public health and safety. "Significant radiation exposures" are defined as those that result in unintended permanent functional damage to an organ or a physiological system as determined by a physician in accordance with Abnormal Occurrence Criterion I.A.3. NRC's regulatory process, including licensing, inspection, guidance, regulations, and enforcement activities, is sufficient to ensure that there are no releases of radioactive materials that result in significant radiation exposures.

Events of this magnitude are not expected and would be rare. In the unlikely event that a significant exposure should occur, the decision on whether or not to ascribe the permanent functional damage to conditions related to acute radiation exposures, or exposure to other radioactive hazardous materials (for fuel cycle activities, this extends to other hazardous materials used with, or produced from, licensed material consistent with 10 CFR Part 70), is made by the NRC or Agreement State technical specialists, with input provided by our expert consultants, as necessary.

NRC believes the data collected to meet this strategic outcome are free from bias. NMSS does not use statistical sampling of data to determine results. Rather, all event data are reviewed to determine if the strategic outcome has been met.

There are two important data limitations in determining this strategic outcome. These include delay time for receiving information and/or the failure of NRC to become aware of an event that results in significant radiation exposures. Although NMSS procedures and NRC regulations associated with event reporting include specific requirements for timely notifications, there is a lag time separating the occurrence of an event and the known consequences of an event.

APPENDIX IV: VERIFICATION AND VALIDATION OF NRC'S MEASURES AND METRICS

NRC believes the probability of not being aware of an event that results in significant radiation exposures is very small. Periodic licensee inspections and regulatory reporting requirements are sufficient to ensure an event of this magnitude would become known.

If such an event occurred, it would result in prompt and thorough investigation of the event, its consequences, its root causes, and the necessary actions by the licensee and NRC to mitigate the situation and prevent recurrence. In addition to these immediate actions, the NRC holds periodic meetings, where staff and management review events that appear to meet this strategic outcome.

Verification: No releases of radioactive materials that cause significant adverse environmental impacts. Releases that have the potential to cause "adverse environmental impact" are currently undefined. As a surrogate, we will use any discharge or dispersal of radioactive materials from the intended place of confinement or discharge or dispersal of radioactive wastes during storage, transport, or disposal that exceeds the limits for reporting abnormal occurrences as given in Abnormal Occurrence criteria 1.B.1

Should an event meeting this threshold occur, it would be reported to the NRC and/or Agreement States through a number of sources, but primarily through required licensee notifications. These events are summarized in event notifications and preliminary notifications, which are used to widely disseminate the information to internal and external stakeholders. For activities of NMSS, the NMED is an essential system used to collect information on such events.

The fuel cycle, materials, high-level waste repository, decommissioning, and spent fuel storage and transportation, inspection programs are key elements in verifying the completeness and accuracy of licensee reports. The IMPEP also provides a mechanism to verify that Agreement States and NRC regions are consistently collecting and reporting such events as received from the licensees, and entering them into NMED.

The NRC has taken a number of steps to improve the timeliness and completeness of materials event data. These steps include assessment of the NMED data during monthly staff reviews, emphasis and analysis during the IMPEP reviews, NMED training in headquarters, the regions and in Agreement States, and discussions at all Agreement State and CRCPD meetings.

Validation: There is a logical basis for using releases of radioactive materials that cause significant adverse environmental impacts as a strategic outcome for ensuring the protection of the environment. Releases that have the potential to cause "adverse environmental impact" are those that exceed the limits for reporting abnormal occurrences as given by Abnormal Occurrence Criterion 1.B.1. NRC's regulatory process, including licensing, inspection, guidance, regulations, and enforcement activities, is sufficient to ensure that there are no releases of radioactive materials that cause significant adverse environmental impacts.

Events of this magnitude are not expected and would be rare. In the unlikely event of a release of radioactive materials (for fuel cycle activities, this extends to other hazardous materials used with, or produced from, licensed material consistent with 10 CFR Part 70), the decision on whether or not the release caused a significant adverse environmental impact is made by the NRC or Agreement State technical specialists, with input provided by expert consultants as necessary.

NRC believes the data collected to meet this strategic outcome are free from bias. NMSS does not look at statistical sampling of data to determine results. Rather, all event data are reviewed to determine if the strategic outcome has been met.

There are two important data limitations in determining this strategic outcome. These include delay time for receiving information and/or the failure of NRC to become aware of an event that causes significant adverse environmental impacts. Although NMSS procedures and NRC regulations associated with event reporting include specific requirements for timely notifications, there is a lag time separating the occurrence of an event and the known consequences of an event.

NRC believes the probability of not being aware of an event that causes significant adverse environmental impacts is very small. Periodic licensee inspections and regulatory reporting requirements are sufficient to ensure an event of this magnitude would become known.

If such an event occurred, it would result in prompt and thorough investigation of the event, its consequences, its root causes, and the necessary actions by the licensee and NRC to mitigate the situation and prevent recurrence. In addition to these immediate actions, the NRC holds periodic meetings, where staff and management review events that appear to meet this strategic outcome.

Performance Measures:

- ***Number of events with radiation exposures to the public and occupational workers from radioactive material that exceed Abnormal Occurrence Criteria I.A.***

  Materials Safety Target: Less than or equal to 6
  Waste Safety Target: **Zero**

Verification: This performance measure includes any event involving licensed radioactive materials, which results in significant radiation exposures to members of the public and/or occupational workers that exceed the dose limits in of the Abnormal Occurrence reporting criteria. Due to the extremely high doses employed during medical applications of radioactive materials, it is also appropriate to use a radiation exposure that results in unintended permanent functional damage to an organ or a physiological system as determined by a physician as a criterion for this measure. Abnormal Occurrence 1.A is used as the basis for this measure.

Should an event meeting this threshold occur, it would be reported to the NRC and/or Agreement States through a number of sources, but primarily through required licensee notifications. These

events are summarized in event notifications and preliminary notifications, which are used to widely disseminate the information to internal and external stakeholders. For activities of NMSS, the NMED is an essential system used to collect information on such events.

The fuel cycle, materials, high-level waste repository, decommissioning, and spent fuel storage and transportation, inspection programs are key elements in verifying the completeness and accuracy of licensee reports. The IMPEP also provides a mechanism to verify that Agreement States and NRC regions are consistently collecting and reporting such events as received from the licensees, and entering them into NMED.

The NRC has taken a number of steps to improve the timeliness and completeness of materials event data. These steps include assessment of the NMED data during monthly staff reviews, emphasis and analysis during the IMPEP reviews, NMED training in headquarters, the regions and in Agreement States, and discussions at all Agreement State and CRCPD meetings.

Validation: There is a logical basis for using events involving radiation exposures to the public and occupational workers from radioactive material that exceed Abnormal Occurrence Criteria I.A., as a performance measure for ensuring the protection of public health and safety. An event is considered an abnormal occurrence if it involves a major reduction in the degree of protection of public health or safety. NRC's regulatory process, including licensing, inspection, guidance, regulations, and enforcement activities, is designed to mitigate the likelihood of an event that would exceed Abnormal Occurrence criteria I.A.

Events of this magnitude are rare. In the unlikely event that an abnormal occurrence should occur, NRC or Agreement State technical specialists will confirm whether the criteria were met, with input provided by expert consultants, as necessary.

NRC believes the data collected to meet this performance measure are free from bias. NMSS does not use statistical sampling of data to determine results. Rather, all event data are reviewed to determine if the performance measure has been met.

There are two important data limitations in determining this performance measure. These include delay time for receiving information and/or the failure of NRC to become aware of an event that causes significant radiation exposures to the public or occupational workers. Although NMSS procedures and NRC regulations associated with event reporting include specific requirements for timely notifications, there is a lag time separating the occurrence of an event and the known consequences of an event.

NRC believes the probability of not being aware of an event that causes significant radiation exposures to the public or occupational workers is very small. Periodic licensee inspections and regulatory reporting requirements are sufficient to ensure that an event of this magnitude would become known.

If such an event occurred, it would result in prompt and thorough investigation of the event, its consequences, its root causes, and the necessary actions by the licensee and NRC to mitigate the situation and prevent recurrence. In addition to these immediate actions, the NRC holds periodic meetings, where staff and management validate the occurrence of these events.

- ***Number of radiological releases to the environment that exceed applicable regulatory limits.***

  Materials Safety Target: Less than or equal to 5
  Waste Safety Target: Zero

Verification: This performance measure is defined as any release to the environment from fuel cycle, materials, high-level waste repository, decommissioning, and spent fuel storage and transportation, activities that exceeds applicable regulations as defined in 10 CFR 20.2203(a)(3). A 30 day written report is required on such releases. The nuclear materials safety performance measure target is less than or equal to five releases a year that meet this reporting criteria. The nuclear waste safety target is to have no releases that meet this reporting criteria.

Should an event meeting this threshold occur, it would be reported to the NRC and/or Agreement States through a number of sources, but primarily through required licensee notifications. These events are summarized in event notifications and preliminary notifications, which are used to widely disseminate the information to internal and external stakeholders. For activities of NMSS, the NMED is an essential system used to collect information on such events.

The fuel cycle, materials, high-level waste repository, decommissioning, and spent fuel storage and transportation, inspection programs are key elements in verifying the completeness and accuracy of licensee reports. The IMPEP also provides a mechanism to verify that Agreement States and NRC regions are consistently collecting and reporting such events as received from the licensees, and entering them into NMED.

The NRC has taken a number of steps to improve the timeliness and completeness of materials event data. These steps include assessment of the NMED data during monthly staff reviews, emphasis and analysis during the IMPEP reviews, NMED training in headquarters, the regions and in Agreement States, and discussions at all Agreement State and CRCPD meetings.

Validation: The regulations in 10 CFR Part 20 provide standards for protection against radiation. There is a logical basis for tracking releases subject to the 30-day reporting requirement under 10 CFR 20.2203(a)(3)(ii) as a performance measure for ensuring the protection of the environment. NRC's regulatory process, including licensing, inspection, guidance, regulations, and enforcement activities, is sufficient to ensure that releases of radioactive materials that exceed regulatory limits are infrequent.

APPENDIX IV: VERIFICATION AND VALIDATION OF NRC'S MEASURES AND METRICS

In the unlikely event that a release to the environment exceeds regulatory limits, NRC or Agreement State technical specialists or our consultants will confirm whether the criteria was met, with input provided by expert consultants, as necessary.

NRC believes the data collected to meet this performance measure are free from bias. NMSS does not look at statistical sampling of data to determine results. Rather, all event data are reviewed to determine if the performance measure has been met.

There are two important data limitations in determining this performance measure. These include delay time for receiving information and/or the failure of NRC to become aware of an event that causes environmental impacts. Although NMSS procedures and NRC regulations associated with event reporting include specific requirements for timely notifications, there is a lag time separating the occurrence of an event and the known consequences of an event.

NRC believes the probability of not being aware of an event that causes a radiological release to the environment that exceeds applicable regulations is very small. Periodic licensee inspections and regulatory reporting requirements are sufficient to ensure that an event of this magnitude would become known.

If such an event occurred, it would result in a prompt and thorough investigation of the event, its consequences, its root causes, and the necessary actions by the licensee and NRC to mitigate the situation and prevent recurrence. In addition to these immediate actions, the NRC holds periodic meetings, where staff and management validate the occurrence of these events.

Goal 2 - Security: Ensure the secure use and management of radioactive materials.

Strategic Outcome:

- ***No instances where licensed radioactive materials are used domestically in a manner hostile to the security of the United States.***

Performance Measures:

- ***Unrecovered losses or thefts of risk-significant radioactive sources is zero.***

Proposed AO Criteria I.C.1 - Any unrecovered lost, stolen, or abandoned sources that exceed the values listed in "Appendix P to 10 CFR Part 110--High Risk Radioactive Material, Category 2." Excluded from reporting under this criterion are those events involving sources that are lost, stolen, or abandoned under the following conditions: (1) sources abandoned in accordance with the requirements of 10 CFR 39.77(c); (2) sealed sources contained in labeled, rugged source housings; (3) recovered sources with sufficient indication that doses in excess of the reporting thresholds specified in AO criteria I.A.1 and I.A.2 did not occur during the time the source was missing; (4) unrecoverable sources lost under such conditions that doses in excess of the reporting thresholds specified in AO criteria I.A.1 and I.A.2 were not known to have occurred, and (5) other sources that are lost or abandoned and declared unrecoverable; for which the Agency has made a determination that the risk-significance of the source is low based upon the location (e.g., water depth) or physical characteristics (e.g. half life, housing) of the source and its surroundings; where all reasonable efforts have been made to recover the source; and it has been determined that the source is not recoverable and would not be considered a realistic safety or security risk under this measure.

Verification: Losses or thefts of radioactive material $\geq$1000 times the quantity specified in Appendix C to Part 20 are required to be reported (per 10 CFR 20.2201(a)) by phone to the NRC Headquarters Operations Center or Agreement State immediately (interpreted as within 4 hours) under such circumstances that it appears to the licensee that an exposure could result to persons in unrestricted areas. Should an event meeting the thresholds described above occur, it would be reported through a number of sources, but primarily through this required licensee notification. Events are then entered and tracked in the Nuclear Materials Event Database (NMED) which is an essential system used to collect and store information on such events. Additionally, licensees must meet the reporting and accounting requirements in 10 CFR Parts 73 and 74.

The NRC's inspection programs are key elements in verifying the completeness and accuracy of licensee reports. The Integrated Materials Performance Evaluation Program (IMPEP) also provides a mechanism to verify that Agreement States and NRC regions are consistently collecting and

reporting such events as received from the licensees, and entering these events into NMED. Upon receiving a report, the NRC or agreement state initiates independent investigations that verify the

reliability of reported information. NRC investigation teams (Augmented Inspection Teams or Incident Investigation Teams if certain thresholds are met) evaluate the validity of materials event data, in order to assure that licensees are reporting and collecting the proper event data. Failures of appropriate licensee reporting should be discovered through routine inspection programs. The NRC also holds periodic meetings to validate previously screened events.

10 CFR 20.2201(b) requires a 30 day written report for lost or stolen sources $\geq$ 10 times the quantity specified in appendix C to part 20, if the source is still missing at that time. 10 CFR 20.2201(d) requires an additional written report within 30 days of a licensee learning any additional substantive information. The NRC interprets this requirement as including reporting recovery of sources.

Guidance in the form a Regulatory Information Summary (RIS) will clarify the current 10 CFR 20.2201(d) requirement for reporting recovery of a risk-significant source. The Office of State and Tribal Programs (STP) will ask the Agreement States to send copies of the RIS or equivalent to their licensees. In the future, the National Source Tracking System (NSTS) rulemaking will be completed. This rulemaking will codify and clarify reporting requirements for risk significant sources (including reporting time frames) by adding specific requirements to 10 CFR 20.2201 for risk significant sources, and including a requirement for licensees to report the recovery of a lost risk-significant source within 30 days of recovery. In conjunction with this rulemaking, STP procedure SA-300 will be modified to specifically require Agreement States to report the recovery of a risk-significant source immediately to the Headquarters Operations Center (HOO) when notified by a licensee.

Validation: Events collected under this performance measure are actual losses, thefts, or diversions of materials described above. Such events could compromise public health and safety, the environment, and the common defense and security. Events of this magnitude are expected to be rare. The information reported under 10 CFR Parts 73 and 74 is required so that the NRC is aware of events that could endanger public health and safety or national security. Any strategic-plan-level failures would result in immediate investigation and follow-up.

If an event subject to the reporting requirements described above were to occur, it would result in prompt and thorough investigation of the event, its consequences, its root causes, and the necessary actions by the licensee, NRC, and/or an Agreement State to mitigate the situation and prevent recurrence. In addition to these immediate actions, the NRC holds periodic meetings, staff and management validate the occurrence of these events.

- ***Number of security events and incidents that exceed the Abnormal Occurrence Criteria I.C. 2-4 is less than or equal to 4***.

Proposed AO Criterion I.C.2 - A substantiated case of actual or attempted theft or diversion of licensed material or sabotage of a facility.

Verification: Substantiated means a situation where an indication of loss, theft or unlawful diversion such as: an allegation of diversion, report of lost or stolen material, statistical processing difference, or other indication of loss of material control or accountability cannot be refuted following an investigation; and requires further action on the part of the Agency or other proper authorities. Licensees are required to call the NRC to report any breaches of security or other event that may potentially lead to theft or diversion of material or sabotage at a nuclear facility within 1 hour of its occurrence. The NRC's safeguards requirements are described in Section 73.71 of 10 CFR Part 73, "Physical Protection of Plants and Materials," and Appendix G to 10 CFR Part 73, "Reportable Safeguards Events," and in 10 CFR Part 74.11. The Information Assessment Team comprised of NRC Headquarters and Regional staff would conduct an immediate assessment for any significant events to determine what further actions are needed, including coordination with the intelligence community and law enforcement. The licensee is also required to file a written report within 30 days of the incident to describe the incident and the steps that the licensee took to protect the nuclear facility. This information would enable the NRC to adequately assess whether radiological sabotage has occurred. Any strategic plan failure results in immediate investigation and follow-up.

Validation: Events that are required to be reported are those that endanger nuclear reactor facilities by deliberate acts of theft or diversion of material or sabotage directed against those facilities. Events of this type are extremely rare. If such an event occurred, it would result in a prompt and thorough investigation of the event, its consequences, its root causes, and the necessary actions by the licensee and/or NRC to mitigate the situation and prevent recurrence. The investigation ensures the validity of the information and assesses the significance of the event.

Proposed AO Criterion I.C.3 - Any substantiated loss of special nuclear material or any substantiated inventory discrepancy that is judged to be significant relative to normally expected performance, and that is judged to be caused by theft or diversion or by substantial breakdown of the accountability system.

Verification: Events associated with this measure must be recorded within 24 hours of the identified event in a safeguards log maintained by the licensee. The log must be retained as a record for 3 years after the last entry is made or until termination of the license. The NRC relies on its safeguards inspection program to ensure the reliability of recorded data. A determination of whether a substantiated breakdown has resulted in a vulnerability to radiological sabotage, theft, diversion, or unauthorized enrichment of special nuclear material is made by the NRC. When making

substantiated breakdown determinations, the NRC evaluates the materials event data in order to ensure that licensees are reporting and collecting the proper event data.

Validation: Substantiated means a situation where an indication of loss, theft or unlawful diversion such as: an allegation of diversion, report of lost or stolen material, statistical processing difference, or other indication of loss of material control or accountability cannot be refuted following an investigation; and requires further action on the part of the Agency or other proper authorities. Events collected under this performance measure may indicate a vulnerability to radiological sabotage, theft, diversion, or loss of special nuclear materials. Such events could compromise public health and safety, the environment, and the common defense and security. The NRC relies on its safeguards inspection program to help validate the reliability of recorded data and determine whether a breakdown of a physical protection or material control and accounting system has, in actuality, resulted in a vulnerability.

Proposed AO Criterion I.C.4 - Any substantial breakdowns of physical security or material control (i.e. access control containment or accountability systems) that significantly weakened the protection against theft, diversion or sabotage.

Verification: Licensees are required to report to the NRC, immediately after occurrence becomes known, any known breakdowns of physical security, based on the requirements in Section 73.71 of 10 CFR Part 73, "Physical Protection of Plants and Materials," and Appendix G to Part 73, "Reportable Safeguards Events." If a licensee reports such an event, the Headquarters Operations Officer prepares an official record of the initial event report. The NRC begins responding to such an event immediately upon notification, with the activation of its Information Assessment Team. A licensee's initial telephonic notification must be followed within a period of 30 days by a written report submitted to the NRC.

Once each quarter, the NRC staff evaluates all of the reported events based on the criteria contained in 10 CFR 73.71, prepares a summary of the evaluation results and reports the findings in the NRC office operating plan. The NRC also reports events to the public on an annual basis in the "Safeguards Summary Event Lists," NUREG-0525, 1999, Vol. 3. While all details of the event (sensitive security safeguards information) may not be available to the public, the fact that an event has occurred is made public.

Breakdowns of physical protection resulting in a vulnerability to radiological sabotage, theft, diversion, or loss of special nuclear materials or radioactive waste are recorded within 24 hours in a safeguards log maintained by the licensee. The log must be retained as a record for 3 years after the last entry is made or until termination of the license. No explicit reporting requirements exist for substantiated breakdowns of physical protection. The NRC relies on its safeguards inspection program to ensure the reliability of recorded data. The NRC uses the inspection program information to determine whether a breakdown of physical protection has occurred. The NRC

evaluates the event data when making a determination whether a breakdown of physical protection has occurred in order to ensure that licensees are reporting and collecting the proper event data.

Validation: Events assessed under this performance measure are those that threaten nuclear activities by deliberate acts, such as radiological sabotage, directed against reactor facilities. If a licensee reports such an event, the Information Assessment Team evaluates and validates the initial report and determines what further actions may be necessary. Tracking breakdowns of physical security gives an indication of whether the licensee is taking the necessary security precautions to protect the public, given the potential consequences of a nuclear accident attributable to sabotage or the inappropriate use of nuclear material either in this country or abroad.

Events collected under this performance measure may indicate a vulnerability to radiological sabotage, theft, diversion, or loss of special nuclear materials or radioactive waste. Such events could compromise public health and safety, the environment, and the common defense and security. The NRC relies on its safeguards inspection program to help validate the reliability of recorded data and determine whether a breakdown of a physical protection or material control and accounting system has, in actuality, resulted in a vulnerability.

- ***Number of significant unauthorized disclosures of classified and/or safeguards information is zero.***

Proposed AO Criterion I.C.5 - Any significant unauthorized disclosures of classified and/or safeguards information (significant is defined as causing damage to national security or public health and safety).

Verification: Any alleged or suspected violations of the Atomic Energy Act, Espionage Act, or other Federal statutes related to classified or safeguards information are required to be reported to the NRC under the requirements of 10 CFR 95.57(a) (for classified information) and 10 CFR part 73 (for safeguards information), and NRC orders (for safeguards information subject to modified handling requirements). However, for performance reporting, the NRC would only count those disclosures or compromises that actually cause damage to the national security or public health and safety. Such events would be reported to the cognizant security agency (i.e., the security agency with jurisdiction) and the regional administrator of the appropriate NRC regional office, as listed in Appendix A to 10 CFR Part 73. The regional administrator would then contact the Division Nuclear Security at NRC headquarters, which would assess the violation and notify other offices of the NRC as well as other Government agencies, as appropriate. A determination would be made as to whether the compromise caused damage to the national security or public health and safety. Any unauthorized disclosures or compromises of classified or safeguards information causing damage to the national security or public health and safety would result in immediate investigation and follow-up by the NRC. In addition, NRC inspections will verify that licensees' routine handling of classified and safeguards information (including safeguards information subject to modified handling requirements) conforms to established security information management requirements.

Validation: Events collected under this performance measure are unauthorized disclosures of classified or Safeguards Information causing damage to the national security or public health and safety. Events of this magnitude are not expected and would be rare. If such an event were to occur, it would result in prompt and thorough investigation, including consequences, root causes, and necessary actions by the licensees and the NRC to mitigate the consequences and prevent recurrence. NRC investigation teams also validate the materials event data in order to ensure that licensees are reporting and collecting the proper event data.

Goal 3 - Openness: Ensure openness in our regulatory process.

Strategic Outcome:

- ***Stakeholders are informed and involved in NRC processes as appropriate.***

Performance Measures:

- ***Percentage of stakeholders that perceive the NRC to be open in its processes is equal to or greater than other Federal Agency measures, when available.***

Verification: Based on stakeholder comments associated with the development of the FY 2000-FY 2005 Strategic Plan, the Commission approved the use of a survey instrument to baseline public satisfaction and document the public's general concerns with the NRC. A survey of local officials living near nuclear power plants was performed in 2004, and the NRC scored 68 out of 100, which was relatively high for a federal regulatory agency. The government weighted average was 72. In FY 2006, the NRC will be performing focus groups to obtain measurements of the agency's general satisfaction with our openness goal. In subsequent years, NRC will use either surveys, focus groups, or a combination of both to ascertain stakeholders' views of the agency's openness.

Validation: Surveys of focus groups would have a total standard sample size. NRC staff will work with a contractor to identify the stakeholder segment to be surveyed, develop a list of possible participants in the segment, and tailor the questions about NRC activities. The questions will be focused in a manner that will provide information relevant to our performance as an effective and efficient regulatory agency. The measurement instrument should contain questions that ascertain stakeholder views concerning the quality of NRC's openness in the following areas: 1) credibility as a regulator, 2) effectiveness in clearly communicating factual information and 3) responsiveness to stakeholders' concerns.

The results of this approach could be used to determine what changes to consider related to interactions with and information provided to those stakeholder groups.

- ***Percentage of selected openness output measures that achieve performance targets is equal to or greater than 78 percent.***

Verification: The NRC views nuclear regulation as the public's business and, as such, it should be transacted openly and candidly in order to maintain the public's confidence. The goal to ensure openness explicitly recognizes that the public must be informed about, and have a reasonable opportunity to participate meaningfully in, the NRC's regulatory processes. In assessing how the NRC will gauge its openness with our stakeholders, NRC will (1) provide accurate and timely information to the public about the uses and risks of radioactive materials; (2) enhance the awareness of the NRC's independent role in protecting public health and safety and the environment; (3) provide accurate and timely information about the safety performance of the licensees regulated by the NRC; (4) provide a fair and timely process to allow public involvement in NRC decision-making in matters not involving sensitive unclassified, safeguards, classified, or proprietary information; (5) provide a fair and timely process to allow authorized (appropriately cleared with a need to know) stakeholders to participate in NRC decision-making in matters involving sensitive unclassified, safeguards, classified, or proprietary information; and (6) Obtain early public involvement on issues most likely to generate substantial interest and promote two-way communication to enhance public confidence in the NRC's regulatory processes.

Validation: Overall actual performance will be measured by determining the percent of the associated output measures that delivered their intended openness outcome. At a minimum, in order to meet the overall target, 78 percent of the output measure targets must be met.

The process of collecting the data and making sure the information is complete, accurate, and consistent will be the responsibility of the individual office director who will review and approve the data submitted by staff.

Goal 4 - Effectiveness: Ensure that NRC actions are effective, efficient, realistic, and timely.

Strategic Outcome:

- ***No significant licensing or regulatory impediments to the safe and beneficial uses of radioactive materials.***

Performance Measures:

- ***The percentage of selected processes that deliver desired efficiency improvement is > 70 percent. (Goal is > 90 percent by 2008).***

Verification: NRC has challenges that are coming at a time when initiatives such as the Government Performance and Results Act are challenging Federal agencies to become more effective and efficient and to justify their budget requests with demonstrated program results. The

drive to improve performance in Government, coupled with increasing demands on the NRCs finite resources, clearly indicates a need for the agency to become more effective and efficient. NRC has established a performance measure to improve desired efficiency which supports the two primary goals of safety and security and also addresses management excellence.

On an annual basis, candidate processes would be selected as part of this performance measure. For the purposes of this measure, a desired efficiency improvement is defined as an improvement or positive change in the processes' cost, quality, productivity, and/or timeliness. A desired efficiency improvement would be expressed as resource savings or cost avoidance for the agency or as a positive benefit to external stakeholders with respect to effectiveness, efficiency, or realism.

Offices will use the following process to identify and report on desired efficiency improvements:
(1) Select and define a candidate process - Offices will identify processes at the beginning of each fiscal year which they will measure for desired efficiency improvement.
(2) Analyze process for areas in need of improvement - This could include cost reduction, quality and or timeliness of work, or other unique factors as appropriate which can be measured for desired efficiency improvement.
(3) Establish targets for efficiency improvements - Based on past experience and if previous trend data is available, offices will identify specific desired targets which they feel are challenging but can be achieved. The targets could involve improvements in cost, quality, productivity, and/or timeliness.
(4) Report progress annually - Offices will report the actual data at the end of each fiscal year and may adjust the target accordingly based on previous years results.

Validation: Overall actual performance will be measured by determining the percent of the processes selected annually that delivered their intended desired efficiency improvement. At a minimum, 70 percent of the selected processes must have achieved their targets.

The process of collecting the data and making sure the information is complete, accurate, and consistent will be the responsibility of the individual office director who will review and approve the data submitted by staff.

- ***No more than one instance per program where licensing or regulatory activities unnecessarily impede the safe and beneficial uses of radioactive materials.***

Target: ***Reactor Program = 2 (1 per Tier II program).***
Materials/Waste Program = 5 (1 per Tier II program)

Verification and Validation:

APPENDIX IV: VERIFICATION AND VALIDATION OF NRC'S MEASURES AND METRICS

This measure is intended to serve as a precursor to the strategic-level outcome of "no significant licensing or regulatory impediments to the safe and beneficial uses of radioactive materials." The purpose of the measure is to provide an indication of overall agency performance with respect to the strategic objective of enabling the safe use of radioactive materials for beneficial civilian purposes. The following table describes how the agency fulfills its role in "enabling" at various phases of the business cycle:

	Potential applicants	Applicants	Current licensees
Intent of "enabling" in each category	Provide an effective and efficient regulatory infrastructure so that this group is inclined to pursue licenses if they so choose. Ensure that the NRC is not a barrier to entry due to unnecessary regulatory burden.	Provide stable and predictable processes so that applicants can enter the business in a timely fashion, only constrained by their ability to operate safely and securely (i.e., abide by NRC regulations).	Ensure that the regulation does not pose an unnecessary regulatory burden.

The key difference between this performance measure and the related strategic outcome is that the strategic outcome focuses on significant impediments, while the performance measure does not contain this qualifier. Thus, the performance measure is designed to capture lower-level instances where NRC programs may have unnecessarily impeded. The following types of examples could count against this performance measure (and possibly against the strategic outcome as well, depending on severity):

- missing a key timeliness measure (e.g., for fuel cycle licensing actions or reactor power uprates) or milestone (e.g., completing license termination for complex decommissioning cases)
- not adjusting the regulatory framework to support new technologies or otherwise respond to significant changes in the regulatory environment
- imposing unnecessary regulatory burden on licensees or applicants to the extent that the NRC becomes a barrier to entry or sustainability

Efforts to risk inform regulatory programs, improve programmatic effectiveness and efficiency, and reduce unnecessary regulatory burden are all positive steps that can be taken to enable the safe use of radioactive materials.

Because the NRC does not have prior experience in applying this type of measure, the metric will likely require adjustment over the first few years. The intent is to set aggressive annual targets that reflect the agency's commitment to continuous improvement. Consequently, it should be expected that some impediments will occur at the performance level due to resource limitations, emergent high-priority demands, or other circumstances beyond the control of program managers. Exceptions reported under this measure are considered in the agency's assessment of the related strategic outcome.

Goal 5 - Management: Ensure excellence in agency management to carry out the NRC's strategic objective.

Strategic Outcomes:

- ***Continuous improvement in NRC's leadership and management effectiveness in delivering the mission.***

- ***A diverse, skilled workforce and an infrastructure that fully supports the agency's mission and goals.***

Performance Measures:

- ***Percentage of selected NRC management programs reported by support offices that delivered intended outcomes is equal to or greater than 70 percent.***

Verification: The NRC considered the management and support needed to achieve the agency's mission, preexisting management challenges, and other initiatives. This goal includes strategies for the management of human capital, infrastructure management, improved financial performance, expanded electronic government, budget and performance integration, and internal communications. The process of collecting the data and making sure the information is complete, accurate, and consistent will be the responsibility of the individual office director who will review and approve the data submitted by staff.

Validation: Overall actual performance will be measured by determining the percent of the five (5) programs that delivered their intended management outcomes. At a minimum, in order to meet the overall target of 70 percent, 4 programs must have achieved 70 percent of the activity targets.

- ***The percentage of selected processes reported by support offices that deliver desired efficiency improvement is equal to or greater than 75 percent. (Goal is > 90 percent by 2008).***

Verification: NRC has challenges that are coming at a time when initiatives such as the Government Performance and Results Act are challenging Federal agencies to become more effective and efficient and to justify their budget requests with demonstrated program results. The drive to improve performance in Government, coupled with increasing demands on the NRC's finite resources, clearly indicates a need for the agency to become more effective and efficient. NRC has established a performance measure to improve desired efficiency which supports the two primary goals of safety and security, and also addresses management excellence.

APPENDIX IV: VERIFICATION AND VALIDATION OF NRC'S MEASURES AND METRICS

On an annual basis, candidate processes would be selected as part of this performance measure. For the purposes of this measure, a desired efficiency improvement is defined as an improvement or positive change in the processes' cost, quality, productivity, and/or timeliness. Desired efficiency improvement would be expressed as resource savings or cost avoidance for the agency or as a positive benefit to external stakeholders with respect to effectiveness, efficiency or realism.

Support offices will use the following process to identify and report on desired efficiency improvements:
(1) Select and define a candidate process - Offices will identify processes at the beginning of each fiscal year which they will measure for desired efficiency improvement.
(2) Analyze process for areas in need of improvement - This could include cost reduction, quality and or timeliness of work, or other unique factors as appropriate which can be measured for desired efficiency improvement.
(3) Establish targets for efficiency improvements - Based on past experience and if previous trend data is available, offices will identify specific desired targets which they feel are challenging but can be achieved. The target improvements could involve cost, quality, productivity, and/or timeliness.
(4) Report progress annually - Offices will report the actual data at the end of each fiscal year and may adjust the target accordingly based on previous years results.

Validation: Overall actual performance will be measured by determining the percent of the processes selected annually that delivered their intended desired efficiency improvement. At a minimum, 75 percent of the selected processes must have achieved their targets.

The process of collecting the data and making sure the information is complete, accurate, and consistent will be the responsibility of the individual office director who will review and approve the data submitted by staff.

MANAGEMENT CHALLENGES

This appendix lists the nine most serious management challenges facing the agency as identified by NRC's Office of the Inspector General in a memorandum to Chairman Diaz dated September 30, 2005 (OIG-05-A-23). The OIG defines serious management challenges that are mission critical areas or programs that have the potential for a perennial weakness or vulnerability that, without substantial management attention, would seriously impact agency operations or strategic goals. This appendix describes the actions being taken by NRC to address these challenges and related actions/milestones and schedule for completing the management challenges.

CHALLENGE 1: Protection of nuclear material used for civilian purposes.

Actions/Milestones	*Schedule*
NUCLEAR REACTOR SAFETY MAJOR PROGRAM The NRC is re-analyzing the capabilities and physical protection requirements for NRC-licensed facilities. Representative nuclear power plant structures have been analyzed to determine their vulnerability to aircraft attack. In addition, the NRC has used a risk-informed approach to further assess the potential vulnerabilities of civilian nuclear facilities and activities to the effects of various attack scenarios. Research products will provide data to assist decision makers in identifying practical mitigation strategies and allocating resources. **Status**: The agency coordinated this assessment with counterparts in the Homeland Security Council, Department of Homeland Security, Federal Bureau of Investigation, Department of Energy, Defense Threat Reduction Agency, Department of Defense, and other agencies. The staff is pursuing a number of additional efforts related to generic issues to support the security assessments. Specifically, these efforts include site-specific aircraft impact vulnerability analysis, cyber threat analysis, research on terrorist attack scenarios, effects of fire analysis, small arms conflict situation analysis, radiological consequences from attacks on nuclear power plants, protective strategies for attacks on nuclear power plants, spent fuel testing, and characterization of insider threats. These efforts will continue to provide the technical basis for any new or revised mitigative measures for protecting radioactive materials and facilities. In FY 2003, the staff completed detailed analyses of the capability of two representative nuclear power plants to withstand aircraft attack. NRC shared preliminary results of these analyses with cognizant federal agencies and affected licensees. The industry is evaluating and implementing prudent follow up action. Readily available mitigating strategies were implemented by industry and verified by NRC inspection. In April 2003, the NRC issued orders (effective October 29, 2004), that imposed supplemental requirements for implementing the design-basis threat (DBT). In FY 2004, the NRC developed implementing guidance for the design basis threats (DBT) against which power plants and selected fuel cycle facilities must be able to defend and issued further orders to require specific security enhancements for a variety of nuclear facilities and activities, including spent fuel storage and radioactive material transport.	FY 2003 - FY 2006

Actions/Milestones	*Schedule*
The NRC issued additional orders in January 2003 to enhance access authorization and in April 2003 to control security force fatigue and to enhance training and qualifications for security force members. Pursuant to the April 29, 2003 orders, each power reactor licensee submitted a revised Physical Security Plan, Contingency Response Plan, and Security Force Training and Qualification Plan for NRC review and approval. In October 2004, NRC completed its review of the plans to support implementation in accordance with the requirements of the orders. In early FY 2004, the NRC staff completed inspections of interim compensatory measures imposed by order on February 25, 2002. In FY 2004, the NRC revised the baseline inspection program for the physical protection cornerstone of the reactor oversight process. The revised baseline program reflects changes imposed by orders in the areas of access authorization, fatigue, security officer training and qualification; and the design basis threat. Implementation of the revised inspection program will be phased in during FY 2004 through FY 2006, consistent with the implementation schedules for the revised requirements. The NRC is developing improved performance indicators and a revised Significance Determination Process to more effectively measure license security performance. In addition, in FY 2004, the NRC completed a pilot program to enhance force-on-force exercises at power reactors. The pilot program reduced artificialities, and increased the realism of the exercises. The results of the expanded pilot exercises, conducted at 15 volunteer commercial nuclear power reactors, were utilized to revise the staff's exercise program and improve NRC's processes for assessing the licensees' readiness to protect against the design basis threat. NRC met routinely with representatives of industry to catalog and discuss lessons learned from these exercises, documenting both staff and industry perspectives. The program was intended to enhance the effectiveness and realism of the exercises and provides the basis for resuming the performance evaluation program with substantially increased frequencies of exercises (from every 8 years to every 3 years). The full program was implemented beginning in FY 2005.	
The NRC will analyze the processes used to authorize access to licensed facilities. Activities will include evaluating and improving the adequacy and robustness of existing access authorizations, determining the feasibility of integrating a national security check program, and determining the feasibility of obtaining overseas criminal history checks. **Status:** Additional security measures for access authorization/insider risk for power reactors were issued in January 2003. Additional security measures for access authorization at other licensed facilities were issued in August 2004. The NRC continues to consult and coordinate with other Federal agencies to enhance access authorization. In April 2005, the staff completed finalizing the technical basis to revise access authorization requirements in 10 CFR 73.56 for power reactors that would codify order requirements and additional security measures. A rule will be proposed in FY 2006.	FY 2003 - FY 2006

Actions/Milestones	*Schedule*
The NRC will reassess its emergency preparedness activities and response capabilities. Activities will include evaluating the NRC's response capabilities to respond to multiple events, including mobilizing and responding to a national threat; evaluating regulatory requirements for emergency preparedness programs; increasing coordination with stakeholders related to emergency preparedness and response; evaluating the adequacy of policy and programs for public protective actions; developing inspection guidance on licensees' integration of security and emergency plans to assess licensees' capabilities to respond to attacks; and enhancing intelligence community communications. **Status:** The reassessment of emergency preparedness activities and response capabilities includes a review of incident response operations, which was completed in early FY 2003; implementation of the Homeland Security Advisory System (HSAS) was completed in the last quarter of FY 2002; a revised Continuity of Operations (COOP) plan was completed in FY 2003; development of response protocols with Federal and State agencies will continue throughout the planning period; the Operations Center Information Management System (OCIMS) requirements assessments were completed late FY 2003, and the upgrade of OCIMS data and display subsystems is scheduled for completion during FY 2004; the Defense Messaging Services (DMS) system test was completed during FY 2003; and the Incident Response Program Review was completed in FY 2003. Beginning in FY 2005, the Emergency Response Data System (ERDS) will be replaced with a system utilizing the latest communications platforms; the ERDS upgrade will be completed in FY 2006. NRC is also developing an enhanced secure electronic LAN; the effort began in FY 2004 and a pilot was completed in 2005. In June, 2004, the NRC reorganized by integrating its emergency preparedness and indident response programs. This will allow the NRC to more effectively sustain its interaction, communication, and coordination related to homeland security, emergency response, and integrated response planning with other Federal, State, and local agencies, as well as the international community. The NRC continues to work with DHS and other Federal agencies on the revision of Federal response plans and development and administration of a National Incident Management System and a unified National Response Plan in accordance with Homeland Security Presidential Directive 5 (Management of Domestic Incidents). On August 4, 2004, NRC held a public meeting to address the agency's integrated approach toward safety, security, and emergency response, and the challenges of communicating with the public on security matters without releasing sensitive information. Participants included senior NRC management and staff and a broad spectrum of stakeholders, including: members of the public, representatives from several non-governmental organizations, the media, and a U.S. Senate office. A teleconferencing capability was used to include members of the public who were unable to come to NRC headquarters. During several question-and-answer sessions and an extended public comment period, other NRC security initiatives were discussed, including the NRC review and approval of security plans, baseline security inspection program, force-on-force exercises, security response and preparedness, regulatory stability, and integrated response planning. NRC obtained many comments and suggestions from the public for follow up action. The meeting contributed significantly towards increasing the agency's public outreach and meeting the agency's openness goals in the homeland security area.	FY 2003 - FY 2006

Actions/Milestones	*Schedule*
The NRC will conduct a comprehensive reassessment to evaluate the policies and procedures related to the protection of the agency's critical infrastructure at headquarters, regional offices, and resident inspector offices. This will include evaluating the adequacy of contingency plans to maintain continuity of operations (COOP) during terrorist events that are capable of disrupting response activities, as well as the agency's emergency response planning, staffing, and training for handling protracted events at multiple locations as a result of terrorist activities. **Status:** The staff completed a comprehensive physical security assessment of the NRC's infrastructure in FY 2002, and has implemented most of the recommendations from this assessment. The staff completed an additional assessment of the physical security of the NRC headquarters facilities in the second quarter of FY 2003. The relocation of the Sensitive Compartmented Information Facility (SCIF) to the fourth floor of Two White Flint North was completed during FY 2003. The NRC's Incident Response Operations Center was also significantly upgraded in FY 2004 including: improved emergency response procedures and significant equipment upgrades (display and data sub-systems, secure telephone and fax units, upgraded satellite phones and an improved teleconferencing system). An alternate incident response center has also been upgraded at one of NRC's regional offices. It has the capabilities of the headquarters operations center, in the event of a loss of that facility.	Complete
NUCLEAR MATERIALS AND WASTE SAFETY MAJOR PROGRAM The NRC will continue to re-analyze its threat assessment framework and threat characterizations, which are used to design safeguards systems to protect against acts of radiological sabotage and to prevent the theft or diversion of strategic special nuclear material. The NRC will also increase its interactions with other Federal agencies to ensure coordination of national infrastructure decisions that may impact activities in this area. **Status:** The NRC has supplemented the DBT for Category I fuel facilities taking into consideration threat characteristics for other comparable facilities and activities identified in coordination with comparable Federal agencies. The NRC is continuing its actions to enhance its liaison activities with Federal agencies and other stakeholders in order to ensure timely coordination of decisionmaking regarding threats to nuclear facilities, activities, and the critical infrastructure. Force-on-force exercises for Category I fuel facilities are scheduled beginning FY 2006. Consistent with the orders supplementing the DBT, each licensee for Category I fuel cycle facilities has submitted for NRC staff approval complete revisions to their physical security plan, contingency response plan, and training and qualification plan. The NRC completed a review of all these plans. In FY 2004, in conjunction with implementation of the revised DBT, the NRC established additional personnel security measures to mitigate the risk of insiders' involvement in acts of radiological sabotage or theft or diversion of special nuclear material.	FY 2003 - FY 2006

Actions/Milestones	*Schedule*
The NRC will continue to re-analyze the vulnerabilities, physical protection, and safeguards programs and requirements for NRC-licensed facilities and radioactive materials. Activities include re-examining the agency's statutory and regulatory requirements and guidance on security and safeguards for facilities, evaluation of the need for additional security and safeguards requirements at NRC-licensed facilities and materials currently not covered by existing physical protection regulations, and examination of the need for physical protection against chemical and/or industrial sabotage at NRC-licensed facilities. **Status:** Preliminary security assessments (SAs) to support development of additional security measures for materials licensees were completed in FY 2003 for panoramic irradiators and manufacturers and distributors of high risk radioactive sources. Other SAs pertaining to materials licensees were completed in stages through FY 2004 for other lower-risk radioactive sources. Further, additional facility- or material-specific SAs, were conducted in FY 2005 to examine the potential consequences beyond those that are already evaluated in the licensing process or that could result from the loss of control of radioactive material. Vulnerabilities of structures, process and protective systems, security operations and physical protection systems, information systems, MC&A systems, and access control systems are being assessed, as applicable. Ultimately, the staff will integrate the results of the individual SAs into one risk-informed SA for materials licensees to support decisions about protective strategies for each type of facility. The results of the SAs have been and will continue to be used to inform decision makers in identifying practical mitigating strategies and new requirements as appropriate. The NRC has enhanced security requirements for licensees holding source material designated as high risk, high priority. The NRC staff continues to work with States to develop appropriate enhancements for lower priority high-risk sources. Working with the Homeland Security Council, the NRC's oversight committees in Congress, the Administration, and other Federal agencies, NRC continues to support legislative proposals to enhance security of nuclear facilities and materials.	FY 2003 - FY 2006
The NRC will also work with other Federal agencies (such as the Department of Homeland Security (DHS), Federal Bureau of Investigation (FBI), Department of Defense (DOD) and States to enhance and coordinate U.S. detection, prevention, and response for terrorist actions against NRC-regulated facilities and activities. **Status:** The NRC continues to enhance preparedness with Federal and State agencies, including improving its coordination with DHS, law enforcement agencies, and the intelligence community. Significant FY 2005 actions included implementation of the National Response Plan and the National Incident Management System, participation in several interagency exercises, and continued upgrades to the incident response program.	FY 2003 - FY 2006

Actions/Milestones	*Schedule*
The NRC will re-analyze the vulnerabilities and physical protection requirements for NRC-licensed facilities (such as independent spent fuel storage installations) and transportation of special nuclear material. The staff is also conducting an assessment of the ability of spent fuel storage casks and radioactive material transportation packages to withstand various attack scenarios. In addition, the agency will reassess its capabilities for first response, independent assessment, and oversight of incidents at licensee facilities. **Status:** In FY 2005, the staff completed the assessment of potential vulnerabilities associated with spent fuel storage and radioactive material transportation. The staff used the early results of this work to issue orders to operating ISFSIs to implement safeguards and security compensatory measures. The staff used the early results of this work to identify and require, as necessary, enhancements to security measures for spent fuel storage and transportation. The staff continues to coordinate with the Department of Transportation and other Federal and State partners to promote a coherent national approach to enhanced transportation security.	FY 2005 - FY 2006
The NRC will conduct or support the following efforts: • Continue the studies of the consequences from potential terrorist attacks to selected transportation packages (non-spent fuel and spent fuel) and selected spent fuel storage casks and the consequences of an irradiator explosion. • Continue to support the comprehensive safeguards and security assessments of fuel cycle and materials licensees, spent fuel and non-spent fuel transportation packages, and spent fuel storage casks. • Issue regulatory improvements to address any significant weaknesses identified during the security assessments. • Review facility security plans to ensure that the facilities protect against identified threats. • Require remaining materials licensees to implement appropriate compensatory measures. Review licensee compliance with the interim compensatory measures; assess proposals to revise regulatory requirements (e.g., rulemaking, orders) and generic communication (e.g., information notices, NUREGs) in the area of security. • Continue to participate in the interagency and international efforts to address life-cycle management of radioactive sources. • Continue to increase security of export/import controls for high-risk sources. • Continue to work in conjunction with DOE to improve source tracking by developing a national web based system to track risk significant radioactive sources.	FY 2005 - FY 2007

CHALLENGE 2: Development and implementation of a risk-informed and performance-based regulatory approach.

Actions/Milestones	*Schedule*
NUCLEAR REACTOR SAFETY MAJOR PROGRAM Publish report on lessons learned from implementation of the reactor oversight process. **Status**: The staff last issued this report in SECY-05-0070, April 25, 2005. The staff plans to continue to perform annual self-assessments and report the results to the Commission.	FY 2006
Develop a proposed rule to risk-inform 10 CFR 50.46. **Status**: The staff is currently working on proposed rulemakings to the requirements in 10 CFR 50.46 for analysis of design basis loss-of-coolant accidents (LOCAs). These requirements specify the assumptions, methods, and acceptance criteria for use in evaluating the adequacy of the emergency core cooling system (ECCS) for design basis LOCAs. The development of a risk-informed approach to 10 CFR 50.46 has the potential to improve the effectiveness of regulatory oversight related to ECCS performance, while maintaining safety. In July 2002, the staff completed the technical work to assess the practicality of a possible rulemaking associated with the technical requirements of 10 CFR 50.46, Appendix K to 10 CFR Part 50, and General Design Criterion (GDC) 35. The Commission provided guidance to the staff in an SRM dated March 31, 2003, on SECY-02-0057. In response to this SRM, the staff prepared SECY-04-0037, dated March 3, 2004, in which the staff requested direction and additional guidance on policy issues that would facilitate resolution of identified technical issues. On July 1, 2004, the Commission issued its SRM on SECY-04-0037, providing technical guidance and direction to the staff to complete the proposed rule by December 30, 2004. On August 2, 2004, the staff published a conceptual basis and draft language for the proposed rule. The staff met with the ACRS subcommittee on October 28, and with the full committee on November 4, 2004 and December 2, 2004. The staff evaluated information received at the public meeting and ACRS letters dated December 17, 2004, and March 14, 2005, and provided a proposed rule to the Commission in SECY-05-0052 on March 29, 2005. In the SRM on SECY-005-0052 dated July 29, 2005, the Commission directed the staff to make specific changes to the proposed rule and issue the proposed rule for public comment by October 28, 2005. The staff issued the proposed rule on October 28, 2005. The rule was published on November 7, 2005. In related efforts, the staff published the, "Draft Report for Comment: Estimating Loss-of-Coolant Accident (LOCA) Frequencies Through the Elicitation Process," NUREG-1829, in June 2005. The staff announced the draft was available for public comment in the FRN on October 2, 2005. In December 2006, the staff also plans to complete the safety evaluation of the BWR LOCA/LOOP exemption request topical.	FY 2002 - FY 2006

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Actions/Milestones	*Schedule*
Issue Revision 1 to Regulatory Guide (RG) 1.174, "An Approach for Using Probabilistic Risk Assessment In Risk-Informed Decisions on Plant-Specific Changes to the Licensing Basis." **Status**: The staff published Revision 1 to RG 1.174 as DG-1110 for public comment on July 23, 2001. Revisions 1 of RG 1.174 and SRP Chapter 19 were issued in November 2002 with relatively minor enhancements. Following completion and publication of the next RG 1.200 revision (FY 2006), RG 1.174 will be revised to address PRA quality to be consistent with RG 1.200.	FY 2007
Modify the scope of special treatment requirements and submit the final rule (10 CFR 50.69) to the Commission. **Status**: On June 30, 2004, the final rulemaking package for 10 CFR 50.69 (SECY-04-0109) was sent to the Commission. The Commission approved the final rule, with some modifications, in an affirmation session on October 7, 2004. On November 22, 2004, the NRC published a final rule,10 CFR 50.69, "Risk-Informed Categorization and Treatment of Structures, Systems, and Components for Nuclear Power Reactors." This risk-informed regulation establishes an alternate set of requirements incorporating up-to-date analytic tools and risk insights to further enhance plant safety by enabling nuclear power plant licensees to determine more precisely the safety significance of reactor systems, structures and components and maintain these structures, systems, and components in a manner commensurate with their safety significance. To ensure the new regulation is properly implemented, the NRC developed Regulatory Guide 1.201, "Guidelines for Categorizing Structures, Systems and Components in Nuclear Power Plants According to Their Safety Significance" for trial use. The NRC finalized Regulatory Guide 1.201 in October 2005. RG 1.201 will be issued "for trial use." During 2006, we expect to conduct two pilots of the guidance from Wolf Creek and Surry. The lessons learned from these pilot applications will be used in refining the industry's categorization guidance (NEI 00-04) and this regulatory guide, after which the regulatory guide will be issued for full use.	FY 2004 - FY 2006
Provide a draft rule to the Commission that risk-informs the pressurized thermal shock requirements in 10 CFR 50.61. **Status**: In FY 2005, the NRC staff completed the development of the technical basis necessary to support a risk-informed rulemaking effort to modify the pressurized thermal shock screening criteria in 10 CFR 50.61. The reports which document this technical basis were provided to NRR in June 2005 and will be published in April 2006. This technical basis was reviewed at various stages by NRC's external stakeholders, a select external peer review panel of technical and regulatory experts, the Advisory Committee for Regulatory Safeguards, and NRC technical staff. Based on this technical report, a rulemaking will be proposed to implement a risk-informed revision to the pressurized thermal shock requirements in 10 CFR 50.61. A rulemaking plan is scheduled to be submitted to the Commission by early CY 2006.	FY 2004 - FY 2006

Actions/Milestones	*Schedule*
Issue the regulatory guide and standard review plan for the ASME/ANS standard for probabilistic risk assessment quality. **Status:** The staff has issued Regulatory Guide (RG) 1.200 for trial use (February 2004) to provide guidance to licensees on the quality needed for PRA information used in risk-informed applications. This RG provided the staff position on the ASME PRA standard. Five licensees volunteered to participate as pilot plants during the period of trial use. The pilot applications conducted for the trial use period were completed in March 2005. In July 2005, ASME issued Addendum B to its PRA standard based on the pilots. The staff position on NEI-00-02, the industry peer review process, is given in Appendix B to RG 1.200. NEI is issuing a revision to its self-assessment process (NEI-00-02) in response to the staff position and to address the changes in Addendum B of the ASME Standard. ANS issued a Standard for an External Events PRA in December 2003, and a draft Appendix C to RG 1.200 was issued in August 2004. ANS is due to issue Revision 1 to its standard by April 2006. These developments necessitate updating of RG 1.200. Revision 1 of RG 1.200, with updated Appendices A, B, and C is scheduled to be issued for use in December 2006. ANS PRA Standards for Low Power and Shutdown, and for Internal Fires are scheduled for issuance in 2006. Their endorsement will be documented in Appendices D and E of RG 1.200 respectively, and are scheduled to be completed in 2008.	FY 2004 - FY 2008
Develop a plan for improving coherence among risk-informed activities. **Status:** The staff formulated a proposed process for a risk-informed coherence effort that provides the guidelines and criteria for translating the Commission's high-level guidance into specific activities. The Plan was issued for internal management review and comment in December 2004. Based on comments received from this internal review, in June 2005 it was decided not to implement the Coherence Plan as a separate program but to subsume it into staff's programs on the Phased Approach to PRA Quality and risk-informed and performance-based revision to 10 CFR Part 50.	Complete
Develop a formal program plan to make a risk-informed and performance-based revision to 10 CFR Part 50, including revisions to the applicable Regulatory Guides, Standard Review Plans, or other guidance documents. Develop an Advance Notice of Proposed Rulemaking to consider the spectrum of issues relating to risk-informing the reactor requirements. **Status:** Over the past several years, the staff has been developing a technology-neutral approach for new plant licensing to enhance effectiveness and efficiency. Progress on development of the technology-neutral framework was reported in SECY-05-0006 and SECY-05-130. Recently, the Commission directed the staff to develop a formal program plan for a risk-informed and performance-based revision to 10 CFR Part 50. The staff held a public meeting in August 2005 to solicit stakeholder feedback on potential approaches and proposed plans. The staff provided the formal program plan and advance notice of proposed rulemaking to the Commission in January 2006. Milestones subsequent to this date are dependent upon Commission direction on the program plan.	FY 2006 - FY 2008

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Actions/Milestones	*Schedule*
Complete Significance Determination Process (SDP) Task Force action items and make appropriate adjustments. **Status:** Over the past 2 years, the staff has made major improvements to the SDP by enhancing the operations SDP, Phase 2 notebooks; developing new SDPs for shutdown operation, containment, and maintenance; making a fundamental and comprehensive improvement to the fire protection SDP; and establishing a significant task force to explore methods to account for external event initiators in the SDP. In making this notable progress, the staff interfaced with pertinent stakeholders and considered their input, held a number of public workshops, and developed and implemented staff training. Additional ongoing enhancements include further standardization and upgrading of the SDP Phase 2 notebooks, and developing and implementing two parallel approaches to account for external event initiators. It is also notable that the staff is exploring improvements to the Reactor Oversight Program to clarify expectations and thereby improve the timeliness of publishing SDP results.	Ongoing
Resolve issues related to the requests for additional information on the Industry Risk Management Guide, the Combustion Engineering pilot proposal, TSTF-424, and the STP pilot submittals. **Status:** The industry provided a draft risk management guidance document and the Combustion Engineering Owners Group single system pilot proposal, Technical Specifications Task Force (TSTF) No. 424, on January 21, 2003. On May 14, 2004, Fort Calhoun Station submitted a proposed request to implement the Combustion Engineering pilot proposal, and South Texas Project submitted a whole-plant proposal in support of Risk Management Technical Specifications (RMTS) Initiative 4b on August 2, 2004. The NRC staff has issued requests for additional information for the Industry Risk Management Guide, the Combustion Engineering pilot proposal, TSTF-424, the Fort Calhoun Station and the South Texas Project submittals. Discussions have occurred to resolve issues, and site visits to South Texas Project and Fort Calhoun Station have been conducted to find out about the plants' capabilities to implement RMTS Initiative 4b. The ACRS full committee was briefed in May 2004, and the ACRS Operating Reactors and Risk & Reliability sub-committees were briefed in June 2005. Future activity will involve implementation of RMTS Initiatives (e.g., 4b).	FY 2005 - FY 2006
Develop a risk-informed environment for the NRC staff. **Status:** The staff reviewed the results of an evaluation of the current environment (ML022460161) and implemented several pilot projects designed to test recommendations from the evaluation report. A report documenting these findings has been completed. A plan for implementing changes in the reactor program to enhance the current environment for risk-informed regulation has been developed. The plan was presented to the NRR Leadership Team in July 2004. Further activity was on hold, pending completion of higher priority work (e.g., work in NSIR). The team will seek additional guidance from the leadership team to consider which, if any, of the initiatives to pursue in FY 2006.	FY 2004 - FY 2006

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Actions/Milestones	*Schedule*
Develop an alternative risk-informed and performance-based fire protection standard for nuclear power plants. **Status:** The National Fire Protection Association Issued NFPA 805 Standard entitled "Performance-Based Standard for Fire Protection for Light Water Reactor Elecetric Generating Plants" in April 2001. The NRC issued 10 CFR 50.48(c) endorsing this standard as a voluntary alternative to the 10 CFR 50.48(b) in June 2004. The Nuclear Energy Institute has developed an implementation guidance document (NEI-04-02) in support of implementing 10 CFR 50.48(c). The staff published a draft regulatory guide endorsing NEI-04-02, with some exceptions in October 2004. At the present time, the staff is in the process of addressing comments from the ACRS and CRGR. The staff plans to issue the final regulatory guide in March 2006. At the present time, two major Utilities (Duke Power and Progress Energy) have formally informed NRC that they plan to adopt NFPA 805 at all of their sites. The staff has selected Oconee and Harris Nuclear Stations as pilot plants for NFPA 805 and they plan to perform several observation visits to those sites during 2006 and 2007.	FY 2005 - FY 2007
Develop the Mitigating Systems Performance Index (MSPI) as a replacement for the current set of Safety System Unavailability Performance Indicators. Status: The MSPI is a risk-informed performance index that the NRC and the nuclear industry have jointly proposed as a replacement for the current set of Safety System Unavailability Performance Indicators specified in the Reactor Oversight Process. The benefit of the MSPI to the NRC, the industry, and other stakeholders is that it should provide a more realistic indication of the risks associated with changes in the availability and reliability of important safety systems. The index is based on risk-significant functions and uses plant-specific risk models and importance measures. The staff has completed a one-year pilot of the MSPI. In March 2005, staff published NUREG-1816, “Report on the Independent Verification of the Mitigating Systems Performance Index (MSPI) Results for the Pilot Plants,” that provides independent verification of the results of the MSPI pilot program. In SECY-04-0053, the staff documented several technical issues that were unresolved at the completion of the pilot program. Those issues have now been resolved and the staff agreed to move forward with MSPI implementation. The staff and industry are working together to address implementation issues. The staff continues to work with industry and other stakeholders to resolve remaining issues associated with PRA quality for MSPI implementation. The staff is also performing a confirmatory cross comparison evaluation of licensee PRA results to increase confidence in the industry results and to help guide agency review and inspection activities. The current target date for full implementation is set for early 2006.	FY 2006

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Actions/Milestones	*Schedule*
NUCLEAR MATERIALS AND WASTE SAFETY MAJOR PROGRAM	
Make use of risk insights in the regulation of high-level waste and repository safety. **Status**: In FY 2005, the NRC staff issued Revision 1 of NUREG-1762, "Integrated Issue Resolution Status Report." This report consolidates information on the closure of issues concerning the prospective license application for a geologic repository at Yucca Mountain. The NRC and the Center for Nuclear Waste Regulatory Analysis completed the risk analyses for risk insights. The analyses enhanced understanding of significant issues in the risk insights baseline. The staff concluded that no modifications of the April 2004 Risk Insights Baseline Report were required. The Risk Insights Baseline Report supported the completion of pre-licensing issue resolution agreements and is being used by the staff in preparing for the review of a potential license application for the Yucca Mountain high level waste repository.	FY 2005 - FY 2007
Develop and conduct training in application of risk analysis. **Status**: A suite of courses in risk analysis for materials and waste has been developed. The basic course, P-400, Introduction to Risk Assessment for NMSS, will be offered semi-annually in FY 2006 (April and September). P-406, Human Error Analysis/Human Reliability Analysis, will be offered in May 2006. The other courses in this series will be offered as needed.	FY 2005 - FY 2007
Conduct a probabilistic risk assessment for dry cask storage. **Status**: This probabilistic risk assessment study will provide a method for quantifying the risks of dry cask storage of spent nuclear fuel and provides insights for improved decision-making. The draft PRA will be made publically available in ADAMS in March 2006. The PRA will be finalized and issued as a NUREG in September 2006.	FY 2005 - FY 2006
Identify and risk-inform NMSS regulatory applications amenable to increased use of risk insights. **Status:** Amenable applications within the scope of currently planned activities have been identified, and are being informed, using criteria and methods in the guidance document, "Risk-Informed Decision-Making for Materials and Waste Applications." These risk-informing activities include selected chemical hazards at fuel cycle facilities and revision of sealed source requirements.	FY 2005 - FY 2007
Develop guidance document to aid in using a risk-informed decision-making process on applicable NMSS regulatory issues. **Status:** In FY 2005, the draft guidance document, "Risk-Informed Decision-Making for Materials and Waste Applications" was revised and issued. This guidance will be revised to reflect lessons learned during trial use in informing regulatory decisions.	FY 2005 - FY 2007

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Actions/Milestones	*Schedule*
Revise Fuel Cycle Oversight Program in accordance with new 10 CFR Part 70 risk-informed regulatory requirements. **Status:** Work is in progress to develop and implement risk-informed inspections, risk significance of findings and events, and more effective and predictable assessment of licensee performance.	FY2005 - FY2007
Make appropriate use of human reliability methods in the materials and waste regulatory programs. **Status:** The NRC has begun to prioritize human reliability analysis needs in the Nuclear Materials and Waste Safety program. The staff has begun developing human reliability tools and information to address a high priority need in the area of nuclear medical devices; and, tasks have been initiated to develop human reliability tools and information to address a high priority need in the area of spent fuel handling.	FY2005 - FY2007
Make use of risk-insights in the regulation of industrial and medical use of nuclear byproduct materials. **Status:** Several guidance documents were revised to incorporate risk insights, specifically those addressing technical assistance requests, Consolidated Guidance about Materials Licensees (NUREG-1550), and Inspection Manual Chapter 2800, "Materials Inspection Program." In FY 2005, the NRC revised one guidance document, NUREG-1556, Volume 9, to incorporate risk insights to conform to the amended training and experience requirements for medical use of byproduct material. During FY 2006 - 2007, NRC will update other NUREG-1556 series guides, including updates to implement rulemakings. Various inspection manual chapters and inspection procedures will also be updated to make them more risk-informed.	FY2005 - FY2007
Make use of risk insights in the regulation of decommissioning. **Status:** In FY 2005, the NRC staff continued regulatory improvements to resolve the issues that were identified in the staff's CY 2003 evaluation of implementation of 10 CFR Subpart E, the License Termination Rule. These improvements better incorporate risk insights in implementing the License Termination Rule. The staff has begun the process for developing regulations to prevent future legacy sites and is revising the decommissioning guidance for the following issues: restricted use/institutional controls; on-site disposal approvals; more realistic exposure scenarios; and the use of intentional mixing of soil. The staff conducted a decommissioning workshop to seek early licensee and other stakeholder input on the scope of this guidance. The draft revised guidance, NUREG-1757, Supplement 1, "Consolidated Decommissioning Guidance: Updates to Implement the License Termination Rule Analysis," was issued for public comment on September 29, 2005 (70 FR 188, 56940).	FY 2005-FY2006

CHALLENGE 3: Implementation of information resources.

Actions/Milestones	*Schedule*
Define and pilot secure INTRANET solution that will provide the capability for NRC users to process and protect their sensitive information using the agency's network.	
Status:	
Conducted market survey in FY 2003.	Complete
Conduct pilot.	Complete
Determine requirements to field secure INTRANET capabilities to all NRC users.	FY 2007
Agencywide Documents Access and Management System (ADAMS)	
Status: Released ADAMS Version 4.1 in FY 2004, including new password protections.	Complete
Status: Release ADAMS Version 4.3 in FY 2005 to enhance functionality.	Complete
Electronic Hearing Docket	
Status: Enhance the Electronic Hearing Docket to support the adjudicatory hearing process.	Complete
New Public Meeting Notice System	
Status: Deployed in FY 2005.	Complete
Electronic Information Exchange (EIE)	
Status: The current version of EIE, implemented in FY 2005, is 2.3 and is being used for security reasons and because it provides greater reliability and additional functionality required by the HLW Licensing Support Program. Version 3.0 is not yet implemented and the plans for this EIE version will likely be replaced by a more comprehensive plan for improvements in this area of technology.	FY 2008 - See status
Status: Implement EIE upgrade to support increased volume as a result of the HLW proceeding.	FY 2006
Capital Planning and Investment Control (CPIC)	
Status: Circulated revised draft CPIC Management Directive (MD) 2.2 in FY 2003.	Complete
Status: Issued revised CPIC MD 2.2.	Complete
Status: Used CPIC lessons learned to improve CPIC process.	Complete
Digital Data Management System (DDMS)	
Status: Developed DDMS proof-of-concept in FY 2003.	Complete
Status: Delivered DDMS production system design.	Complete
Status: Complete DDMS production system in Headquarters.	Complete
Status: Complete DDMS production system in Las Vegas, NV.	FY 2006
E-Payroll Conversion	
Status: Converted Payroll and HR processes to Department of Interior/National Business Center (DOI/NBC).	Complete

CHALLENGE 4: Administration of all aspects of financial management. (Aspects highlighted by the OIG were limited to financial reporting and effective oversight of the procurement process to eliminate fraud, waste, and abuse.)

Actions/Milestones	*Schedule*
Continue to refine the pay/personnel time and labor reporting process. **Status:** The Department of Interior (DOI), National Business Center (NBC) has been processing the agency's payroll since November 2, 2003. The NRC continues to oversee the operation of payroll and work with DOI/NBC on challenges. Through interactions with DOI/NBC on a one-on-one basis and through working groups, the NRC will continue to strive for the highest quality service.	Ongoing
Prepare the FY 2005 financial statements by November 15, 2005, and receive an unqualified audit opinion. **Status:** Completed	Complete
Complete License Fee Billing Replacement Project. **Status:** Ongoing.	December 2007 Ongoing
Prepare the FY 2006 financial statements by November 15, 2006, and receive an unqualified audit opinion. **Status:** Ongoing	FY 2007

CHALLENGE 5: Communication with external stakeholders throughout NRC regulatory activities.

Actions/Milestones	*Schedule*
NUCLEAR REACTOR SAFETY MAJOR PROGRAM Development of a Communications Program for the Nuclear Reactor Safety Program (Office of Nuclear Reactor Regulation): One of the major goals for this Communications Program is to ensure openness with external stakeholders. **Status:** Continue to implement the Communications Program, measure progress, and meet the performance goals. (See details below.) The Communications Program was completed during the 1st quarter of FY 2005 and will be updated annually.	Ongoing
Ensure the flow of information with external stakeholders located within the vicinity of local plants on issues most likely to generate substantial interest, and promote two-way communication. **Status**: Plan public outreach meetings in the vicinity of plants which actively engage the public, particularly local residents, before actions are taken by the NRC. In FY 2005, the Nuclear Reactor Safety Program held 28 public outreach meetings which is 3.5 times greater than 8 scheduled meetings associated with the measure.	
Effectively represent the NRC and its positions to external stakeholders, such as Congress, IAEA, and other Federal agencies, including OMB, OPM, GAO, licensees, and the public. **Status:** Hold annual workshops open to the public (such as the Annual Regulatory Information Conference) to bring together diverse groups of external stakeholders (including the international community) to discuss the latest trends in industry performance.	
NUCLEAR MATERIALS AND WASTE SAFETY MAJOR PROGRAM Development of communication plans: The public trust and confidence in the NRC's ability to carry out its mission is an important agency goal. The development of communication plans facilitates the implementation of public outreach efforts. **Status:** The NRC continues to implement the nuclear materials and waste safety program communication plans, and updates them, as necessary. (See details below.)	Ongoing
Develop Transportation Communication Plan, Spent Fuel Storage Communication Plan, and Baltimore Tunnel Fire Communication Plan. **Status:** Completed and implemented the Transportation Communication Plan and the Spent Fuel Storage Communication Plan on December 28, 2001. The Spent Fuel Storage Communication Plan was updated in FY 2005. The Transportation Communication Plan will be updated in FY 2006. The Baltimore Tunnel Fire Communication Plan will be completed in FY 2006.	FY 2005-FY 2006

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Actions/Milestones	*Schedule*
Review, update, and implement site-specific decommissioning communication plans. **Status:** Staff routinely reviews and updates site-specific decommissioning communications plans, as necessary, to ensure that they are accurate and are being implemented. During FY 2005, the NRC held numerous technical meetings with licensees to discuss issues associated with the decommissioning of their sites. These meetings were noticed in accordance with NRC requirements and guidance and were open to observation by members of the public. Meetings were held for the Westinghouse-Hematite, FMRI, Inc., Kerr-McGee-Cushing and -Cimarron, and Mallinkrodt material sites and for the Maine Yankee, Humbolt Bay and Rancho Seco power reactor sites. The staff is also exploring new ways to share decommissioning experience and lessons learned with other groups involved with decommissioning such as Agreement States, the Department of Energy, and industry groups.	Ongoing
Conduct public meetings on significant issues in the fuel facility licensing and inspection program. **Status:** In FY 2005, examples of public outreach included public meetings on integrated safety analysis summary reviews, five licensee performance reviews, gas centrifuge and mixed-oxide fuel fabrication licensing initiatives, and a uranium recovery workshop.	Ongoing
Make public participation in the HLW regulatory program easier by continuing to conduct public meetings in Nevada on HLW program issues. **Status:** NRC continued to respond to requests from affected units of local governments for public meetings on various aspects of the High-Level Waste program. During FY 2005, NRC met with members of the public in Pahrump, Nevada, to discuss matters of interest related to the Yucca Mountain Project and NRC's role in licensing a geologic repository.	FY 2005 - FY 2006

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Actions/Milestones	*Schedule*
Hold public meetings with local, State, and federal government entities and international, public and industry groups on radioactive materials, spent fuel storage and transportation issues to respond to concerns and interests. **Status:** In FY 2005, the NRC held several such meetings and conducted workshops for interested stakeholders. A significant example of NRC's public outreach efforts related to the issue of controlling the disposition of solid materials. NRC made 7 public presentations on this issue to various organizations, including the International Atomic Energy Agency, Organization of Agreement States, and the National Mining Association. Other examples included: meetings with the Organization of Agreement States (OAS) and the Conference of Radiation Control Program Directors; semiannual meetings with the Advisory Committee on the Medical Use of Isotopes; public meetings on the proposed rule related to National Source Tracking; and a public meeting with the Metals Industry Recycling Coalition Also during FY 2005, in the spirit of openness in regulatory processes, and continuous development, NRC conducted a widely attended Licensing Process Workshop to: (1) roll out revised guidance for interaction with Part 71 and 72 applicants (Rules of Engagement); (2) discuss lessons learned from past experience and practices; and (3) solicit feedback from more than150 applicants, stakeholders, industry, press/media and members of the public on licensing process improvements. The NRC held approximately 30 public meetings on spent fuel storage and transportation with various Federal, State, and local agencies, international bodies, the nuclear industry, and public interest groups.	Ongoing
Post rulemakings, guidance, and meeting summaries on the agency's Web site. **Status:** Ongoing.	Ongoing

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CHALLENGE 6: Intra-Agency communication (up, down, and across organizational lines).

Actions/Milestones	*Schedule*
NUCLEAR REACTOR SAFETY MAJOR PROGRAM Implementation of a Communications Program for the Nuclear Reactor Safety Program (Office of Nuclear Reactor Regulation (NRR)): One of the major goals for this Communications Program is to ensure openness with internal stakeholders. **Status:** Continue to implement the Communications Program, measure progress, and meet the performance goals. The Communications Program will be completed during the 1st quarter of FY 2006 and will be updated annually.	Ongoing
NUCLEAR MATERIALS AND WASTE SAFETY MAJOR PROGRAM Facilitate effective communication between the Office of Nuclear Material Safety and Safeguards (NMSS) and the Office of Nuclear Security and Incident Response (NSIR), and enhance integration and cooperation in areas of common concern. **Status:** In FY 2005, the two offices routinely interfaced on the fuel cycle facility, and spent fuel storage and transportation security assessments. Interaction between the two offices is ongoing.	Ongoing
Conduct Materials Program headquarters/regions counterpart meetings. **Status:** Division Directors' counterpart meetings were held in February and August 2005. These meetings will continue to be held regularly in the future.	Ongoing
Continue to implement and update the Nuclear Materials and Waste Safety Major Program communications plans, as necessary (also see Management Challenge 5). **Status:** In FY 2005, staff held counterpart meeting with regional spent fuel storage and transportation inspectors to discuss lessons learned from independent spent fuel storage installation inspections. Other communication plan implementing activities and/or training efforts on knowledge transfer were continued in FY 2005	Ongoing

Actions/Milestones	*Schedule*
Continue efforts within NMSS to improve intra-office communication to better enable staff to do their jobs, encourage teamwork, and foster a sharing of insights across organizations and programs; examples include: • conduct NMSS-wide staff meetings several times each year to convey key policy and procedural information in a timely manner. • support staff rotational and team work group assignments in order to share insights across organizations/programs, and to increase team building and program-based solutions to issues. • continue efforts to empower managers by clearly communicating and reaching agreement up front on expectations for emergent and ongoing work. • conduct regularly scheduled meetings with staff at all levels (division, section, branch, and office-wide) to communicate essential information and ensure open lines of communication up and down the organization. • conduct a series of communications workshops for staff **Status**: In FY 2005, NMSS conducted office-wide staff meetings to convey key policy and procedural information; regularly scheduled meetings are conducted at all organizational levels (division, branch, and section) to ensure communication of essential information and open lines of communication; staff rotational and team work group assignments were supported to encourage team building and sharing of information; efforts continued to empower managers and staff by clearly communicating and reaching agreement on expectations of emerging and ongoing work; communication workshops, designed to improve staff communication skills, continued to be provided.	Ongoing
Manage and coordinate activities, policies, and efforts with managers from other NRC offices through the biweekly meetings of the High-Level Waste Board, bimonthly NRC/EPA interface meetings, monthly Decommissioning Management Board meetings, and weekly NMSS and division staff meetings. **Status:** Ongoing.	Ongoing
Hold quarterly meetings of NMSS and Office of Nuclear Regulatory Research managers to review the status of cooperative efforts and discuss issues or concerns. **Status:** Ongoing.	Ongoing

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CHALLENGE 7: Ability to modify regulatory processes to meet changing environment.

Actions/Milestones	*Schedule*
NUCLEAR REACTOR SAFETY MAJOR PROGRAMS NRR will continue reviewing applicants' technical submittals and environmental application materials to verify information submitted in the renewal applications for FY2006 and FY 2007. **Status:** Ongoing	Ongoing
NRR will increase and provide for a more robust infrastructure in FY 2006 and FY 2007 to prepare for a COL application, continue reviewing rulemaking activities for new reactor licensing processes, and continue reviewing ESP applications in FY 2006 and FY 2007. **Status:** NRR implemented a reorganization on October 30, 2005 and new divisions for each function were created to better focus on new reactor licensing and risk-informed regulatory initiatives, activities, and synergy. The new organizational framework is flexible and would be able to support any necessary changes anticipated in FY 2006 and FY 2007.	Ongoing
NRR will continue reviewing applications for power uprates and will approve them when the staff is satisfied that the plants are safe to operate at the uprated power level. As the staff completes its reviews of these power uprates, the staff will consider updating the publically available power uprate guidance documents as needed to capture lessons learned from these reviews. The next annual status report to the Commission on power uprates is due in June 2006. **Status:** There are currently 13 power uprates under review (4 measurement uncertainty recapture power uprates, 2 stretch power uprates, and 7 extended power uprates). The review of these 13 power uprates is ongoing and should be unaffected by the October 30, 2005, reorganization of NRR (although the NRR reorganization was created to prepare for the anticipated increase in the new reactor licensing workload and to better align the organization for risk-informed regulation, power uprate reviews will continue to remain a high-priority in NRR). In addition, based on a June 2005 survey of licensees and information obtained since the survey, there will be 19 more power uprate requests over the next 5 years.	Ongoing
NUCLEAR MATERIALS AND WASTE SAFETY MAJOR PROGRAM Interoffice communication on important issues such as the high-level waste management and decommissioning areas is made more effective through the use of management boards, which meet on a regular basis, to discuss action items, policy issues, and program direction. In addition, quarterly meetings between NMSS and the Office of Nuclear Regulatory Research are conducted to review the status of cooperative efforts and discuss issues of concern. **Status:** Ongoing.	Ongoing

Actions/Milestones	*Schedule*
The Offices of the General Counsel, Secretary to the Commission, Information Services, Atomic Safety Licensing Board Panel, and Nuclear Materials Safety and Safeguards work together to prepare for receipt of the HLW repository license application and hearing. **Status:** Ongoing.	FY 2005 - FY 2006
Hold quarterly meetings of the PRA Steering Committee to ensure that risk-informed activities are integrated across the agency. **Status:** Ongoing.	Ongoing (quarterly)
Participate on the agency's Research Effectiveness Review Board to ensure that the research program is effective in meeting the agency's needs. **Status:** Ongoing.	FY 2002 - FY 2007
Conduct meetings with stakeholders to provide an opportunity for exchange of information so that stakeholder viewpoints can be understood. FY 2005 examples included the following: • In FY 2005, NRC continued to respond to requests from affected units of local governments for public meetings on various aspects of the High-Level Waste program. An informal meeting was held with members of the public in Pahrump, Nevada, to discuss matters of interest related to the Yucca Mountain Project and NRC's role in licensing a geologic repository. Four public technical exchanges have been held with the Department of Energy on the resolution of key technical issues and pre-closure concerns. Also, a presentation was made to the National Conference of State Legislatures' HLW Working Group. • Held several public meetings associated with environmental reviews conducted under the National Environmental Policy Act, including the environmental reviews of the USEC Facility in Piketon, Ohio, and the proposed Mixed Oxide Fuel Fabrication Facility at the DOE's Savannah River site near Aiken, SC • The NRC held numerous technical meetings with licensees to discuss issues associated with the decommissioning of their sites. Meetings were held for the Westinghouse-Hematite, FMRI, Inc., Kerr-McGee-Cushing and -Cimarron, and Mallinkrodt material sites, and for the Maine Yankee, Humbolt Bay and Rancho Seco power reactor sites. During FY 2005 NRC prepared and published a brochure on the decommissioning process; the staff continues to explore ways to share decommissioning experience and lessons learned with other groups involved with decommissioning such as Agreement States, the Department of Energy, and industry groups. • Participated in more than 30 workshops, conferences, and town hall meetings on spent fuel storage and transportation issues with representatives of various Federal, State, and local agencies; international bodies; the nuclear industry; and public interest groups in FY 2005.	Ongoing

Actions/Milestones	*Schedule*
Review and update the listing of external factors influencing our activities. Also, continue analyzing the external environment and document planning assumptions each year as part of the NRC's Planning, Budgeting, and Performance Management Process. **Status:** Ongoing.	Ongoing
A Risk Steering Committee, consisting of managers and staff with expertise in risk-informing initiatives from the Office of Nuclear Material Safety and Safeguards (NMSS), Nuclear Regulatory Research (RES), and Nuclear Reactor Regulation (NRR), provides guidance for implementing risk-informed initiatives in the Nuclear Materials and Waste Safety programs and also provides peer review of risk-informed products. **Status:** Ongoing.	Ongoing
The Rulemaking Coordinating Committee (RCC) was formed in 1998 to ensure that the NRC rulemaking process in NMSS and NRR remains consistent. The RCC is chaired by the Office of Administration and consists of managers from those offices, as well as the Office of the General Counsel, who routinely meet to discuss rulemaking-related issues. An initiative of the RCC was the establishment of an interoffice task force to review the current rulemaking process and identify areas with potential for process improvements and/or enhancements. **Status:** The task force report contained 36 recommendations for process improvements. Thirty-three of these recommendations are either completed or projected to be completed in FY 2006. Another early success relates to a streamlined process for certificate of compliance rulemakings using more standardized language and a reduced concurrence chain.	Ongoing

CHALLENGE 8: Managing Human Capital

Actions/Milestones	*Schedule*
Update the inventory of existing staff skills on an annual basis. **Status:** Task completed in FY 2004. Will continue annually.	Ongoing
Continue to implement strategies to close identified skill gaps. **Status:** Task completed in FY 2004. Will continue annually.	Ongoing
Identify new skills gaps and implement additional gap closure strategies, as necessary. **Status:** Task completed in FY 2004. Ongoing.	Ongoing
Use the SWP as a system for managers and supervisors to document their workforce skills needs over the near term (0-2 years) and long term (2-5 years). **Status:** Task completed in FY 2004. Will continue annually.	Ongoing

Continue to improve the capability of NRC's workforce through training, development, and knowledge transfer. **Status:** Task completed in FY 2005. Will continue annually.	Ongoing
Continue to offer leadership competency development programs (Senior Executive Service (SES) Candidate Development Program and Leadership Potential Program (LPP)) Team Leader development Program (TLDP) for succession planning. **Status:** Task completed in FY 2005. Conducted 2005 SESCDP, and LPP. Designed and implemented a new team Leader Development Program	Ongoing
Continue to improve the alignment of individual performance plans with agency strategic and performance goals. **Status:** During FY 2005, NRC obtained OMB/OPM provisional certification Senior Executive Service performance management system.	Ongoing
Maintain a Nuclear Safety Professional Development Program and Graduate Fellowship Program to attract and retain entry-level hires in engineering and scientific jobs. **Status:** Task completed in FY 2004. Will continue annually.	Ongoing

CHALLENGE 9: Protection of information.

Actions/Milestones	***Schedule***
Update Management Directive 12.6, "NRC Sensitive Unclassified Information Security Program." **Status:** Update will include the new SUNSI policy.	FY 2007
Define and pilot a secure INTRANET solution that will provide the capability for NRC users to process and protect their sensitive information using the agency's network. **Status:** Conducted market survey in FY 2003. Conduct pilot. Determine requirements to field secure INTRANET capabilities to all NRC users.	 Complete Complete FY 2006
Conduct annual testing and/or Federal Information Security Management Act (FISMA) review of the management, operational, and technical security controls of all NRC major IT systems. **Status:** Ongoing task.	Ongoing
Implement corrective action plans as a result of FISMA FY 2004 annual review. **Status:** The plan was implemented in FY 2005.	Complete

APPENDIX V: MANAGEMENT CHALLENGES

Actions/Milestones	*Schedule*
Perform internal and external network security testing to protect the NRC Web site and internal networks from both internal and external unauthorized activity. **Status:** Ongoing task.	Ongoing
Perform biennial review of NRC offices to determine if all systems of records and duplicate systems of records have been identified. **Status:** Task completed in fall 2004 **Status:** Next biennial review will be completed in FY 2006.	Ongoing

APPENDIX VI: REPORT ON DRUG TESTING

U.S. NUCLEAR REGULATORY COMMISSION
REPORT TO CONGRESS ON DRUG TESTING

The Congress and the Department of Health and Human Services initially approved the NRC's Drug Testing Plan in August 1988, and the agency subsequently updated the Plan in November 1997. The NRC's drug testing requirements for the nuclear industry, as imposed by agency regulations, are separate and distinct from this program and are not covered by this report. The NRC's Drug Testing Program under Executive Order (E.O.) 12564 includes random, applicant, voluntary, followup, reasonable suspicion, and accident-related drug testing. Testing was initiated for non-bargaining unit employees in November 1988 and for bargaining unit employees in December 1990, after an agreement was negotiated with the National Treasury Employees Union.

During FY 2005, NRC had approximately 1,780 employees occupying testing-designated positions subject to random testing. Potential selectees interviewed for positions in these categories were also subject to applicant testing.

The NRC conducted approximately 1,000 tests of all types between October 1, 2004, and September 30, 2005.

The NRC reviewed its employee drug testing records for FY 2005 and confirmed that there were two positive drug tests. The subject employees' security clearances were suspended and the employees were referred to a Drug Rehabilitation Assessment Coordinator through the NRC Employee Assistance Program in accordance with the NRC Drug-Free Workplace Plan.

One applicant tested positive in March 2005. This applicant was not offered employment with the NRC.

The NRC also completed internal quality control reviews during the past year to ensure that the agency's program continues to be administered in a fair, confidential, and effective manner.

The NRC's Drug Testing Program is based on the principles and guidance provided through E.O. 12564, Public Law 100-71, Department of Health and Human Services guidelines, and Commission decisions.

APPENDIX VII: SUMMARY OF REIMBURSABLE WORK AGREEMENTS

U.S. NUCLEAR REGULATORY COMMISSION SUMMARY OF REIMBURSABLE WORK AGREEMENTS* (New Budget Authority)			
	FY 2005	**FY 2006 (Estimate)**	**FY 2007 (Estimate)**
INTERNATIONAL ASSISTANCE TO FOREIGN GOVERNMENTS AND ORGANIZATIONS			
International Invitational Travel (IAEA & various foreign governments and international organizations)	$48,000	$80,000	$80,000
Material, Protection, Control and Accounting Assistance to Russia/NIS (DOE)	$0	$100,000	$100,000
Support to FSAN - Licensing and Regulatory Review for U.S./Russian Plutonium Disposition (DOE)	$0	$1,000,000	$0
Nuclear Safety Initiatives for the New Independent States (AID)	$2,000,000	$2,000,000	$2,000,000
ADMINISTRATIVE AGREEMENTS			
Agreement States Training (State Governments)	$140,000	$150,000	$150,000
Criminal History Program (Licensees)	$926,000	$1,000,000	$1,750,000
Material Access Authorization Program (Licensees)	$165,000	$325,000	$325,000
Information Access Authorization Program (Licensees)	$13,000	$30,000	$30,000
Employee Detail - Project Prometheus: Surface Power Program (NASA)	$129,000	$0	$0
Hurricane Katrina Assistance (FEMA)	$200,000	$0	$0
OTHER AGREEMENTS			
Pluto New Horizons Program (NASA)	$65,000	$20,000	$0
Foreign Cooperative Research Agreements (Multiple)	$1,965,000	$2,000,000	$2,000,000
Westinghouse Cooperative Research Agreement	$50,000	$50,000	$50,000
Energy Power Research Institute (EPRI) Cooperative Research Agreement	$115,000	$0	$0
Foreign Research Reactor Spent Nuclear Fuel (DOE)	$0	$375,000	$375,000
Navy Reviews (U.S. Navy)	$10,000	$10,000	$10,000

APPENDIX VII: SUMMARY OF REIMBURSABLE WORK AGREEMENTS

	FY 2005	FY 2006 (Estimate)	FY 2007 (Estimate)
VIRGINIA Class Submarine Propulsion Plant Review (DOE)	$0	$0	$0
Waste Actions for Hanford (DOE)	$100,000	$250,000	$250,000
Transport Package for Shipment of Tritium Producing Burnable Absorber Rods (TPBAR) (DOE)	$0	$0	$0
Safety and Security of Spent Fuel Storage (DHS)	$0	$0	$0
Risk-Based End-States Review (DOE)	$50,000	$50,000	$0
Incidental Waste Determinations for SRS and INEEL (DOE)	$1,256,000	$0	$0
Next Generation Nuclear Plant Project in Idaho (DOE)	$0	$5,000,000	$5,000,000
ISCMEM (DOE)	$10,000	$0	$0
Report on Radiation Exposure and Support to NCRP (EPA)	$75,000	$0	$0
TOTAL	**$7,317,000**	**$12,440,000**	**$12,120,000**

* Does not include classified reimbursable work agreements.

ENDNOTES

1. "Nuclear reactor accidents" are defined in the NRC Severe Accident Policy Statement as those events that result in substantial damage to the reactor fuel, whether or not serious offsite consequences occur.

2. "Significant radiation exposures" are defined as those that result in unintended permanent functional damage to an organ or a physiological system as determined by a physician in accordance with Abnormal Occurrence Criterion I.A.8 using the definition of the AO crietria in use as of 8/31/04.

3. Releases that have the potential to cause "adverse environmental impact" are those that exceed the limits for reporting abnormal occurrences as given by Abnormal Occurrence Criterion 1.B.1 (normally 5,000 times Table 2 [air and water] of Appendix B, Part 20 using the definition of AO criteria in use as of 8/31/04.)

4. This measure is the number of new red inspection findings during the fiscal year plus the number of new red performance indicators during the fiscal year. Programmatic issues at multi-unit sites that result in red findings for each individual unit are considered separate conditions for purposes of reporting for this measure. A red performance indicator and a red inspection finding that are due to an issue with the same underlying causes are also considered separate conditions for purposes of reporting for this measure. Red inspection findings are included in the fiscal year in which the final significance determination was made. Red performance indicators are included in the fiscal year in which Reactor Oversight Process external Web page was updated to show the red indicator.

5. Significant Accident Sequence Precursor (ASP) events have a conditional core damage probability (CCDP) or ΔCDP of $\geq 1x\ 10^{-3}$. Such events have a 1/1000 (10^{-3}) or greater probability of leading to a reactor accident involving core damage. An identical condition affecting more than one plant is counted as a single ASP event if a single accident initiator would have resulted in a single reactor accident. One event was identified in FY 2002 as having the potential of being a significant precursor. This precursor involved a reactor pressure vessel head degradation at Davis-Besse. The detailed Accident Sequence Precursor (ASP) Program preliminary analysis of this complex event was completed in September 2004 and is undergoing peer review. Based on the screening and engineering evaluation of FY 2002, FY 2003, and FY 2004 events, no other potentially significant precursor were identified. Therefore, the second performance measure was not exceeded for FY 2002, FY 2003, and FY 2004.

6. This measure is the number of plants that have entered the Manual Chapter 0350 process, the multiple/repetitive degraded cornerstone column, or the unacceptable performance column during the fiscal year (i.e., were not in these columns or process the previous fiscal year). Data for this measure is obtained from the NRC external web Action Matrix Summary page, that provides a matrix of the five columns with the plants listed within their applicable

column and notes the plants in the Manual Chapter 0350 process. For reporting purposes, plants that are the subject of an approved deviation from the Action Matrix are included in the column or process in which they appear on the Web page. The target value is set based on the expected addition of several indicators and a change in the long-term trending methodology (which will no longer be influenced by the earlier data and will be more sensitive to changes in current performance).

7. Considering all indicators qualified for use in reporting.

8. Beginning in FY 2005, this measure is based upon Abnormal Occurrence Criteria 1.A. Prior to FY 2005, the criteria was based upon a higher threshold of significant functional damage to organs or physiological systems. Using the pre-FY 2005 criteria, NRC reported zero events through FY 2004. However, it should be noted that if the FY 2005 performance measure, based upon Abnormal Occurrence Criteria 1.A., had been in place in FY 2003, two materials events would have been reported for that fiscal year.

9. Releases for which a 30-day report requirement under 10 CFR 20.2203(a)(3) is required.

10. With no event exceeding Abnormal Occurrence Criterion 1.B.1.

11. Defined as a disclosure that harms national security or public safety.

12. Processes are defined as a detailed set of activities that result in a clearly defined output.

13. Compared to the average of cases where the initial enforcement action was issued during FY 2001 and FY 2002 to those issued in FY 2005 and FY 2006.

14. OIG products are issued OIG reports-by audit unit, an audit report, or special evaluation; or by the investigative unit, an investigation, Event Inquiry, or a special inquiry. Activities are OIG hotline activities or proactive investigative reports.

15. Congress left the determination and threshold of what constitutes a most serious challenge to the discretion of the Inspectors General. As a result, OIG applied the following definition: *Serious management challenges are mission-critical areas or programs that have a potential for a perennial weakness or vulnerability that, without substantial management attention, would seriously impact agency operations or strategic goals.*

16. High impact is the effect of an issued report or activity undertaken that results in:
a) confirming risk areas or management challenges that caused the agency to take corrective action,
b) real dollar savings or reduced regulatory burden,
c) identifying significant wrongdoing by individuals that results in criminal or administrative action,
d) clearing an individual wrongly accused, and

e) identifying regulatory actions or oversight that may have contributed to the occurrence of a specific event or incident or resulted in a potential adverse impact on public health or safety.

17. The agency has extended the time required to complete final action on identified deficiencies in its incident response program.

18. The agency is taking longer to complete final action on FISMA recommendations.

19. The OIG Management and Operational Support staff consists of senior managers, a general counsel, and an administrative support staff. To carry out the function of this program for FY 2007, OIG estimates its costs to be $1.285 million, which includes salaries and benefits for 8 FTE. The associated FTE and *salaries and benefits* estimate were equally divided between the Audits and Investigations programs. The *contract support and travel* estimate for information technology, travel, training, and technical support were divided by a FTE ratio to Audits and Investigations programs. *Contract support and travel* estimates for office supplies was divided equally between Audits and Investigations programs.

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