



Memorandum from the Office of the Inspector General

June 25, 2015

Joseph W. Shea, LP 3D-C

REQUEST FOR FINAL ACTION – AUDIT 2014-15078 – TVA’S NUCLEAR EMERGING REGULATORY ISSUES PROCESS

Attached is the subject final report for your review and final action. Your written comments, which addressed your management decision and actions planned or taken, have been included in the report. Please notify us when final action is complete. In accordance with the Inspector General Act of 1978, as amended, the Office of the Inspector General is required to report to Congress semiannually regarding audits that remain unresolved after 6 months from the date of report issuance.

Information contained in this report may be subject to public disclosure. Please advise us of any sensitive information in this report that you recommend be withheld.

If you have any questions or wish to discuss our findings, please contact Maria V. Edwards, Senior Auditor, at (865) 633-7380 or Lisa H. Hammer, Director, Operational Audits, at (865) 633-7342. We appreciate the courtesy and cooperation received from your staff during the audit.

Robert E. Martin

Robert E. Martin
Assistant Inspector General
(Audits and Evaluations)
ET 3C-K

MVE:BSC
Attachment
cc (Attachment):

David M. Czufin, LP 3R-C
Joe P. Grimes, LP 3R-C
William D. Johnson, WT 7B-K
Dwain K. Lanier, MR 3K-C
Justin C. Maierhofer, WT 7B-K

Richard W. Moore, ET 4C-K
R. Windle Morgan, WT 4D-K
Charles G. Pardee, WT 7B-K
TVA Board of Directors
OIG File No. 2014-15078



Office of the Inspector General

Audit Report

To the Vice President,
Nuclear Licensing

TVA'S NUCLEAR EMERGING REGULATORY ISSUES PROCESS

Audit Team
Maria V. Edwards
Noel K. Kawado

Audit 2014-15078
June 25, 2015

ABBREVIATIONS

ANPR	Advance Notice of Proposed Rulemaking
BP	Business Practice
CFR	Code of Federal Regulations
CNL	Corporate Nuclear Licensing
ERI	Emerging Regulatory Issue
FY	Fiscal Year
NEI	Nuclear Energy Institute
NPG	Nuclear Power Group
NRC	Nuclear Regulatory Commission
PER	Problem Evaluation Report
SR	Service Request
TVA	Tennessee Valley Authority
VP	Vice President

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MEMORANDUM DATED JUNE 9, 2015, FROM JOSEPH W. SHEA TO
ROBERT E. MARTIN



Audit 2014-15078 – TVA’s Nuclear Emerging Regulatory Issues Process

EXECUTIVE SUMMARY

Why the OIG Did This Audit

In the Tennessee Valley Authority’s (TVA) Enterprise Risk Management’s fiscal year 2013 fourth quarter documentation, we noted TVA’s Nuclear Power Group (NPG) had identified several risks associated with compliance with regulatory requirements. Based on the existence of these risks, we initiated an audit related to TVA’s nuclear regulatory program. Specifically, our audit objective was to assess the effectiveness of TVA’s process for addressing nuclear emerging regulatory issues (ERI). TVA defines an ERI as “An external development that may result in significant impact to NPG resources. This typically includes changes to nuclear regulations or the nuclear operating regulatory environment that could affect NPG’s performance or require a modification to its business or operating practices.” For purposes of this audit, we limited our scope to Nuclear Regulatory Commission (NRC) proposed rulemaking. Specifically, our audit covered TVA’s process for identifying, tracking, and monitoring potential NRC rules and regulations that could be applicable to TVA. Accordingly, we did not include in our audit scope TVA’s process for complying with newly-enacted or previously-enacted NRC rules and regulations.

What the OIG Found

NPG Business Practice (BP)-247 Revision 9, Emerging Regulatory Issues Management Process, “establishes a process to identify, categorize, manage, monitor and provide statuses to senior management on issues that may have regulatory impacts on the TVA Nuclear Power Group (NPG) or NPG managed material licenses.” We determined the process for addressing nuclear ERIs is generally effective. During the period of our review, September 26, 2009, through September 26, 2014, we identified no instances where TVA overlooked an ERI related to NRC-proposed rulemaking; however, we did identify areas where the BP-247 was not being followed. Specifically, (1) the ERI Monitoring Table was not being filled out completely and consistently, (2) formal executive briefings were not consistently occurring, and (3) executive sponsors were not being assigned to ERIs with significant impacts on NPG resources. As a result of our audit, TVA began taking corrective action by issuing a revision to BP-247, with an effective date of December 12, 2014.

We also noted two opportunities that could improve the effectiveness of the process. First, the Excel spreadsheet supporting the ERI Monitoring Table should include both clear rationale explaining why an ERI was closed and the date of closure. Second, although Corporate Nuclear



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EXECUTIVE SUMMARY

Licensing (CNL) personnel acknowledge the importance of participation in industry working groups, the process for maintaining the list of industry working groups and participants could be improved for timely updating and communication to relevant personnel.

What the OIG Recommends

We recommend the Vice President, Nuclear Licensing:

1. Continue with actions to address areas of BP-247 that were not being followed including (1) consistent completion of the ERI Monitoring Table and posting on the CNL SharePoint Web site, (2) conducting formal executive briefings, and (3) assigning executive sponsors to ERIs with significant impacts on NPG resources.
2. Enhance the ERI Monitoring Table and BP-247 instructions by:
 - a. Adding additional information to the ERI Monitoring Table supporting Excel spreadsheet that includes clear rationale and a closure date once an ERI no longer needs to be tracked and should be removed.
 - b. Adding additional information to the ERI Monitoring Table to note whether an executive briefing has occurred for ERIs with significant impacts on NPG resources and, if so, who was assigned as the executive sponsor.
3. Enhance the list of industry working groups and participants to keep the list as up to date as possible by:
 - a. Documenting on CNL SharePoint that a quarterly update of the list has occurred.
 - b. Developing formal communication to NPG for those outside CNL to verify accuracy and completeness of the list of industry working groups.

TVA Management’s Comments and Our Evaluation

In response to our draft audit report, TVA management agreed with the facts, conclusions, and recommendations and provided planned actions to address those recommendations. The Office of the Inspector General concurs with the actions planned and taken by TVA to address our recommendations. See the Appendix for TVA management’s complete response.

BACKGROUND

The Tennessee Valley Authority (TVA) has three nuclear plants¹ containing six nuclear reactors with a seventh reactor at the Watts Bar Nuclear Plant scheduled to begin commercial operation between September 2015 and June 2016. TVA's nuclear plants are primarily regulated by the Nuclear Regulatory Commission (NRC) which, as the safety regulator for the nation's nuclear industry, is tasked by Congress with ensuring adequate protection of public health and safety. The NRC regulates commercial nuclear power plants and other uses of nuclear materials through licensing, inspection, and enforcement of its requirements. As part of its public mandate, the NRC keeps abreast of safety issues worldwide and revises its regulations and guidance to increase margins of safety when necessary for US nuclear power plant operators.

NRC's process of developing regulations is called "rulemaking" and a regulation is sometimes referred to as a "rule." While the NRC's technical staff usually initiates rulemaking, any member of the public may petition the NRC to develop, change, or rescind a rule. All NRC rulemakings provide the public with at least one opportunity to provide comments. These opportunities are sometimes offered by the NRC through meetings and workshops before a proposed rule is drafted so members of the public can express concerns or identify issues early in the process. The NRC may also publish an Advance Notice of Proposed Rulemaking (ANPR) in the Federal Register² for purposes of obtaining public comments and providing clarification before developing a proposed rule. An ANPR is usually issued for especially important or controversial rules.

Once the proposed rule is developed, it is published in the Federal Register. An NRC-proposed rule usually includes (1) background information about the proposed rule, (2) an address for submitting comments, (3) the date by which comments should be received in order to ensure consideration by the staff, (4) an explanation indicating why the rule or rule change is necessary, and (5) the proposed text. The NRC may also hold other meetings and workshops to further explain the proposed rule and receive additional comments from the public. The NRC issues press releases for rules having strong public interest and provides the status of all rulemakings in progress in the government-wide online database. In general, the public is given 75 to 90 days to provide written comments. Once the public comment period has closed, the NRC staff factors comments into the final rule and forwards it to the NRC Commissioners for approval and publication in the Federal Register in the Code of Federal Regulations (CFR)³ with an effective date of usually 30 days after submittal.

¹ TVA has three nuclear plants: Browns Ferry with three units near Athens, Alabama; Sequoyah with two units in Soddy-Daisy, Tennessee; and Watts Bar with one unit near Spring City, Tennessee.

² The Federal Register is the Federal Government's official vehicle for informing the public about rulemaking.

³ The CFR is a codification of the general and permanent rules published in the Federal Register by the executive departments and agencies of the Federal Government.

TVA's Corporate Nuclear Licensing (CNL) group is responsible for determining how emerging regulatory issues (ERI) might affect TVA's Nuclear Power Group (NPG) or NPG-managed material licenses. TVA defines an ERI as "An external development that may result in significant impact to NPG resources. This typically includes changes to nuclear regulations or the nuclear operating regulatory environment that could affect NPG's performance or require a modification to its business or operating practices." TVA NPG personnel are able to stay abreast of potential new regulations or changes to existing nuclear regulations by reviewing NRC publications and receiving communications from external sources such as CERTREC⁴ or Scientech⁵ services. TVA also participates in industry groups and task forces such as those offered by the Nuclear Energy Institute⁶ (NEI).

NPG Business Practice (BP)-247 Revision 9, Emerging Regulatory Issues Management Process, outlines the responsibilities of CNL, whose objective is to guide NPG in the identification of regulatory issues as early as possible to ensure issues with potential regulatory impact to TVA are identified, presented to NPG senior management to enable strategic decisions, and managed properly by assigning appropriate owners and applying sufficient resources to ensure timely and appropriate response. CNL personnel, in accordance with instructions in BP-247, track, monitor, and provide status updates for applicable ERIs using an ERI Monitoring Table that is maintained on the CNL SharePoint Web site.

Historically, BP-247 has not always been a high priority for TVA. When BP-247 was first implemented in 2001, TVA recognized it as an important process and according to Scientech was ahead of its peers in doing so. However, between June 15, 2011, and March 28, 2014, BP-247 content was significantly reduced and no longer provided detailed instructions or guidance for maintaining or communicating ERIs. Current management in Nuclear Licensing has demonstrated a commitment to the importance of this process and has implemented changes to make the process more robust.

⁴ CERTREC is a technology-based, regulatory compliance service provider that offers services such as daily updates and regulatory analysis as well as a repository of searchable regulatory information.

⁵ Scientech is a division of Curtiss-Wright Flow Control Corporation. The Scientech Licensing Information Service provides regulatory tools and resources such as publications and searchable regulatory databases.

⁶ NEI's mission is to foster the beneficial uses of nuclear technology before Congress, the White House and executive branch agencies, federal regulators, and state policy forums; proactively communicate accurate and timely information; and provide a unified industry voice on the global importance of nuclear energy and nuclear technology. According to the NEI, one of its purposes is to provide a forum to resolve technical and business issues for the industry and information on the nuclear industry to members, policymakers, the news media, and the public.

OBJECTIVE, SCOPE, AND METHODOLOGY

In TVA's Enterprise Risk Management's fiscal year (FY) 2013 fourth quarter documentation, we noted TVA's NPG had identified several instances of risks associated with compliance with regulatory requirements. Based on the existence of these risks, we initiated an audit related to TVA's nuclear regulatory program. The objective of our audit was to assess the effectiveness of TVA's process for addressing nuclear ERIs. For purposes of this audit, we limited our scope to NRC-proposed rulemaking. BP-247 is TVA's guidance for identifying, communicating, and tracking ERIs that may have regulatory impacts on TVA's NPG or NPG-managed material licenses. We did not include in our audit scope TVA's process for complying with newly-enacted or previously-enacted NRC rules and regulations. We limited tests of internal controls to those controls related to management oversight of the process as described in BP-247 for addressing nuclear ERIs within our scope.

To achieve our objective, we:

- Obtained and reviewed all revisions of TVA's BP-247 except for Revisions 3 and 4 which were unavailable. At the commencement of our audit, BP-247 Revision 9 dated March 28, 2014, was in place as the process to identify, categorize, manage, monitor, and provide statuses to senior management on issues that may have regulatory impact on NPG or on material-licensed facilities.
- Conducted interviews of personnel in TVA's NPG, which consisted primarily of individuals within Nuclear Licensing in order to obtain information about the ERI process. These individuals were identified through referrals and by reviewing current organizational charts and BP-247 roles and responsibilities and instructions.
- Obtained and examined evidence to determine whether TVA is following BP-247 Revision 9. In general, evidence primarily consisted of ERI monitoring tables and the supporting Excel spreadsheet, industry working group participation tracking lists and examples of NPG participation in those groups, NRC publications, industry periodicals, and NEI communications.
- Obtained and reviewed Problem Evaluation Reports (PER) for all Level A⁷ Root Cause Analyses from September 26, 2009, through September 26, 2014, by searching for the following words and phrases: "NRC," "regulatory," "emerging," "regulation," "issue," "violation," "inspection," and "CFR."
- Obtained and reviewed the NRC FY2014 Rulemaking Activities Report and compared the ANPR and proposed-rulemaking actions to the ERI Monitoring

⁷ TVA's Corrective Action Program Screening Process defines a Level A event as the highest significance level for regulatory event classification for NRC Level I, II, or III regulatory enforcement actions and red, yellow, or white violations. Event Levels B, C, and E indicate less significant regulatory events. For purposes of this audit, we only reviewed PERs that were classified as Level A events.

Table and compared final rulemakings to documentation obtained on the TVA InsideNet to verify relevant ERIs and final rules were identified.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

FINDINGS

We assessed the effectiveness of TVA's process for addressing ERIs and determined the process is generally effective. However, we identified areas where the documented process, BP-247, was not being followed. We also noted additional opportunities that could improve the effectiveness of the process. As a result of our audit, TVA issued BP-247 Revision 10, with an effective date of December 12, 2014, to address the areas of the process that were not being followed.

ERI PROCESS IS GENERALLY EFFECTIVE

We obtained and reviewed pertinent documentation and found no evidence that TVA failed to identify and respond appropriately to an ERI. If an ERI was not properly managed and resulted in TVA's noncompliance with the NRC final rule with TVA receiving the highest significance level NRC regulatory enforcement action or violation, TVA would prepare a PER with an event classification of Level A. We identified no instances of Level A PERs resulting from TVA not complying with a final rule. We also obtained and reviewed the NRC FY2014 Rulemaking Activities Report⁸ and noted no instances where TVA overlooked an ERI related to NRC-proposed rulemaking.

BP-247 NOT BEING FOLLOWED

We compared the roles and instructions documented in BP-247 Revision 9 to the process as described through interviews and our review of supporting documentation and determined CNL was not following portions of the process. Specifically, we determined (1) the ERI Monitoring Table was not being filled out completely and consistently, (2) formal executive briefings were not consistently occurring, and (3) executive sponsors were not being assigned to ERIs with significant impacts on NPG resources.

⁸ The FY2014 Rulemaking Activities Report provides a summary of NRC rulemaking actions published in the Federal Register during FY2014. Included in the report are summaries of documents (1) containing regulatory text, (2) imposing requirements with general applicability and legal effect, (3) concerning a rulemaking proceeding, and/or (4) announcing an enhanced public participation initiative related to a rulemaking. Also included are descriptions of agency actions on petitions for rulemaking.

BP-247, in Appendix A, included a template for the ERI Monitoring Table. According to BP-247, the ERI Monitoring Table is to be maintained on the CNL SharePoint Web site and updated promptly to identify new ERIs or report on progress with existing ERIs. In addition, the template for the ERI Monitoring Table requires CNL personnel to include a brief description of the issue, designate the Lead Licensing Program Manager, list the Technical Lead or Line Organization once assigned, note the current status of the issue, identify the projected due date and owner for the next action, and designate the qualitative assessment of whether the impact to NPG is high, medium, or low. In order to validate whether these steps were occurring, we obtained and reviewed copies of the ERI Monitoring Table from CNL personnel and from the CNL SharePoint Web site. We determined the ERI Monitoring Table dated September 4, 2014, which consisted of 36 ERIs applicable to TVA, was not being filled out completely and consistently. For example, 9 ERIs in the table did not identify the assigned technical leads, date assigned, next action date, or NPG impacts, which was not in accordance with instructions in BP-247 and also indicated those steps had not occurred. CNL management was not reviewing the ERI Monitoring Table for completeness and consistency, and CNL personnel also self-identified this as an issue during our interviews and opened Service Request⁹ (SR) 930281 during our audit on September 15, 2014, that stated:

Portions of BP-247 are not being followed. This SR is being written to identify some portions of BP-247, "Emerging Regulatory Issues Management" have not been followed as written. For example, the Emerging Regulatory Issues Monitoring Table has not been maintained on the Corporate Nuclear Licensing SharePoint. The Business Practice should be reviewed to ensure instructions are either followed or revised appropriately. Recommend 'E' level PER assigned to Corporate Nuclear Licensing.

Also during our audit, CNL issued BP-247 Revision 10, with an effective date of December 5, 2014, to address SR 930281 and closed the related PER,¹⁰ which included requiring the copy of the ERI Monitoring Table on the CNL SharePoint Web site to be updated monthly. After CNL informed us they had issued BP-247 Revision 10, we reviewed the ERI Monitoring Table posted as of January 7, 2015, on the CNL SharePoint Web site and noted all fields were complete.

BP-247 Revision 9 stated the Vice President (VP), Nuclear Licensing, and the ERI Manager will brief the NPG executive team periodically on the status of ERIs and executive sponsors will be assigned to ERIs with significant impact on NPG resources. During the course of our audit, CNL personnel informed us formal executive briefings were not consistently occurring and executive sponsors were

⁹ TVA defines an SR as the primary point of entry in the Maximo Enterprise Asset Management System to report a problem, to identify an asset or process that needs service, or to note anything that does not meet expectations. An SR may result in a Work Order or PER.

¹⁰ TVA defines a PER as a computer generated or paper form used to document evaluation and resolution of issues in the Corrective Action Program within Maximo.

not being assigned to ERIs with significant impacts on NPG resources. BP-247 Revision 10 added a formal process to document executive briefings by including an “ERI Executive Briefing Form Template” in Appendix C that also included a field to assign an executive sponsor. We obtained a recent example of an executive briefing that updated the VP, Nuclear Engineering, on Title 10 CFR Part 50.46c, “Emergency Core Cooling System Performance During Loss-of-Coolant Accidents,” but noted an executive sponsor was not assigned. In addition, we noted the ERI Monitoring Table does not contain a field to identify the executive sponsor if the ERI has significant impacts on NPG resources, which makes it difficult to determine whether this step has occurred and whether TVA has recognized the potential impact to ensure sufficient NPG resources are allocated.

OTHER OPPORTUNITIES FOR IMPROVEMENT

We identified other opportunities to enhance the effectiveness of the ERI process. Specifically, we noted there was (1) little, if any, documentation reflecting the reasons that ERIs were closed out and (2) no formal process to update the Industry Group Participation List.

ERI Closure Documentation Could Be Improved

Currently the BP-247 process does not clearly state the reason(s) for an ERI closure. Knowing the steps taken to address an ERI, including why it was eventually closed to ensure the ERI was handled correctly rather than just falling off the list, could be helpful to someone who is not as familiar with the process. The ERI Monitoring Table posted on the CNL SharePoint Web site is supported with an Excel-based spreadsheet that contains additional ERI supporting information such as links to documentation, detailed comments of steps taken, and ERIs that no longer need to be tracked on the ERI Monitoring Table. Our review of the supporting Excel spreadsheet determined it did not clearly state the reason or date for ERI closure and removal from the table. We noted neither BP-247 Revision 9 nor Revision 10 provided instructions or fields in the template for documenting ERI closure rationale and closure dates.

Maintenance of List of Industry Working Groups Needs Improvement

BP-247 Revision 9 instructed CNL to maintain a list of industry working groups and NPG participants on those working groups. The list was to be maintained on the CNL SharePoint Web site which would be updated by soliciting input periodically from NPG. An employee in CNL advised the process for updating the industry working group participation list could be improved because there is no firm mechanism in place to keep that list up to date during and after reorganizations. After this was brought to our attention, we noted changes were made to BP-247 Revision 10 to specify that CNL should solicit industry working group participation from NPG at least once per quarter. However, when we checked the CNL SharePoint Web site after BP-247 Revision 10 was issued, we noted the list of industry working groups and participants had not been updated for the current quarter. Additionally, we identified an active TVA employee

participant in a working group who was not included in the list. CNL personnel acknowledged the importance of Industry Working Group participation, which allows TVA to influence the substance of final NRC regulations that have an impact on TVA and the industry as whole. Further, BP-247 also stated TVA can become aware of ERIs affecting the industry through employee participation in working groups. Making the communication process more robust for tracking industry working group participation should help other groups in NPG understand the importance of identifying industry experts who should be involved in the ERI process.

A recent example of working group participation was TVA's loan of an employee to the NEI for assistance in petition efforts. This NEI involvement in the rulemaking process consisted of the "Petition for Rulemaking to Amend 10 CFR Part 37, Physical Protection of Category 1 and Category 2 Quantities of Radioactive Material" dated June 12, 2014, to the NRC. According to the NEI, Title 10 CFR Part 37 significantly impacted the industry as a whole and the NEI initiated joint efforts to address additional requirements imposed on licensees. According to this NEI petition, the purpose was to amend Part 37.11 to remove unnecessary and burdensome requirements on licensees, such as TVA, with established physical security programs required by Title 10 CFR Part 73, "Physical Protection of Plants and Materials."

The NRC rulemaking process can take years from initial proposal of a rule for public comment to when a final rule is published. For example, the Title 10 CFR Part 37 preliminary draft proposed rule language was first published for comment in May 2009 and the final rule was effective in May 2013 with a compliance date of March 2014. It is important for TVA to have consistent and early involvement in the nuclear emerging regulatory environment such as participation in industry working groups so the organization can identify issues early and manage them in a timely and appropriate manner. Not recognizing an issue early in the process could have an adverse impact on TVA if the organization is not prepared to meet the compliance date.

RECOMMENDATIONS

We recommend the VP, Nuclear Licensing:

1. Continue with actions to address areas of BP-247 that were not being followed including (1) consistent completion of the ERI Monitoring Table and posting on the CNL SharePoint Web site, (2) conducting formal executive briefings, and (3) assigning executive sponsors to ERIs with significant impacts on NPG resources.
2. Enhance the ERI Monitoring Table and BP-247 instructions by:
 - a. Adding additional information to the ERI Monitoring Table supporting Excel spreadsheet that includes clear rationale and a closure date once an ERI no longer needs to be tracked and should be removed.
 - b. Adding additional information to the ERI Monitoring Table to note whether an executive briefing has occurred for ERIs with significant impacts on NPG resources and, if so, who was assigned as the executive sponsor.
3. Enhance the list of industry working groups and participants to keep the list as up to date as possible by:
 - a. Documenting on CNL SharePoint that a quarterly update of the list has occurred.
 - b. Developing formal communication to NPG for those outside CNL to verify accuracy and completeness of the list of industry working groups.

MANAGEMENT'S RESPONSE AND OUR EVALUATION

In response to our draft audit report, TVA management agreed with the facts, conclusions, and recommendations and stated they have taken or are taking the following actions to address our recommendations:

- Designated a Regulatory Issues and Oversight Senior Program Manager as the process leader and central point of contact for the ERI process to ensure procedural compliance with BP-247 and reviewed and updated the ERI Monitoring Table.
- Reviewing and updating the existing ERI Briefing Sheets found in BP-247, Appendix C, to include issues identified as areas of concern to the executive team.
- Reviewing actionable statements in BP-247 to ensure current compliance and to determine if revisions to the procedure are needed to ensure the process is properly defined to provide the most benefit for the resource expenditures.

- Requiring the designated Regulatory Issues and Oversight Senior Program Manager to meet with the VP, Nuclear Licensing, at a periodicity not to exceed at least once per calendar quarter to discuss ERI activities and to determine any needed communications with the NPG executive team.
- Assigned executive sponsors to ERIs designated as having a “HIGH” impact to NPG resources.
- Enhanced ERI Monitoring Table by adding fields for closure rationale, closure date, executive sponsor, and executive briefing date.
- Revised the industry group participation table to include the specific date on which the table was updated.
- Evaluating multiple methods for communication to NPG to verify accuracy and completeness of industry group participation table.

The Office of the Inspector General agrees with the actions planned and taken by TVA management in regards to all recommendations. See the Appendix for TVA management’s complete response.



Tennessee Valley Authority, 1101 Market Street, Chattanooga, Tennessee 37402

CNL-15-111

June 9, 2015

Robert E. Martin, ET 3C-K

Subject: **Comments Requested on Draft Audit Report 2014-15078 - TVA's Nuclear Emerging Regulatory Issues Process**

Reference: Letter from OIG to CNL, "REQUEST FOR COMMENTS - DRAFT AUDIT 2014-15078 - TVA'S NUCLEAR EMERGING REGULATORY ISSUES PROCESS," dated May 12, 2015.

The purpose of this letter is to provide comments concerning the referenced letter as requested. Corporate Nuclear Licensing (CNL) agrees with the facts, conclusions, and recommendations contained in the draft report.

Enclosure 1 of this letter contains the CNL responses to the three recommendations contained in the draft report. Responses include actions taken or planned and the associated Condition Reports that will be used to develop, document, and track action completion.

CNL has reviewed the information contained in the referenced letter, the associated draft report, and the responses provided in Enclosure 1, and determined that they contain no sensitive information that is required to be withheld from public disclosure.

If you have any questions, or wish to further discuss our responses, please contact Fred Mashburn at (423) 751-8817.

A handwritten signature in black ink, appearing to read "J. W. Shea".

J. W. Shea
Vice President, Nuclear Licensing

JJC:BAW
Attachment
cc (Attachment)

D. M. Czufin, LP 3R-C
J. P. Grimes, LP 3R-C
D. K. Lanier, MR 3K-C

R. W. Morgan, WT-4D-K
C. G. Pardee, WT 7B-K
OIG File No. 2014-15078

ENCLOSURE 1
Responses to Draft Audit 2014-15078 Recommendations
Emerging Regulatory Issues Process

Recommendation 1

Continue with actions to address areas of BP-247 that were not being followed including, (1) consistent completion of the Emerging Regulatory Issues (ERI) Monitoring Table and posting on the Corporate Nuclear Licensing (CNL) SharePoint web site, (2) conducting formal executive briefings, and (3) assigning executive sponsors to ERIs with significant impacts on NPG resources.

Response 1

In response to Item 1 of Recommendation 1, the Regulatory Issues and Oversight (RIO) group met on May 15, 2015, to discuss the restructuring of roles and responsibilities, proposed process changes, and communication strategies concerning Emerging Regulatory Issues. An RIO Senior Program Manager was designated as process leader for the ERI process. Among the responsibilities for the process leader was the responsibility for acting as a central point of contact for the ERI process, including focus on ensuring procedural compliance with BP-247. Additionally, the daily tasking, expectations, and near term deliverables for each applicable member of the RIO group were discussed.

A follow-up meeting was conducted on June 2, 2015, to further evaluate the process for enhancement. During this meeting, the participants conducted a detailed review and update of the ERI Monitoring Table. In addition, assignments were made to draft new and update existing ERI Briefing Sheets (BP-247, Appendix C) for issues identified by the Vice President (VP), Licensing to be of concern to the executive team.

The ERI Lead is reviewing actionable statements in BP-247, such as periodicities and assignments, to ensure current compliance and to determine if revisions to the procedure are needed to ensure that the process is properly defined to provide the most benefit for the resource expenditures. The actions listed above will directly address Recommendation 1.

In response to Item 2 of Recommendation 1, the RIO Manager will meet with the VP of Licensing at a periodicity not to exceed at least once per calendar quarter to discuss ERI activities, and to determine any needed communications with the Nuclear Power Group (NPG) Executive Team. This requirement will be included in the next revision to BP-247.

In response to Item 3 of Recommendation 1 executive sponsors will be assigned to the ERIs currently considered to have a HIGH impact to NPG resources.

Actions described above and potential changes to BP-247 to address all aspects of Recommendation 1 will be tracked through Condition Report 1028307.

ENCLOSURE 1
Responses to Draft Audit 2014-15078 Recommendations
Emerging Regulatory Issues Process

Recommendation 2

Enhance the ERI Monitoring Table and BP-247 instruction by:

- A. Adding additional information to the ERI Monitoring Table supporting Excel spreadsheet that includes clear rationale and a closure date once an ERI no longer needs to be tracked and should be removed.
- B. Adding additional information to the ERI Monitoring Table to note whether an executive briefing has occurred for ERIs with significant impacts on NPG resources and, if so, who was assigned as the executive sponsor.

Response 2

In response to Item A of Recommendation 2, fields for Closure Rationale and Closure Date have been added to the ERI Monitoring Table supporting Excel spreadsheet (2015 Screened Items List).

In response to Item B of Recommendation 2, fields for Executive Sponsor and Executive Briefing Date have been added to the ERI Monitoring Table.

The actions taken to date and any needed supporting changes to BP-247 will be tracked through Condition Report 1028308.

ENCLOSURE 1
Responses to Draft Audit 2014-15078 Recommendations
Emerging Regulatory Issues Process

Recommendation 3

Enhance the list of industry working groups and participants to keep the list as up to date as possible by:

- A. Documenting on CNL SharePoint that a quarterly update of the list has occurred.
- B. Developing formal communication to NPG for those outside CNL to verify accuracy and completeness of the list of industry working groups.

Response 3

In response to Item A of Recommendation 3, the Industry Group Participation table has been revised to include the specific date on which the table was updated. This will provide a clearly visible representation that the Industry Group Participation Table was updated within the specified periodicity. This revision to the table will be included in the next revision of BP-247.

In response to Item B of Recommendation 3, CNL is evaluating multiple methods for communication to NPG to verify accuracy and completeness.

All actions taken in response to this recommendation will be tracked through Condition Report 1028311.