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T3 REGIONAL SESSION

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TUESDAY,

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ROCKVILLE, MARYLAND

The Regulatory Information Conference
convened at the Bethesda North Marriott Hotel &
Conference Center, 5701 Marinelli Road, at 1:30 p.m.

PRESENT:

JEFF BARAN, Commissioner, U.S. Nuclear Regulatory
Commission

DAVID LEW, Regional Administrator, R-I, NRC

CATHERINE HANEY, Regional Administrator, R-II, NRC

DARRELL ROBERTS, Regional Administrator, R-III, NRC

SCOTT MORRIS, Regional Administrator, R-IV, NRC

T. PRESTON GILLESPIE, JR., Chief Nuclear Officer,
Duke Energy

G. TIM POWELL, President and Chief Executive Officer,
South Texas Project Nuclear Operating Company

DAVID A. LOCHBAUM, Independent Nuclear Expert

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

(1:30 p.m.)

COMMISSIONER BARAN: Well good afternoon, everyone and welcome to the Regional Session. I am Commissioner Jeff Baran and I will be your moderator today.

For the past four years, I've been trying to get to this session, which everyone always raves about. I never manage to do it. So this year, to make sure that I attended, I decided I would moderate. I volunteered and they agreed. So I am thrilled to be here.

One of the best things about this session is that there are no opening statements or long presentations. It will be 100 percent Q&A with the panel so we can focus on the issues that you're most interested in.

We'll be passing out cards for your questions. As you think of questions, please fill them out and send them up.

To get things started, I have some pre-prepared questions but we're really counting on all of you to come up with questions to sustain a good discussion. Because it's a big panel, in most cases, I ask one of the regional administrators to respond

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and then invite one of the licensee executives and our public interest panels to weigh in, if they have any thoughts on the topic. But other panelists should always feel free to jump in with a different perspective or a brilliant point that they want to make.

Let me start by introducing our esteemed panel. First, our four regional administrators: from our Region I Office outside of Philadelphia, we have Dave Lew; from Region II in Atlanta, we have Cathy Haney; Darrell Roberts is here from our Region III Office outside of Chicago; and Scott Morris is our Region IV administrator from Arlington, Texas.

We are also lucky to have executives from two of our licensees joining us: Duke's Chief Nuclear Officer, Preston Gillespie; and Tim Powell, President and Chief Executive Officer of the South Texas Project Nuclear Operating Company.

Rounding out the panel, we have Dave Lochbaum, independent safety expert who, until recently, was the Director of the Nuclear Safety Project at the Union of Concerned Scientists.

I know we are all looking forward to hearing a range of views on various topics. So let's just dive right in with the first question and get

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started.

The first topic, first question relates to trends and inspection findings. Since 2015, the number of nationwide inspection findings has declined from 821 per year to 457 per year. That's a 44 percent decline. All four Regions have seen this trend in inspection findings.

What do you think is driving the significant decline in inspection findings? Has the threshold for more than minor findings increased? And do you see this as a positive or negative trend?

Maybe we'll start with Scott Morris.

MR. MORRIS: Thank you, Commissioner. So this was one of the pre-prepared questions, in anticipation that many folks would be interested in a response. And so I want to give you my perspective and I would invite my colleagues and others to chime in, as they feel appropriate.

You know I think -- I have a number of thoughts about this. It's true the number of findings overall have gone down. The bulk of those are white findings, as you would expect -- or I mean green findings, as you might expect. White findings and above have tended to be pretty stable in terms of over the years. There's no substantive trend. But

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when you look at the green findings, there clearly has been a reduction. And I think you can attribute that to a number of things but not the least of which is the fact that we, as an agency, and when I was the director for DIRS, which is now in the good hands of Chris Miller in NRR, we took a hard look at this and admittedly prompted by the fact that we had some external auditors take a look at our program. GAO, in particular, issued a report about the range or I guess the inequity of the number of findings across the four regions. And it prompted us to look into that and we did. We did quite a bit of work on that survey-wise, et cetera. And ultimately, what we concluded was that the real issue that was driving the disparity was how the different regions interpreted the minor, more than minor criteria; whereas, one Region might be presented with a set of facts, would reach one conclusion about whether a particular issue would be considered minor, another Region presented with that same fact pattern might reach a different conclusion.

And my Region, in particular, has been -
- I hesitate to use the word outlier but certainly in the last several years, it's been the highest in terms of per unit, in terms of green findings.

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Now those numbers all have gone down, which the Commissioner mentioned. And again I think the reason is, in part, because of the actions we took starting at the program office level a few years ago, but continuing to resonate throughout the industry through senior leadership discussions down to our first line supervisors, and ultimately there were inspectors in the field about really, really asking themselves about whether or not something in fact should be considered minor. And I just think by simply shining a light on that when our folks raise issues has caused the added level of consideration and subsequent interactions that they have with their supervisors to you know start to drive those numbers down. And I think we've seen that.

I also want to give credit to the industry, too. I don't have hard data on this but I think it's fair to say that there have been a lot of modifications made to facilities, hardware, equipment, components, programmatically that have continued to drive risk out so that when the issues do arise and they get evaluated, their overall risk numbers are down because the plant has -- the issue is less risk-significant because of some of the changes that are made.

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So I think it's a combination of us focusing more on the issue, making the -- having a much more robust conversation about what is minor or what is more than minor, the cross-regional discussions we have had at senior leadership levels, all the way down in counterpart meetings, et cetera. It's shining that light in combination with the safety enhancements that have been made at the plants. I think, ultimately, that's the result of what's driving it.

COMMISSIONER BARAN: Okay. Tim, do you have thoughts on this one?

MR. POWELL: Yes, I do. I appreciate Scott talking about our improved performance. That is to me, the key. The industry has worked very hard in improving the overall performance. We've done a good job.

There is an EPRI study that came out that shows that over the past five years the core damage frequency has improved over that time period. And that improved performance, along with the maturity of the reactor oversight process has helped to improve the differentiation between the minor and more than minor issues. I think that was really driving the decrease in the numbers more than anything else.

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And there were some that asked whether or not we saw this as a change in how the inspections were being performed and I have not. The inspectors are just as diligent as they always have been. They show up and do the entrances, a very thorough inspection on the accidents.

What I have noticed is the change in the conversation on the driver behind minor and more than minor.

COMMISSIONER BARAN: Okay. Anyone else want to chime in on this one?

MR. MORRIS: Commissioner, if I could, just to kind of close on that, I think there are actually -- I think to the industry's credit, I mean I know the conversation around more than minor -- I mean the industry and the sites that we regulate and inspect aren't shy about pushing back either. And I think we've seen some of that as well, particularly in this conversation about what's minor, more than minor, and folks, the licensing folks asking the inspectors directly how does this compare with the criteria and how did you arrive at the decision you did that it fell on one side of the line or the other.

So I think, again, it's more about defining what that line is and then perhaps you know

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the industry challenging our inspectors, as well as us being more introspective about it. I think it's a combination of all of those things.

MR. LEW: And just a very, very quick comment. I think regardless of whether it's minor or green, all issues, all violations, all corrected, they are required to be put into the corrective action process.

So a lot of this is consistency. I think consistency does create greater credibility for the agency.

MR. MORRIS: There is a paradox I think when we talk about these minor, more than minor because, by definition, we're talking about very low significance issues, by definition. And so in the interest of being risk-informed and applying resources to try to you know be much more consistent about making those decisions across all the Regions, you know that takes resources to kind of balance and venture.

And so it's a little bit of a paradox because it's a very low safety significance by definition and we're spending resources to try to get better at it. So that's one argument to do nothing. But then the other argument is yes, but we profess to

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be and we aspire to be as reliable and consistent as we can possibly be. That's one of our principles of good regulation. And so if that's our interest, then we do need to invest energy in this to try to get better across the board.

COMMISSIONER BARAN: Okay. Let me ask a couple of questions on the impacts of potential power reactor shutdowns.

In the last few years, seven reactors have permanently shut down. Licensees have announced plans to shut down up to a dozen more reactors by 2025. How does the reduction in the number of operating reactors affect NRC Regions and how do you think the Regions should adapt to this reduction?

Dave Lew, do you want to start off on that one?

MR. LEW: Yes, thank you, Commissioner.

So I think this morning's session touched on this in sort of a way the chairman and the EDO both talked about transformation as one decision at a time. I think for Region I we do have a number of plants impacted and we have been making one decision at a time. And we've made many decisions over the last few years, since the announcement of some of these plant shutdowns.

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And as we make these decisions, I think it's with an eye toward being positioned well for multiple scenarios. These scenarios may be nearer term, some may be further out.

I think the other thing I heard this morning, and you may have heard this morning, is NRC has declined by 25 percent since 2010. In Region I, since 2015, four years ago, we went from 229 FTE, full-time employees, to 183. That's a 20 percent reduction in a four-year period.

So certainly, a lot of the decisions that we've been making over time has to do with people but it's not just people. I think it's how we do our work, how we leverage technology, how we more efficiently use office space. And those types of decisions, the results of those won't be known for a while because we're trying to position ourselves for the future.

I think one of the other things that we look at very closely is making sure that we do them, have the right skills, the right competencies for the right work.

I was talking to Jeff Place earlier this morning and it just occurred to me as we were talking -- I'm not sure how we came talking as an example of

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a decision that we made in Region I. TMI had announced its closure September of 2019. So we've made decisions and plans over a year ago. It's interesting as time has gone by, our ongoing assumption was that they were going to likely shut down in September of 2019. Well that's not all that clear to us now.

But as we are looking at the environment, as we're looking at these changes, the multiple scenarios, one of the things that we have to deal with is we have residents at the site. And the residents have families, kids that go to school and so it's very difficult for them to know whether or not they stay or not. And I think it's that uncertainty.

So one of the decisions that -- my management team was proactive. They actually reached out to the TMI residents and guaranteed them a year of work at home after 2019. This provided them certainty. And I think those types of decisions to account for multiple scenarios, allow them to focus on safety and security, allow them to take care of their families I think is a win-win situation.

So there's a lot of these decisions. You know how they will be done, we don't really know

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because we continue to make a lot of these decisions. They will not stop and the results sometimes are delayed.

But that said, I think we have been maintaining our safety focus, safety and security focus. I think the resident inspectors that have transition or backfill near plants that were shutting down, that has gone seamlessly and this is based on feedback from both the inspectors, as well as licensees. In fact, one licensee most recently made a comment to me that they could not have done a better job.

And I think the other thing I want to highlight is based on surveys, staff engagement remains one of the highest in the federal government, despite a 20 percent reduction of staff in four years. So again, I think it's similar to transformation. It's one decision at a time that positions us for multiple scenarios.

COMMISSIONER BARAN: Tim, do you have thoughts on this one?

MR. POWELL: Yes, as was just stated, as reactors are shut down, the RC scope is, by definition changing. And with any corporation, as things change, you have to change your organization, your

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process, to match whatever your current scope is. And it's very important that we make those changes in a manner that does still focus on the safety and reliability of the stations, more the safety aspects from the NRC's concern, more the reliability from our concern.

I mean we're also being impacted because the ERCOT is very challenging. I've had to adjust my organization and my processes so that we can continue to produce power in a safe and reliable manner. Likewise, the NRC will need to adjust their organizations and processes to fit the scope.

The one that I would really want to avoid in all of this is, as the scope changes, that there is not necessarily a change or an increase in recoverable fees adding to the burden on the stations, just because the other stations are shutting down. It's more important that we get the proper resources adjusted within the NRC and that fees remain flat throughout the period of change.

COMMISSIONER BARAN: Dave Lochbaum.

MR. LOCHBAUM: I think in the environment that the plant owners are in with such significant cost pressures to control costs, I think the NRC needs to look at its oversight process in that environment.

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The NRC's oversight process tends to focus on actions taken by plant owners, modifications to the plant, tests and inspections, changes to procedures and whatnot. More and more, plant owners are deferring or canceling more and more activities. I think the NRC's oversight process needs to include a parcel that looks at those decisions to defer or cancel activities to ensure that they're properly justified to make sure that the safety and reliability doesn't fall as cost-cutting proceeds.

MR. LEW: And I agree with that, Dave. I do agree with that. I think we have some experience in learning about plants that have announced shutdowns.

I do remember back when Oyster Creek the first time announced their plant shutdown and there were lessons to be learned from that. I think we incorporated a lot of those lessons, and there's still more for us to learn, into our inspection oversight. And we have an Appendix G and I'm not sure what the title of that Appendix G is in our manual chapter that looks specifically at plants shutting down that focuses on scope, that focuses on retention of license operators, you know work control and backlogs.

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So I think it's another -- I agree with you that's an area that we need to really focus on because it's a change. And we will continue to learn from that.

COMMISSIONER BARAN: Let me broaden out slightly on the second question in this area.

In this dynamic environment, what single change would you most like to see happen and what single outcome would you most like to avoid?

For folks who either chimed in on the last or for anyone else who wants to express a view on that. Cathy?

MS. HANEY: So I'm going to pick up on something that Dave said. I really think the focus either -- and I can turn this in either a good or a bad direction -- answer both of them -- it's really focusing on the critical skill sets and having the right individuals, the right inspectors, the right license reviewers, the right individuals in research working on a project at the right time to meet the needs -- to meet our needs as well as the industry needs.

So it's really that focus on the people that I think is so important in what we're doing.

COMMISSIONER BARAN: Any other thoughts

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on this one? Dave.

MR. LOCHBAUM: I think the single change, if I were king for a day I'd get one change, it would be the NRC safety culture needs to improve. The numbers that the NRC has had for the last five, ten years are as bad as Davis-Besse at its worst, Millstone at its worst, TVA, Watts Bar at its worst but nothing is being done to fix the NRC safety culture.

The NRC knows what those fixes are because it required them to be done at those plants but it tolerates as bad or worse safety culture internally. That's got to change.

MR. LEW: I guess I'll just add you know one of the things I think it's not so much a change but maybe an area that we can improve better is communications. I think it's always a challenge, whether it's on-site with the inspectors, whether it's the Regions with the Program Office, whether it's with the NRC or the industry.

And I think what I see a lot very often is while we may communicate 80 percent, 90 percent very well, it's that 10 or 20 percent where we don't communicate very well that results in a significant amount of time, resources, attention being drawn

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away, and you know, quite frankly, it can also detract from safety as well.

I think relative to things that I would definitely want to avoid is similar to what Cathy says. I think we need to make sure that we have the right skills, the right competencies to be a credible regulator.

COMMISSIONER BARAN: Okay. Well maybe we'll return to potential reactor oversight process changes. We're already getting some questions from the audience on that.

As part of the current conversation on transformation at NRC, staff is considering potential changes to the reactor oversight process.

How do you think the NRC staff should approach the many suggestions for changing the ROP that have come from within the agency and from external stakeholders?

Are there suggested ROP changes that you see as particularly good or particularly bad ideas?

And we had a question from the audience. What do you think are the most viable changes being considered for ROP?

Maybe on this one, start with Dave Lew and then get Preston's thoughts as well.

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MR. LEW: That was a lot of questions. Actually, I was still wondering --

COMMISSIONER BARAN: That was like a big compound question.

MR. LEW: It was. Actually, I was wondering, do you want to switch places? I think based on this morning --

COMMISSIONER BARAN: No, I don't.

MR. LEW: -- I think I could facilitate and you may want to take this question.

I think how we want to approach things is we do want to approach things with an open mind. I think that's important because I think that's part of innovation is being receptive to ideas. And I think even if you may have a reaction to an idea, if you just stop, take a step back and look at what's on the line for that recommendation or that view, I think you will find that there will be value as you integrate into your overall assessment.

I think one of the -- ROP has -- there's a lot of issues out there. I think maybe I should probably touch on the hot topic one and that's white findings.

You know this is -- and I will try and keep this short to two points because I'm sure a lot

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of people may want to weigh in on white findings. But I did see a public interaction, engagement last week on white findings and on the ROP enhancement.

One of the things that I noticed is that we're not very clear in our definition of terms and use of terms. We seem to sometimes use core damage probability, the CDP, the same as delta CDP and there is a difference. And when we talk about white findings, we're talking about the risk contribution for performance deficiency that is identified at a site. And while that may be considered low, I think it is also in the context of what that finding is in because the plant risk changes over time.

We recently had a white finding. In the context of white finding, there was also another safety equipment that was out of service. That equipment was out of service because of a deficiency. Although there was not performance deficiency, there was deficiency. And when you layer that over the top, it's not additive and it's much closer then to the safety valves.

So I think that's the perspective that we need to sort of think about relative to what we're measuring with a performance deficiency.

The other thing which, and probably a

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more important point at least for me, is I do agree that plants are safer than ever. Modifications and other things have lower risk. And so from the perspective of the threshold for white findings, a plant that actually reaches that threshold now has to -- a lot of things have to have gone wrong. A lot of holes have to have aligned. And so when we take a look at that, it reaches that threshold, you know there's two questions. One, if performance is getting better and we're maintaining threshold, the idea of raising the threshold is not intuitive to me.

The other aspect of it is if a lot of holes are matching up, the question that we have to ask is: Is this isolated or is this systemic? We need to ask that question.

And I think when we look at operating experience, we've had two plants that have gotten to Column 4. I think it's Perry and Pilgrim just on white findings. And so there were systemic issues. And I think when we look at the underlying basis of the reactor oversight process, there has to be a vehicle in which we get to those issues for those outlier plants.

So you know I think there is a lot to be -- there's a lot of other issues associated with it.

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I'm sure there's a lot of perspectives. So I'll just stop there and have others chime in and weigh in.

MR. GILLESPIE: Well and certainly the ROP has been the most impactful of process on our day-to-day operation. And I think if you look at the results that's produced, it's, by and large, been a force for good. I mean it's been effective. It's improved safety and it's been around for 20 years.

I would say, though, what tool have we used for 20 years? What process have we used for 20 years? And then turn around and say there's not some room for improvement. There's not something we can do to make it a force for a better good.

You know I think it would be -- I think it's entirely reasonable for us to optimize the ROP and work in a way that can eliminate any of the redundancies it creates. We could aggregate the efficiencies that exist within the process. You know perhaps more importantly, make sure that the ROP is being used for the benefit of safety and not the benefit of expanding or making larger some new regulation or some new rule.

When I look at what we get out of it, I've just got a finite amount of resources and I'm going to invest them in something, you know time,

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energy, money. And do I want to invest and chase low safety-significant issues that I can fix quickly or but we're too focused on that at the expense of something that perhaps is bigger in the operations.

And I just think the ROP ought to continue to be used as a force for good and continue to make sure that we're focused on improvements and real safety.

COMMISSIONER BARAN: I want to get Dave Lochbaum's thoughts, too, but Preston, if you're thinking about the universe of potential changes, what would you have at the top of your list as like the thing that you think would be most beneficial for a change?

MR. GILLESPIE: Well, we talk about white findings. So you know I'll move heaven and earth to avoid a white finding. I have spent countless amounts of dollars where we end up in some frothy area about some tiny number. It's not changing a single action I'm taking. All it's doing is taking more time for me to complete it.

You know we treat a white finding just like we do any other findings. And again, I think that detracts. I would like to get to where -- you know how you move across the columns I think there is

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a good way of doing that. You know the white was kind of that gray in-between.

And I just think there are opportunities where -- you know I thought it was interesting we talked earlier about green findings, the number of green findings, the number of -- what are significant findings, what are less significant, NCVs. You know we count the findings but, in the end, I capture comments in my corrective actions. There doesn't have to be a finding for me to act on it. We capture the comments. And in the end, once it enters into the corrective action program, the color of the driver kind of goes to the background. We're compelled to or at least we feel compelled to fix it.

So here, just the baggage that goes along with this white finding slows us down. It slows us down and it creates a level of attention that is not commensurate with its safety significance. So I put that one at the top of my list, Commissioner.

COMMISSIONER BARAN: Okay. Dave, did you want to share some thoughts?

MR. LOCHBAUM: I think the ROP and the Maintenance Rule are two of the three best things the NRC has done. I think the ROP offers a model to be applied to changes to the ROP. The ROP uses

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performance indicators supplemented by inspection findings as its key drivers. Similarly, changes to the ROP could be monitored for effectiveness using either metrics or annual periodic assessments to ensure that the expectations that everybody had for improvements or optimization have actually been achieved and without any unintended consequences.

So I think using the ROP model to evaluate changes to the ROP could get to the endpoint that we all want.

COMMISSIONER BARAN: Any other thoughts on ROP changes? Yes, Scott, were you --

MR. MORRIS: So I just want to -- I appreciate and respect Preston's comments and I have seen that, not just -- it's not just an anecdote. It's true that the moving heaven and earth to avoid a white finding.

And not to be overly provocative here but I guess as one of the founding members of the working group who created this thing we now call the ROP and the process that we went through collaboratively with the industry, granted it was 20 years ago, and with Dave and other externals and members of the public, the idea was that you would have graded approach, obviously, and that there would be some threshold.

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There would be thresholds built in that would enable the regulator to gradually increase its oversight posture as more risk-significant issues popped up.

I guess my point is -- and I will also say that we have made changes to our oversight program to account for some of what you're talking about. I'm not just talking about risk-informed thinking in general terms but, more specifically, we've changed the inputs required to get to move columns in the action matrix from two to three whites, for example.

And so part of that was to address this concern about the implications of a white finding and you know to kind of relieve some of that urge to push back so hard on a white finding, which was never intended. I can tell you it was never intended to be this you know major thing. I mean it was expected that there would be a lot of white findings.

So not pushing back but I would like to, personally, understand more about why is it that the industry feels so compelled to quote, to use your terms, move heaven and earth, unquote to avoid a white finding when, at the end of the day, what we're really concerned about is safety and agreeing on what the performance deficiency is and, more importantly, focusing on the corrective actions that are

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appropriate and durable?

MR. GILLESPIE: So it's really a difference in views. And I know that from the regulator's side, I heard just said, what's the big deal; it's a 40-hour inspection.

MR. MORRIS: This is awkward that we're just sitting here talking about it.

MR. GILLESPIE: Yes. The audience didn't push back, you did.

But you know it's a 40-hour inspection, when in fact it's so much more than that. And the fact that you know how we move across the columns, it's a step in the right direction but it's still a vulnerability. And in fact, you could take these white findings and put them together and they might not equal anything but just the fact that they exist, that went further to some bigger problem.

And I would tell you that if you aggregate -- you know if you go across the way and you aggregate white findings and that's sort of pushing you across the columns, something else has broken down in our monitoring, something else has broken down in our assessments that has allowed that to happen. I mean you've had root causes that have looked at extent of conditions, you've got there's

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something going on in the corrective action program. There's something going on in the site's oversight. There's something going on with the operation of the facility when we find ourselves in a position having to move across the column -- move across columns simply based on white findings.

MR. MORRIS: And I will just add to that. Thank you.

The bit about the supplemental inspections, the nominal 40-hours, you know I think we've looked at that. We're probably still looking at that to try to enhance not only the nominal amount of resources but what it is we're trying to accomplish, refine the procedure that is associated with 95001, for those of you who know.

So I think work has been done. I'm not fully up to speed on where we're at with all that stuff but I do believe, to your point, that there is room for us to improve on -- to be held more accountable, so to speak, on the amount of resources we spend once a white finding is identified to follow-up on it. I won't push back on that piece.

MR. LEW: And I'll go a little bit further. I agree with you that there is a difference, whether it's one or two within a period

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of time. When there's one you can make the argument that it's isolated but you still have to ask the question. And in fact, most plants that transition to column 2 transition back to column 1.

I think when you do have two, then you need to ask the question is there something more systemic. You know highlight the systemic over the isolated. And I think that's what we're trying to do.

And it's beyond, I think as we're looking at this and getting input and views, I think it's beyond just the number of hours. I think it has to be what's the scope. You know what is the scope of say one white input versus two white input? Because there is a difference. There is a difference in terms of we believe there's something systemic going on.

MR. MORRIS: We could spend all day on this topic. So we probably should move on.

COMMISSIONER BARAN: Let me ask one more sub-question on this because you're right, we're totally inundated with questions and we can't spend too much more time on the central ROP genus. But I do want to ask what do you think about crediting licensee self-assessments in lieu of NRC baseline

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inspections.

I personally am totally neutral on this topic.

(Laughter.)

COMMISSIONER BARAN: But I'm interested in your thoughts on it. Anyone want to chime in on that one?

MR. LEW: I'll take that one. I think there's a role for self-assessment. And I think we do it. We do it with emergency preparedness and other things. But I think there's a balance. There's a balance in terms of how much self-assessment versus how much independent inspection.

I think the results are the value of self-assessment in terms of trying to allow licensees to hone their skill within its organization and that does have an overall safety benefit. But again, the harder question is, not that I'm open to it, but what's the right balance.

COMMISSIONER BARAN: Others have thoughts?

MR. GILLESPIE: I had a beautiful set of notes on this topic and then I sat in the session earlier and I just started scratching through them all furiously.

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You know when I look at you know like the self-assessments and how they should be looked at, I mean adoption is the sincerest form of flattery. So if you look at what's going on with inspections -- we prepare for the inspection. In fact, I mean we get the inspection procedures. They're publicly available. We use those as a template. We supplement those actions that are in the inspection procedure with our own preparation activities and we come out with a better product. So we find things earlier so by the time the team has arrived on-site, we've done a lot of that work.

It's not saying the NRC team will come in, the inspectors, they still find things but you know this could be why some of the things they find are less significant than what they did before. And it's because you get 40, 50 years of operation under your belt, you get all these years of inspection OE that you've had the benefit of and you learn from that and you apply it.

So you know I'm on the other side of the fence on this one. I think the fact that we're mimicking those activities -- and the fact that we do it with integrity, you know I would invite the regulator, I invite the industry, I invite our own

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oversight folks to come in and test whether we're performing these activities with integrity and creating a product. And if you do that and you get the product, I think we've got the outcome. And if you've got the outcome and it's an outcome that's conducive to safety, how can that be a bad thing?

To me, this is the great thing about our business is that I don't know how many other businesses where the outcome the regulator desires, the outcome that the operator desires, I mean they overlap. They are a shared mission. This idea of safety is a shared mission.

And so, so far I would tell you that the work that we've done to mimic what the regulator has done has created better outcomes and it's driven our regulatory performance indicators in a good direction. It's driven the plant performance indicators in a good direction.

COMMISSIONER BARAN: Dave.

MR. LOCHBAUM: I was initially very much against self-assessments but the working group that the NRC formed to investigate this issue came up with a fairly good model for allowing self-assessments to be.

The concern I had with self-assessments

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was a point that Preston spoke to is we're not invited in to look. The NRC is invited in or is in but the public isn't. So the public needs some assurance that the self-assessments is of the same rigor, of the same value as an NRC inspection.

And what the NRC's working group proposed was to have annual inspections, modules that would be done some by NRC, some open for self-assessments. That process would allow the public to compare the results from the inspections done of similar areas to see if they are of similar scope, similar detail, and similar results.

For example, the industry's self-assessments had an average of eight findings per inspection, as the NRC found nothing, which probably wouldn't happen, or vice-versa, that would give you an indication of what was the value of the self-assessments versus the NRC inspections. But there needs to be something on the back end to allow the public to see that the self-assessments were comparable or better than the NRC inspections. Absent that, I'm against self-assessments.

MR. MORRIS: If I could add, I'm all in for self-assessments. We think -- I mean I think my counterparts would agree self-assessments are a great

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tool. They've identified a lot of things.

I just don't know, to Dave's point, how adopting a licensee's self-assessment in lieu of an NRC inspection meets our fundamental principle of being an independent regulator. And I struggle with that. So I look for innovative ways. If there are innovative ways to do it, then again, I think they're beneficial.

And again, I'm not picking on Preston but you know the self-assessments and you absolutely you identify your own issues, and you said it yourself, our guys come in and often will find more issues. So there's something in that, too. So there's value being added in both camps. Obviously, safety is fundamentally in your camp where it should be but again, this notion of being an independent regulator, I think we're going to -- we have struggled and I think we will continue to struggle until somebody smarter than me figures out a way to take credit for that and call it an independent review.

MR. GILLESPIE: So I would tell you that I'm aligned with you on the independence. There is -- I mean certainly you have to go in and either pull, sample the product to make sure that it's being done with rigor and, again, it's being done with

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integrity.

So you know I don't know that a self-assessment, in and of itself, needs to close the door on independence. We have a resident on-site. He doesn't spend you know 100 percent of his time in any one area of the plant but he still, he's assessing the operation of the facility and making sure we're doing that in compliance with our license.

So I think we could work around the independence piece without bringing in an entire other team to basically duplicate the effort of the licensee.

With regard to finding things, I agree with you, they find things. I could bring in -- I could create a site team and then I could go bring in a second site team. They would find something. And if I brought them in a third time, I'm sure they would find something. So you know the fact that you find things, in my mind, does not mean that the -- does not really say anything about the quality of the assessment. It just means that we found things. If we used that, we wouldn't send a second team in because you find things after you go look again at the same facility.

So the independence piece, just making

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sure that the public is aware of what's going on in the assessments, I think those are all valid concerns. I think they're all concerns that are entirely solvable.

COMMISSIONER BARAN: Darrell, it looked like you want to get in there.

MR. ROBERTS: Yes. So I think everybody at the table here at least agrees in principle that conceptually the idea of a self-assessment aspect to the ROP is something to consider. What you're really talking about is self-policing. You know how much should the industry be allowed to self-police what it does and how it operates?

And that's not a foreign concept to the NRC. We've instituted that in the operator licensing process where, at one point, we wrote all the exams for operator license -- for licensed operators. We've turned that over to the industry for the most part, with the exception of one that we write for proficiency purposes.

Team inspections, I know that there is an element in our ROP in our team engineering inspections, for example, or PI&R where we credit licensees or we allow licensees to take credit for issues that they identify as part of a self-

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assessment before we get there, before the team gets there.

The recent paper that the Commission issued, the SRM on Force-on-Force Inspections, where we now are going to be allowing licensees to conduct a Force-on-Force on top of the one that we conduct, all of those are aspects of what I would call self-policing.

The question I think becomes or the issue becomes, at least for the staff, is what's the aggregate impact of all that. Right? So when you institute this change, how does that aggregate with the other aspects of self-policing that are already existing in our oversight processes? And to what extent can the NRC still be involved in that?

So if we do allow self-assessment aspect to our oversight, you know can an NRC staff at the working level or at the staff level still be engaged somehow and to what extent does that engagement take place? So I think conceptually, self-assessment is not alone the issue. It's just to what extent does that aggregate.

COMMISSIONER BARAN: Cathy.

MS. HANEY: So thanks. I had the opportunity of being a little bit closer to the

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discussions about the engineering inspections last year that Dave mentioned, the working group. One of my division directors was leading that effort. And it was interesting for me to watch the thought process evolve over last year with regards to giving consideration to the credit for the licensee's self-assessment.

And I think a little of a different approach from my peers is I think it is the how you do it that we need to focus on. And then I think at this point, going back I think to the original question is: How do you move forward on this? Should there be a decision from the Commission to go forward on it? It's really that dialogue that needs to take place between the public interest groups, between the NRC and the licensees about how would we give the credit and how much.

So I think from my perspective, there are a few more questions that need to be answered. It's more the process-oriented aspect because we have evolved a lot over the last year with regards to giving credit for the licensee's self-assessment.

And even if you go back to, I think three years ago, the same panel had a discussion on licensee self-assessments and it was almost I don't want to

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say a definite no, but it was a lot more to the no side than the yes side. So I think it's the benefit of more dialogue on this over the upcoming year.

COMMISSIONER BARAN: We should probably move on.

Dave, your comment earlier about NRC safety culture got at least a couple cards. One of the questions is directed at you and then there is a question directed at the regional administrators.

The question for you was: Can you explain a little bit more about your statement on NRC safety culture and what you were basing your conclusions on?

And for the regional administrators, maybe one of you want to take this or others have thoughts, just any reaction to Dave's comment about NRC safety culture.

MR. LOCHBAUM: Well a couple years ago, UCS issued my report called NRC: The Safety Culture: Do as I Say Not as I Do. I think it's still available on the UCS website. I also think it's in NRC's ADAMS.

I went through a number of case studies looking at Davis-Besse, Millstone, South Texas -- not South Texas -- Susquehanna, and Watts Bar. Sorry. He didn't kick me.

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And I looked at the numbers that were available that drove the NRC to take actions to address safety culture issues at those plants and then used studies from the annual workplace survey that's conducted for federal agencies, including the NRC, and that triennial OIG Inspector General's surveys of the NRC workforce. If you look at the numbers from those surveys and compare them to the numbers that existed at Susquehanna and Davis-Besse, and so on, the NRC's numbers are worse -- nearly as bad or worse and yet, nothing is being done to fix, other than hoping it fixes itself.

Nothing is being done to fix the NRC's internal safety culture. It was a big problem when to the NRC when it occurred at Davis-Besse, and Watts Bar, and these plants, and yet the NRC doesn't hold a mirror up to itself to fix its own problems of equal or greater magnitude. That's just unacceptable.

COMMISSIONER BARAN: Thoughts?

MS. HANEY: So I'll go first and I'm sure my counterparts here will have something to say.

So from the standpoint of I guess yes, I'm aware of Dave's -- that report. And I guess I would take, in your comment Dave relative to nothing being done to fix because the agency, over the years,

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has done things to try and address the safety culture.

I'm not going to speak from the agency perspective but I'll speak from the regional perspective. So within the Region, we really are looking at the different aspects of what can we do and a lot of it falls down to increasing dialogue and communication with our staff. And over the last couple years, we've done training and Speed of Trust training, which is the Covey. We've done -- looked at increasing emotional intelligence. But I would say really when it gets down at the end of the day, it's really that face-to-face conversation that makes a big difference, whether it's the regional administrator and an inspector or a division director and an inspector, but it's improving that communication that I think is going to make the difference.

And I think in Region II, I would say it has made a difference over the years. And we have several other initiatives underway but I think I want to leave time for my peers here to comment also.

MR. ROBERTS: Yes, I would just add to that in speaking specifically for Region III, we've done a number of things to address what we think is an area for improvement. I don't believe that the

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problem, as Mr. Lochbaum has stated, is as dire perhaps as it was made to sound in the agency.

But specifically in Region III, I mean we've had a number of communications about issues involving disputed violations, or violations, or enforcement issues that occurred in Region III that involve a number of differing views within the staff. And you know honestly, I think those require an additional level of communication so that staff understands the bases for decisions that are made. Sometimes it requires more I'll call it care and feeding for lack of a better word.

You know there are some recent issues in Region III, for example, that were overturned, enforcement actions that were reversed from what Region III had proposed. And we've taken a number of issues that communicated around that because we know how sensitive those are.

And in arriving at those decisions, we had opportunities for many -- many opportunities for diverse views to be expressed by staff. So I don't know that the problem is as dire as what was communicated but I know that we've taken actions in at least this Region and, as Cathy has stated, her Region and the other Regions as well to address that

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kind of issue.

MR. LOCHBAUM: If I could just add, about this time last year, a little bit earlier, just slightly over a year ago, the NRC itself issued a report looking into the Differing Views Program. And among the things that report found, which we obtained by FOIA eventually because the NRC did not make it public, was that 100 percent of those that raised differing views felt that they were retaliated against for doing so -- 100 percent. Watts Bar, Millstone, any of those plants had six percent, seven percent saying they had been retaliated for raising a safety concern, the NRC being all over them like ugly on an ape.

One hundred percent of NRC employees who raised safety concerns felt they were retaliated against and NRC's not doing much about it? Oh, I'm sorry, I stand corrected. They are taking action. They are just not taking effective action to fix the problem.

MR. MORRIS: Thanks David. I would echo what Darrell and Cathy mentioned and supplement it with if folks don't know the study or the report that Mr. Lochbaum refers to, there actually is underway, in fact it just got unveiled fairly recently, all the

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actions that we're taking. Our Office of Enforcement owns that program. We all own it but they are nominally in charge of the procedure, and counting, and tracking, and managing the overall effort.

And there is a lot of the new initiatives and mechanisms that we're about ready to roll out to enhance the program. So yes, they're not visible yet but they are coming.

But more specific to Region IV, you know we've gone all in on the Franklin Covey Speed of Trust in Region IV. You know and I'm not going to make you experts on what that is but, essentially, it comes down to 13 fundamental behaviors that enhance trust relationships. And at the end of the day, in order for there to be effective and meaningful exchange of information, you have to trust the source and you have to trust -- you know you have to trust the information.

So we are including that language of Speed of Trust in our day-to-day business. And we are asking our staff to hold leadership accountable for when we're not demonstrating those behaviors. We encourage it and then when they point it out to us, we make a big thank you and we'll share that stuff as broadly as we can.

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And I think perhaps more importantly, all the -- you know when it comes to the technical work that we do, the safety work that we do, our inspectors -- virtually every inspection is debriefed in front of their peers and their management. And it allows -- it does a number of different things.

Number one, it enables other people to examine -- it makes you a better inspector and it enhances your ability to articulate thoughts and ideas in a clear and comprehensive way. That's number one.

But I think more to the point, it enables the rest of the staff and management to inquire as to what the issue is, why it's being assessed the way it is, and offer different thoughts and ideas. And it really engenders a really good conversation around all the technical issues that we're batting around and weighing. And oftentimes, that results in us changing the initial vector that we were on. And I think, ultimately, it makes us better and it enhances trust, and it enhances obviously communication and ultimately, I think, will make us continue to make us a better regulator.

MR. LEW: I think any safety organization we need to -- as a safety organization we really

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always have to be thinking about safety culture and how we can do better. And it's hard sometimes to measure but you have data points.

One such data point is I think I've been told that I'm flat wrong by my staff like once a day. And I'm sure after this meeting I'm going to be getting text messages that you're flat wrong, Dave.

COMMISSIONER BARAN: All right, we've gotten some questions on specific rules or inspections. Let me start with one on the Maintenance Rule.

What are your thoughts on industry's initiative to relook at the Maintenance Rule and, as the questioner characterizes it, in the context of having better inspection technologies that can increase effectiveness and reduce costs of Maintenance Rule implementation?

Thoughts on the Maintenance Rule and potential changes to it?

MR. GILLESPIE: Well I mean I would say with regard to the Maintenance Rule, the Maintenance Rule has overall been good. It points out things about your equipment. It allows you -- it gives you a very structured way to ensure high levels of reliability of equipment that is important to safety.

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But again, if there is a way to do the Maintenance Rule better, to do the Maintenance Rule more effective, to do the Maintenance Rule with less resource and achieve the same outcome, then I'll sign up for it.

COMMISSIONER BARAN: Any thoughts on the Maintenance Rule, its current effectiveness or potential changes?

MR. POWELL: Really along the same things, we're always looking for ways to make things more efficient. If there is a way to check and adjust, make it more efficient, that's good.

We use the Maintenance Rule quite a bit because we use it as a backstop to our risk-informed technical specifications because it helps give us that extra piece of information that our equipment is operating well while we're using the condition risk-based tech specs and have the extended LCO times to do work. It helps get that understanding that we're not, for lack of a better word, abusing our ability to do that under risk-managed tech specs.

MR. LEW: I guess I'll just chime in. I do remember when the Maintenance Rule came into play and we were trying to how do we regulate that from outside. And I think there was a learning curve but

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I think, over time, I think you know the issues and concerns have been largely resolved.

And just based on the absence of any feedback that I get from my staff, I don't know that there is a huge issue there that we need to adjust from a regulatory point of view, given how many other things that we need to work on.

MR. ROBERTS: Yes, I guess I would just echo what Dave said. You know from a regulatory perspective, I don't know that the Maintenance Rule itself needs to be changed, inasmuch as it has flexibility to allow licensees to use their own risk profiles to categorize systems within the Maintenance Rule to manage online risk and those things. If there are changes in the risk profiles at various plants, then those insights, you know if there have been significant improvement in the risk at a site, then that insight should be used to affect how a licensee might -- the hows of how a licensee might implement the Maintenance Rule in terms of what systems or how systems are treated and so on. But the rule itself, I don't know to what extent that needs to change, from my perspective.

COMMISSIONER BARAN: We also got a question at least initially directed at the regional

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administrators. Interested in your perspective on the efficacy of the EQ Program Inspection.

MR. MORRIS: Well, let me start with that.

So just a little bit of history, this was a few years back when I was in NRR, we were challenged to look hard at our what we called Component Design Bases Inspections, CDBIs, which by any measure is a tough inspection. You know it's resource-intensive. It digs deep but intentionally so. It was intended to be a deep dive in a couple of different areas whereas we intend to inspect, you know this is a bad analogy, a mile wide and an inch deep on a lot of things that happen day-to-day at a plant. This is one of the few areas where we actually took a deep dive and drill a borehole into an area. And again, I mean as the name would imply, it was to assess the maintenance of the plant and its consistency with the design bases for which we originally licensed it.

And so it tended to yield a lot of low significance issues. Sometimes it identified some pretty significant issues but, more importantly, it gave us some programmatic insights which I know that programmatic inspection is somewhat of a four-letter word in ROP space but it truly did give us insight

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into how well engineering programs were being -- you know and it gave us a certain amount of confidence that programs were viable, et cetera.

But when we were challenged to examine how we conducted that inspection, one of the changes we made was to whereas we used to do a three-week focused deep dive in a number of different areas, 17 to 22 samples or 25 samples, we backed off on that to two weeks and took one and did a pilot. Again, we don't do much of anything out here without trying it out first. So we did a pilot one-week programmatic inspection instead of the quote unquote deep dive into one particular system or set of components.

So we batted around well what program should we look at. And one of the things that came up on the list, one of them was motor-operated valves. I mean there were a bunch of different things but what one thing should we look at holistically? And the idea of environmental qualification, 50.49 programs came up in no small part because we haven't looked at that in a long, long time but I think more importantly it was there are a lot of fundamental assumptions about what is going to work and what systems are required to work and operate reliably if, God forbid, a major design-basis accident occurs.

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And a lot of those safety systems that are going to be called upon to operate under those circumstances are going to be in harsh environments, the sensors, et cetera.

And so we simply hadn't looked at environmental qualification issues in like two decades. And we thought well, here's an opportunity. If we're going to pilot this program, here's a perfect opportunity because all these risk models that we talk about and rely on to inform our decisionmaking, fundamentally are predicated on assumptions about what's going to work and how reliable it is.

And we don't test EQ components under harsh environments, certainly not routinely. So this was an opportunity for us to programmatically focus on EQ and I think it taught us a lot. We learned a lot. Yes, it identified a lot of issues. Yes, we've learned a lot. Yes, the industry has learned a lot. Yes, we've learned about how to manage our program. And I think based on those learnings, we're continuing to evolve our engineering inspections.

COMMISSIONER BARAN: Preston or Tim, any thoughts on that?

MR. GILLESPIE: I mean we've -- EQ is one of those areas where I feel less smart coming out of

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the conversation than I did going into it and it's almost universally true when we deal with it.

But my experience with EQ is I value the EQ inspections because our plants have personally benefited from many of our EQ inspections. I can recall it has probably been six or seven years ago now where our tech staff took a position, a very hard position on EQ. We were wrong. In this case, the inspector was exactly right. Because of the inspection, we had an opportunity to fix that.

We've got examples that go in the other direction but certainly this is one where our view of whether things would work or not was different.

To Scott's point, we are going to rely on these important pieces of equipment under very harsh conditions. We ought to know, we ought to have confidence that they will work. So the value of the EQ inspection, I am totally in line with. The way we go about it we might have issues with long-standing URIs. I feel like we get left with a lot of URIs on EQ now that I wish that my technical staff and the agency's technical staff could somehow get to a quicker agreement on what's required.

But beyond that, that in no way should detract from the importance of this idea of EQ

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qualifications on our equipment.

COMMISSIONER BARAN: Cathy, did you want to add something?

MS. HANEY: So Scott did a good job at looking backwards. I would say what did the agency learn from this in going forward and some important lesson learns from us.

There were a large number of URIs resulting from the Region II inspections. Preston mentioned a few of those.

COMMISSIONER BARAN: Those are unresolved issues.

MS. HANEY: Yes, unresolved issues.

COMMISSIONER BARAN: I'm not going to be the acronym police.

MS. HANEY: Sorry. Sorry. Okay, thank you. I was testing to see if you really read the NUREG.

(Laughter.)

COMMISSIONER BARAN: Oh, I read it.

MS. HANEY: You passed. You passed.

So we have really been focused on the EQ inspections down in Region II recently and we're moving forward with resolving those unresolved items.

But I think there are a few things that

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we need to -- well, we pride ourselves in being a learning organization. And whether we call it a formal lessons learned or an informal lessons learned, I think one of the key things was is when we -- is looking at what we learned from doing the EQ inspections and should we go forward with these focused engineering inspections to try to apply some of these lessons learned.

And from my perspective, it really is very important to have the guidance available for our inspectors as they launch on these engineering -- the focused engineering inspections. And in developing that guidance, again, a very key thing is having the public meetings where there is clear understanding on all parties on what we will be looking at and what is acceptable.

And then again in several of the areas, when we get into these focused instructions is setting up cross-regional panels for when we do have the inspection findings. Again, of course, when an inspector comes back, there is dialogue within the region itself. But then as we move forward, if there is any potential for enforcement action at whatever level, it is just to make sure that we do have consistency across the region. And this really goes

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to some of our cores at the consistency and the transparency.

So my really hope, outside of doing the EQ inspections and the focus on the importance for that and the safety impacts of the things that we looked at on that, is learning from these EQ inspections and then applying them to moving forward if we do go into the focused engineering areas inspections.

COMMISSIONER BARAN: Well maybe we could switch gears a little bit. We had several questions that are resource-related, some of them for the regional administrators, some of them for our industry executives.

I thought maybe we could start with the regional administrator questions. And I'll just take a couple of them and throw it out at you all in a compound question and you can address it as you will.

One question relates to staffing in the Regions. It notes, as Dave Lew did, that the staffing has been reduced significantly in recent years. Should staffing levels continue to be reduced, what is the right size? And then related, potentially: Given power reactor shutdowns, what do you think of consolidation of the Regions?

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MR. LEW: So let me take the last question first. You know I think -- and I just want to reemphasize you know we talk about transformation one decision at a time. And so we ought not be -- you know I don't focus on that particular future as a likely future or not. I think what we want to do is we want to continue to do those things that allow us to be positioned for whatever situation that we come in.

And when you think about that, when you do that, it does change you know where you put your resources in terms of how much space that we use. How do we communicate with each other? How do we leverage information technology? And it's not until you get to that point and then you get to the point of trying to decide that I think you have to take a look at the cost benefit and you have to take a look at -- and it's not just the dollar. It's the cost benefit of people, of effectiveness, of safety.

So you know I think that's one of those hypothetical questions which I think what we do now is we do as we are doing with everything, one decision at time. That positions us well for the future.

And after talking for so long, I think I forgot the first part of the question but I just

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remembered.

COMMISSIONER BARAN: Staffing levels.

MR. LEW: So you know I think it's not -
- you know from my perspective, I think the Regions
are fully funded for the work that we have to do. I
think this agency does a great job in assuring that
we have the right resources for what we need to do.

And the way it's done is they take a look
at the work that we're assigned. So that's plants
are shut down. They recognize that we have less work
and they plan accordingly. And we'll continue to do
that, I think. And I don't see anything on the
horizon that doesn't say that a top priority for this
agency is our inspectors out in the field as our eyes
and ears.

MS. HANEY: So Region II we don't have
any plants that are decommissioning in Region II
specifically. What my challenge is is the new
construction areas because last year we had the
sudden drop in resources when Summer made the
decision to not go forward with the new build.
Looking forward to a few years from now, the need for
construction with the Vogtle site will also go down,
assuming the plans go forward as Southern has planned
for both Vogtle 3 and 4.

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So with that, again, that will have a significant impact on the Region because the individuals that were doing construction now will no longer be doing the construction inspection, unless there is some new build in the United States.

So I still am kind of similar to where Dave has the challenge say with the decommissioning plants, I have the challenge with regarding balancing the right staff within Region II relative to new construction.

So I think so we all have our own unique challenges with that. With that being said, I think Region II, again, is that we're staffed. We're always mindful of making sure that we have the right critical skills available to us and that may not necessarily be individuals that are housed within Region II because should I need a resource, I have available three other Regions that would be very happy to help me I think and, of course, resources that could come to bear from Headquarters. We do have the opportunity to reach out when we do need help.

And then the last thought that I would say is the thing that I really look for when we're looking at staffing is really identifying what we

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need to do and then we resource it. Where I have the most challenges is that you know in just being told you have to take an x percentage cut because I think we really need to develop the inspection program that matches those outlooks at safety and security and from that we build what our staffing needs are.

MR. ROBERTS: Yes, I guess I would just piggyback on that, on both what Dave and Cathy said, that I don't have a specific answer to the question on what -- you know whether or not consolidation, at this point, is the right thing. I would offer that there a number of factors that go into that decision or that analysis. One obviously is the number of plants down the road, number of plants that are permanently shut down between now and time x. Another is the ongoing changes that we're looking at now, the ROP enhancement efforts, the efforts to streamline our oversight. And quite frankly, you know let's be frank, we're talking primarily about changes in the reactor oversight part of our mission because that makes up two-thirds of the agency's budget. So obviously, that's going to have a big impact on the regional structure going forward. Our materials program is a smaller fraction of that, obviously, and we have a number of Agreement States

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across the country. So that's not -- changes in that area aren't going to really impact the decision, I don't believe, as much as the factor piece.

But as long as those two factors, the permanent plant operating status or the future shutdown status, as well as ongoing changes to our oversight processes are in play, I think those are the two main things that need to factor into our decision on that.

MR. MORRIS: So I'm going to touch on the staffing piece and then I'll speak to Region IV but I think it's germane to the other Regions and perhaps the agency as a whole.

The thing that worries me the most -- well first of all, let me just say this. I'm biased towards inspectors. I have a high affinity for our folks in the field who are working at the sites, who are doing the day-to-day safety mission in this agency. I did that job for seven years so I'm highly biased towards the importance of that work.

We have great inspectors in Region IV, as we do in the other three Regions, two of whom are in the room here with us today from Region IV. And why do I bring that up? Because I am concerned and this is a legitimate concern of mine. In a continuing

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downward -- with a continuing downward fiscal pressure on our staffing and our resources, which is appropriate -- I understand it; it makes sense -- the practical implication of that has been, until now, that we are not bringing in at a sufficient rate new staff. At the same time -- and you heard some of this this morning. At the same time where our current inspector cadre is aging and wants to get off the road, is going to retire, moves into management, whatever it is, when we're in a declining budget environment and we lose somebody, it takes us a year to two years to get somebody fully qualified. And I'm talking about qualified. I'm not talking about proficient. I'm talking about qualified. And what we need are highly proficient inspectors.

And so what does that mean? That means that as people start leaving us, leaving the inspector ranks, we need to capture their knowledge before they leave in sufficient time. We need to hire new people to fill their shoes and give them an opportunity, double encumber, in my opinion, to enable knowledge transfer such that our overall proficiency doesn't suffer.

There was a live polling question on I forget which session it was, it might have been -- I

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can't recall -- but it said what is your biggest concern about the workforce. And I voted technical competency. The others voted external awareness. I voted technical competency. Why? Because of this issue. Because I'm very concerned that we are contracting, appropriately so, but up to date we have not been afforded the opportunity to bring in sufficient number of new folks to fill the shoes of the people who are leaving. And that concerns me greatly.

And so I think you know, and I don't mean to speak out of turn here, I agree with being more efficient. I agree with budgets being reduced consistent with the size of the industry but in the same token, there is a practical implication of that if you push it too far. So I believe we need the latitude to be able to bring in the new folks and train them up before the aging folks leave because, otherwise, our technical competency and, ultimately, our credibility as a regulator is going to suffer.

COMMISSIONER BARAN: Anyone else want to chime in on this topic? Otherwise, I do have a -- Preston, did you want to --

MR. GILLESPIE: Well I just, I mean the view from the other side, though, is it doesn't feel

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like -- my fees went up eight percent this year. That doesn't feel like a declining budget.

You know when we look at the number of people, if I go back and compare you know prior to the renaissance the staff compared to where our staffing levels are now, I don't think we went back to where we were before.

So I would just say within the industry, we're having to find new ways and better ways, more efficient ways to accomplish our task without sacrificing safety, without sacrificing reliability, but doing it in a way that's less resource-intensive. So you know I think the fact that the agency is feeling that pressure as well is not surprising. I just --

But it is a burden. I mean it's a regulatory burden on the industry to have fees going up at that rate when we are also operating in a declining budget.

So far, this has been good. You know we have found many efficiencies that we've absorbed these costs. But there will be a point when you know you reach, similar to what you're talking about, Scott, you'll reach the line where this is exactly what it takes for this day and time to operate this

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facility safely. And if we can't do it and still remain financially viable, we'll have to make other decisions.

So I would just -- you know I would like to keep the challenge on the table for the staff to just stay focused on your mission but also realize the very real impact that it's having on those that you're overseeing.

COMMISSIONER BARAN: Preston, that's a good segue to a question that was written for you and for Tim. And I'll just read it.

Describe your personal messaging to address balancing safety performance relative to financial performance of your operating nuclear fleet.

MR. POWELL: For balancing safety performance versus financial performance, it's a no-brainer. Safety is always number one. It's the key to the game. It's what you have to have to even have a right to be in the game at all. Safety always comes first, then financial performance.

What you have to find a way to do is be able to operate in a financially sound manner while maintaining safety above all other things.

MR. GILLESPIE: We're having to do the

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same. But this is an area that you have to be diligent because you can say the words but if you don't follow through on the actions to demonstrate the value, then you can still -- you can find yourself mouthing the phrase but it not penetrate the organization.

So this idea of safety versus cost, we've not -- we're not relenting one bit on safety while we go after costs. And so far, we've been able to do that. If you look at how our plants operate, they operate safer now than they have in our history. We're doing it at a cost structure that is better than what we've done before.

But if I go back to, David, your comment earlier about if you look, this idea of oversight in the presence of cost-cutting, I think it's great counsel. In fact, we've put additional teams, oversight teams in place in our organization to -- independent teams, teams of industry experts to come in and look not only at what we've done but how we've implemented it and have we done it in a way that is not impacting the safety of the facility.

So I mean it's an ever-present issue, this idea of balancing. And we have to find those opportunities to highlight where we're going to opt

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for the safe over the cost. And those opportunities exist. We do it every day. We just don't advertise them near enough.

MR. POWELL: Just to go back a little bit real quick, David made a comment earlier about concerns on whether or not we were going to have the right funding to make sure that we're implementing safety-related modifications. And I can guarantee you that we do get those funds. And we've actually gone through and changed our prioritization process to ensure that those projects that impact safety have the highest priorities are the ones that get impacted first. It's the enhancement items, the ones that just make life easier but may not add to the safety that are moved down on the list and aren't implemented. The ones that impact safety are definitely always the first ones that have the highest priority.

COMMISSIONER BARAN: Okay, we have about nine minutes left. So that's just kind of a warning that we're running out of time.

But we've got more than one question related to the fact that sometimes NRC struggles with situations in which compliance with a regulatory requirement causes the agency and licensees to focus

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on issues of lower safety significance.

How common is this and how do you think NRC should address these situations?

Maybe we'll start with Cathy on that and --

MS. HANEY: Yes, I'll start from the standpoint of acknowledging that statement and what is -- and answering a question of what is NRC doing about that.

So most recently we established a group that's called the Low Safety-Significant Compliance Effort. And this is actually it's being led out of Headquarters but my Deputy, Laura Dudes, is providing leadership to that effort.

And the idea here is to can we, from an agency perspective, look to see are there ways that when we identify items that are of the low safety significance that we can, I'm going to use the term, resolve them without spending significant NRC resources, as well as significantly licensees' resources on bringing them to closure.

So what this group is going to do is develop a strategy of how we can move forward in this area. And it really goes to -- it's a link to part of the overall agency's effort on doing better in the

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area of risk-informing decisionmaking, with a mindset that we do on our resources, as well as the licensees' resources focused on the most safety-significant items.

But yet, this would be something, going down this approach, this group is very mindful of the aspect of documenting any decisions that are made. So it would be transparent to the public, as well as to industry, anyone really wanting to look to our inspection reports to see how issues were resolved. And one of the challenges where I think this does come up, and I guess the questioner was raising the issue about the frequency that this comes up, and we tend to see this a little bit more on where there is some question on the licensing basis.

For example, an inspector is out in the field, identifies something, but then there is the question about is it part of the licensing basis or not. And in the past, you know way past, if you look at significant resources have been expended in looking at does this issue -- is it part of the licensing basis, we finally make a decision you know yes or no. But let's say yes. Then, we go through the process and we find out that it was of a very low safety significance. So then even we are asking

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ourselves was that worth the time and energy that went into that aspect, fully recognizing what Dave said earlier is if there is a problem, we do expect that you do, the licensee, is to regain compliance in this area.

Now again, there is a little bit of fuzziness I'll admit there. If the issue, the root of this is, is it on a licensing basis or not because then you could question whether it was a compliance issue or not.

So I think, again, this might be a good question for next year to ask us on where we went with this. This effort is looking at really over the next six months to come up with a proposal for senior management consideration on how we go forward with this. But the idea is true at the end, whichever way we go, there would be the final result, whatever the decision made would be is that it would be documented and be available for everyone to see.

COMMISSIONER BARAN: Preston, do you have any thoughts on this?

MR. GILLESPIE: Well, I would just say that you know this is one -- it's an important question and we'll get hung up when we talk about compliance.

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You know like Cathy said, I think most of our issues actually come up when there is a question of compliance and we're interpreting a licensing basis that may be less than clear, previously accepted. Now I've got a plant that's been in service for over 40 years. It was issued a license and then in an inspection 42 years later, a question of compliance is raised. You know once that happens, I think it is right for us to go look and say we're just asking a question of compliance. To get to some firm answer, if it's of low safety significance, then why is it worth the investment?

Historically, we've had no issues where there is a compliance issue. There is a rule that says do this. If we're outside of that rule, we take actions to go bring ourselves into compliance. That becomes a much different problem when the very basis of which the plant was either licensed to or designed and that we have got to make a fundamental change could really create a decision of do you continue to operate the facility or not. That's where it's vitally important to bring in these risk perspectives and ask ourselves you know is this going to -- do we got to get some hard answer on, especially given the 40 years of documentation, what was really meant by

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a letter that was written in the '70s, and what was really said in some meeting prior to the signature occurring. We just invested -- and we have experience where we invested way too much time, energy, and dollars into resolving an issue that really didn't make the plant.

I would tell you in our case we probably did some things that was a step away from safety trying to keep this in compliance, as opposed to moving the plant closer to safety.

COMMISSIONER BARAN: Anyone else have thoughts on this? Dave?

MR. LOCHBAUM: Yes, I think the actions the NRC takes to address this issue should include looking at Inspection Procedure 71152, the Problem Identification and Resolution Procedure. To me, that's the most important procedure the NRC does. It looks at the corrective action programs that the licensees have.

I also think it's the least effective procedure inspection that the NRC does. And that gap needs to be closed. It needs to remain important but be made more effective.

If you look at problems that wandered into columns 3 and 4, a common thread has been a

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deficient or less than effective corrective action program. In many of those cases, the NRC's PI&R, Problem Identification and Resolution Inspections gave it good grades, up until the point that somebody had been or something moved the plant off. Then all of a sudden, it went off a cliff into very bad. You got a very bad. It's not that big a gap. The perception was too bad early or too good early, and then too bad later.

That inspection needs to more accurately reflect what the condition of the corrective action program is. If you had that confidence and you had that greater awareness, then it would be easier to throw -- or not throw -- to dismiss issues of low priority into the corrective action program with confidence that it is going to be addressed in a timely and effective manner. But right now, that procedure is not giving that confidence. It needs to.

COMMISSIONER BARAN: Darrell, did you want to chime in or just -- Darrell might have been just looking in my direction.

Any other final thoughts on how we kind of strike the balance or address these issues of compliance and the intersection of that with lower

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safety significance?

Darrell.

MR. ROBERTS: I would just maybe add or offer that it is something that the staff struggles with or deals with I should say probably. We've had numerous conversations in Region III about that. It does get at some of the questions about whether an issue is within the licensee's design bases or not. But once you get past that point and agree that something is a compliance issue or you know should be fixed or corrected in a corrective action program, that is I don't believe something that is of dispute here.

I would offer that maybe one of the things that I'm looking, hoping comes out of the effort that Cathy referred to that Laura Dudes is overseeing is for us to look at the policy, the enforcement policy which currently tells the staff how to treat compliance issues and it doesn't discern between those that you allow to continue or don't address in a corrective action perspective and those that are above a certain threshold.

So I think the enforcement policy ought to be looked at from the standpoint of what does it tell inspectors to do for these low safety-

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significant issues and how to dispatch those.

COMMISSIONER BARAN: All right. Well, I think we should probably wrap it up there. The nine minutes went quickly.

To all of you who submitted questions, thank you very much. We didn't get through every single one but we did get through most of them. And hopefully, the topics that came up addressed your question, if we didn't get your individual question.

Please join me in thanking the panel for this discussion.

And enjoy the rest of the conference. Thank you.

(Whereupon, the above-entitled matter went off the record at 3:01 p.m.)

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