



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

NOV 1 2003

Grant Thornton LLP
ATTN: Larry Goode
333 John Carlyle St.
Suite 500
Alexandria, VA 22314

Dear Mr. Goode:

SUBJECT: TASK ORDER NO. 2 ENTITLED "REVIEW OF FEE DEVELOPMENT
PROCESS" UNDER BPA NO. DR-09-03-129

In accordance with Section A.2, Task Order Procedures, and Block 19 of the SF 1449, of the subject agreement, this letter definitizes Task Order No. 2. This effort shall be performed in accordance with the enclosed Statement of Work and the contractor's technical proposal dated November 4, 2003, which is hereby incorporated by reference and made a part of the task order.

The period of performance for Task Order No. 26 is expected to begin on November 17, 2003, and expire on September 16, 2004, with an estimated cost of \$188,110.00. Funds in the same amount are hereby obligated for performance of this task order. The Contractor shall not incur costs for this task order which exceed the obligated amount of \$188,110.00.

Accounting data for Task Order No. 2 is as follows:

B&R No.:	47N-15-532-367
Job Code:	N7156
BOC Code:	252A
Appropriation No.:	31X030047N
Amount Obligated by This Action:	\$188,110.00

The following individuals are considered by the Government to be essential to the successful performance of the work hereunder:

[REDACTED]

The contractor agrees that such personnel shall not be removed from the effort under this task order without compliance with the BPA.

The issuance of this task order does not amend any terms or conditions of the BPA.

Your contacts during the course of this task order are:

Technical Matters: Renu Suri, Project Officer
(301) 415-0161

Task Manager: Tammy Croote
(301) 415-6041

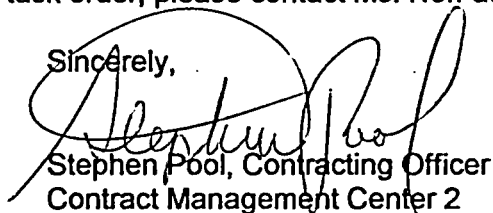
Contractual Matters: Debbie Neff, Contract Specialist
(301) 415-8160

Please indicate your acceptance of this task order by having an official, authorized to bind your organization, execute three (3) copies of this document in the space provided and return two (2) copies to the Contract Specialist at the address below. You should retain the third copy for your records.

U.S. Nuclear Regulatory Commission
Attn: Ms. Debbie Neff
ADM/DC/CMC2, Mail Stop T-7-I-2
Washington, DC 20555

If you have any questions regarding this task order, please contact Ms. Neff at (301) 415-8160.

Sincerely,



Stephen Pool, Contracting Officer
Contract Management Center 2
Division of Contracts
Office of Administration

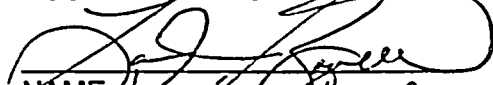
Enclosure: As stated

ACCEPTED: TASK ORDER NO. 2

NAME

TITLE

DATE


Larry Coode
Partner
11/10/83

REVIEW OF FEE DEVELOPMENT PROCESS
STATEMENT OF WORK
TASK ORDER NO. 2

1. BACKGROUND

The U.S. Nuclear Regulatory Commission (NRC) is required to recover a major portion of its annual budget through fees to licensees and applicants under the Omnibus Budget Reconciliation Act of 1990 (OBRA-90), as amended. The unusual aspect of this legislation is the requirement to recover the budget and not actual costs. However, the NRC assesses two types of fees to meet these requirements. First, license and inspection fees, established in 10 CFR Part 170 under the authority of the Independent Offices Appropriation Act of 1952 (IOAA), 31 U.S.C. 9701, recover the NRC's costs of providing special benefits to identifiable applicants and licensees. Under this authority, the NRC attempts to recover actual costs where they are identifiable to specific services rendered and approximately 25 percent of the budget is recovered in this manner. Examples of the services provided by the NRC for which these fees are assessed are the review of applications for new licenses, and for certain types of existing licenses, the review of renewal applications, the review of amendment requests, and inspections. Second, annual fees established in 10 CFR Part 171 under the authority of OBRA-90, recover generic and other regulatory budgeted costs not otherwise recovered through 10 CFR Part 170 fees.

Each year the NRC establishes a rule in the Federal Register in 10 CFR 170.20 that includes the hourly rates used to calculate Part 170 fees. These professional hourly rates are developed using a budget resource approach. These rates are based on the number of budgeted direct program full-time equivalents (FTEs) and the NRC's budget for a fiscal year (FY), excluding direct program support costs and NRC's appropriations from the Nuclear Waste Fund. Beginning in FY 1995, the NRC established two professional staff-hour rates in its regulations, one for the reactor program and one for the nuclear materials and nuclear waste (materials) program. The FY 2003 hourly rates for the reactor and materials programs are \$156 and \$158, respectively.

In addition, each year the NRC establishes annual fees for reactor licenses at 10 CFR 171.15 and materials licenses at 10 CFR 171.16. The NRC uses one of two methods to determine the amounts of the annual fees. One method is rebaselining, in which budgeted costs are allocated to various license classes or subclasses. The other method is the percent change method, in which annual fees from the previous year are adjusted based on the percent change in the annual budget, taking into account other factors, such as the number of licensees. The NRC's methodologies for calculating Part 170 and Part 171 fees rates are documented in The Nuclear Regulatory Commission License Fee Process General Guidelines and Operating Procedures (October 2000) and U.S. Nuclear Regulatory Commission Analysis of Fee Rule Development Process (March 2000).

2. OBJECTIVE

The objective of this procurement is to acquire skilled contractor support to propose improvements to the NRC's overall fee development process (including both Part 170 user fees and Part 171 annual fees), and in particular assess the viability for making changes to the

current hourly rate calculation methodology that would use actual cost data from the NRC's cost accounting system. If implemented, these changes would reduce agency administrative burden, be understandable to the public, and be part of a transparent and open fee development process. These alternatives will also be compliant with the requirements of OBRA-90, as amended, the IOAA, and other applicable laws, regulations, and policies.

3. SCOPE

The Contractor shall propose improvements to NRC's overall fee development process, including both Part 170 and Part 171 fees. In addition, the Contractor will propose alternative hourly rate calculation methodologies that use actual cost information. If implemented, any change could be part of an understandable and transparent fee development process. In addition, improvements should enhance the consistency between the terms and concepts used in fee development and budget formulation. The Contractor will evaluate the advantages and disadvantages of any proposed changes, including agency costs of implementation, and will make recommendations based on this evaluation. The Contractor shall also specifically assess other fee issues identified below, such as the consistency of NRC's methodology regarding the allocation of indirect costs with certain accounting standards, as well as the type of labor hours (i.e., direct, productive, other) that should be included in (the denominator of) the hourly rate calculation.

To accomplish this, the Contractor shall perform a review of the NRC's overall fee development process. This review will include but is not limited to a review of the relevant portions of The Nuclear Regulatory Commission License Fee Process General Guidelines and Operating Procedures (October 2000), U.S. Nuclear Regulatory Commission Analysis of Fee Rule Development Process (March 2000), NRC's History of Fees (2003), various Lotus spreadsheet files that document the NRC's existing methodology, NRC's bills/invoices, budget data, applicable legislation, regulations and policies, agency correspondence on this topic, and other relevant fee regulations (from other federal agencies) and court decisions. The Contractor shall also review the NRC's cost accounting system in order to understand the type of cost data available for proposed alternative methodologies that would use this cost information.

4. PERFORMANCE REQUIREMENTS

The Contractor shall participate in a kick-off meeting with the Project Manager (PM) and other NRC representatives no later than five business days after the initiation of the contract. The purpose of the meeting is to discuss the NRC's goals for the project and to provide input to the Contractor.

4.1 Description of Tasks

The Contractor shall be responsible for performing the following tasks. A task is not considered complete until all applicable open issues have been resolved and the specified deliverables approved by the PM.

Task 1: Establish a Project Plan

The Contractor will submit a project plan for NRC review that identifies major milestones and estimated due dates for each task and all deliverables associated with that task. This project plan shall include estimates of when and to what extent work is expected to be needed to be performed at NRC Headquarters site, 11555 Rockville Pike, Rockville, MD, in the Two White Flint North building.

Task 2: Analysis of Part 170 Hourly Rates

The Contractor shall produce a report (Report 1) that proposes a minimum of two alternatives to NRC's current hourly rate calculation methodology that use actual cost data from NRC's cost accounting system to produce, or refine existing, hourly rates. The report shall propose, for each alternative, a method for establishing these hourly rates both biennially and annually.

Advantages and disadvantages of each proposed alternative must be assessed, including agency costs of implementation. To the extent practicable and consistent with other requirements, these alternatives should minimize administrative burden and result in a simplified approach for the establishment of hourly rates. Any proposed alternative or proposed process change must, if implemented, be part of an understandable and transparent fee development process. Any changes must also be compliant with the requirements of OBRA-90, as amended, the IOAA, and other applicable laws, regulations, and policies. Based on the assessment of alternatives, the Report will provide recommendations regarding which alternative(s) NRC should implement.

This Report should also specifically examine whether Part 170 hourly rates should be established based on hours of direct labor, productive labor, or other labor categorization.

Recommended alternatives should be compatible with NRC's fee billing system when implemented (NRC's fee billing system will shortly be revised). Any work under this Task regarding NRC's bills/invoices must be coordinated, and not overlap, with other efforts regarding revisions to NRC's bills/invoices. If identified potential improvements to NRC's fee calculation methodologies would require changes to NRC's fee billing system, these changes must be identified to the NRC Task Manager as early in the fee development review process as possible.

To accomplish this task, the Contractor shall review the NRC's existing fee development methodology, including the hourly rate methodology, by reviewing relevant documents, which include but are not limited to: The Nuclear Regulatory Commission License Fee Process General Guidelines and Operating Procedures (October 2000), U.S. Nuclear Regulatory Commission Analysis of Fee Rule Development Process (March 2000), NRC's History of Fees (2003), various Lotus spreadsheet files that document the NRC's existing methodology, budget data and formulation information, applicable legislation, regulations and policies, and agency correspondence on this topic. The Contractor shall also review the NRC's cost accounting system in order to understand the type of cost data available for proposed alternative methodologies that would use this cost information, as well as NRC's current

bills/invoices. Other source data systems that support fee calculation should also be reviewed, including the agency's Human Resources Management System (HRMS), and NRC's Budget and Reporting (B&R) structure. In addition, the Contractor will review other federal government regulations that establish fees, and relevant court decisions regarding these regulations, to the extent this information informs the assessment of NRC's fee development process and is necessary to address identified issues. Specified internal NRC documents will be provided to the Contractor when the contract is awarded. See Exhibit 1 for a list of the mandatory references.

Task 3: Analysis of NRC's Overall Fee Development Process

The Contractor shall produce a report (Report 2) that proposes a minimum of two other efficiency improvements to the NRC's overall fee development process, including both Part 170 and Part 171 fees as appropriate, that make it less administratively burdensome. This Report shall also consider how any exceptions to NRC's current fee policy cause inefficiencies and how this might be minimized.

Advantages and disadvantages of each proposed efficiency improvement must be assessed, including agency costs of implementation. To the extent practicable and consistent with other requirements, these efficiency improvements should minimize administrative burden and result in a simplified approach for the establishment of NRC fees. In addition, improvements should enhance the consistency between the terms and concepts used in fee development and budget formulation. (Improvements may involve recommended changes to the NRC's B&R structure, as appropriate.) Any proposed alternative or proposed process change must, if implemented, be part of an understandable and transparent fee development process. Any changes must also be compliant with the requirements of OBRA-90, as amended, the IOAA, and other applicable laws, regulations, and policies. Based on the assessment of efficiency improvements, the Report will provide recommendations regarding which efficiency improvement(s) NRC should implement.

In addition, in this Report NRC's current (and any proposed new/revised) methodology shall be examined for consistency with generally accepted accounting standards, including those regarding the allocation of overhead and general/administrative costs and the treatment of direct/indirect costs.

Recommended efficiency improvements should be compatible with NRC's fee billing system when implemented (NRC's fee billing system will shortly be revised). Any work under this Task regarding NRC's bills/invoices must be coordinated, and not overlap, with other efforts regarding revisions to NRC's bills/invoices. If identified potential improvements would require changes to NRC's fee billing system, these changes must be identified to the NRC Task Manager as early in the fee development review process as possible.

Task 4: Spreadsheets and User's Guide to Implement Alternatives and Improvements

The Contractor shall produce a spreadsheet (or spreadsheets, as necessary) with built-

in formulas/calculations (if applicable) that would allow NRC staff to easily implement one alternative identified under Task 2 and one efficiency improvement identified under Task 3. The Contractor shall also produce a User's Guide that will clearly explain how to use the spreadsheet(s) and implement the alternative and efficiency improvement. The alternative and efficiency improvement for which the Contractor will develop the spreadsheet(s) and User's Guide will be identified by the PM after review, at a minimum, of the rough drafts of Reports 1 and 2.

4.2 Deliverables

The Contractor shall provide the NRC the following deliverables as explained below. The Contractor will provide a cost and time estimate for each deliverable. The Contractor's proposed Project Plan may provide estimated due dates different from those below if the Contractor deems these changes will result in higher quality deliverables and/or better project management (as explained in the Project Plan), as long as all deliverables are completed prior to the end of the period of performance of this contract.

4.2.1 Deliverables and Schedule

Deliverable	Due Date
Task 1	
Project Plan	1 week from Kick-off meeting
Task 2	
Outline of Report 1	3 weeks from Kick-off meeting
Summary of Preliminary Proposed Alternatives for Report 1	9 weeks from Kick-off meeting
Rough Draft of Report 1	14 weeks from Kick-off meeting
Final Draft of Report 1	18 weeks from Kick-off meeting
Task 3	
Outline of Report 2	6 weeks from Kick-off meeting
Summary of Preliminary Proposed Alternatives for Report 2	12 weeks from Kick-off meeting
Rough Draft of Report 2	17 weeks from Kick-off meeting
Final Draft of Report 2	21 weeks from Kick-off meeting
Task 4	
Rough Draft of Spreadsheets/User's Guide	25 weeks from Kick-off meeting

Final Draft of Spreadsheets/User's Guide	29 weeks from Kick-off meeting
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4.2.1 Format of Deliverables

The Contractor shall deliver three (3) printed copies of each draft and final deliverable and will also provide each deliverable in electronic format using Corel WordPerfect and Microsoft Word, Microsoft Excel or Lotus 1-2-3 as appropriate for the type of document.

4.2.3 Review of Deliverables

The Government will have no less than ten (10) workdays to review written draft and final deliverables. If deficiencies are found, the Contractor will be notified and shall have five (5) workdays to make appropriate revisions. All deliverable products shall be grammatically correct according to industry standard rules and contain correct spelling. All technical and financial terms shall be clearly defined to be understood by all readers. All deliverable products will be accepted or rejected in writing by the Government Contracting Officer, the PM, or a designated Technical Representative.

4.3 Level of Effort

The Level of Effort to complete Tasks 1 - 4 is anticipated to be approximately 1,350 hours.

5.1 PERSONNEL

The use of qualified personnel for the key positions on this project is considered essential to its success. At a minimum, key personnel will include the Contractor's PM/Task Lead, overseeing or performing the actual work, and the Senior Analyst. Key personnel shall be experienced in regulatory/financial matters and spreadsheet software use, and must possess demonstrated skills including accurate estimation and control of costs and scheduling, establishing milestones and allocation of personnel in an efficient manner for optimization of time and resources, excellent oral and written communication and analytical skills. Experience in rate setting is desirable. Key positions may not be assigned or changed without prior approval of the NRC PM.

5.2 MEETINGS AND TRAVEL

Meetings will be held at the NRC Headquarters site on an as-needed basis. At these meetings, the Contractor shall be prepared to discuss progress, issues, constraints, etc. Travel other than that to and from NRC Headquarters at 11555 Rockville Pike, Rockville, MD is not expected. The Government will not reimburse local travel.

Conference calls will be regularly scheduled to discuss Report status, including:

- (a) Efforts completed and milestones reached or, if missed, an explanation provided;

(b) Any problems or delays encountered or anticipated and recommendations for resolution. If the recommended resolution involves a contract modification, e.g., change in work requirements, level of effort (cost) or schedule delay, the Contractor shall submit a separate letter to the contracting officer identifying the required change and estimated cost impact;

(c) A summary of progress to date; and,

(d) Plans for the next reporting period.

5.3 REPORTING REQUIREMENTS

5.4.1 Financial Status Report

The Contractor shall provide a monthly Financial Status Report (FSR) to the Contracting Officer and the PM. The report is due within 15 calendar days after the end of the report period and must identify the title of the project, the contract number, the appropriate financial tracking code (e.g., Job Code Number or JCN) specified by the NRC Project Officer, PM and/or principal investigator, the contract period of performance, and the period covered by the report. Each report must include the following information:

(a) Total estimated contract amount.

(b) Total funds obligated to date.

(c) Total costs incurred this reporting period.

(d) Total costs incurred to date.

(e) Detail of all direct and indirect costs incurred during the reporting period.

(f) Balance of obligations remaining.

(g) Balance of funds required to complete contract.

(h) Contractor Spending Plan (CSP) status: A revised CSP is required with the Financial Status Report whenever the Contractor or the Contracting Officer has reason to believe that the total cost for performance of this contract will be either greater or substantially less than what had been previously estimated.

(1) Projected percentage of completion cumulative through the report period for the project as reflected in the current CSP.

(2) Indicate significant changes in the original CSP projection in either dollars or percentage of completion. Identify the change, the reasons for the change, whether there is any projected overrun, and when additional funds would be

required. If there have been no changes to the original NRC-approved CSP projections, a written statement to that effect is sufficient in lieu of submitting a detailed response to item 'h'.

(i) Travel status. List the starting and ending dates for each trip, the starting point and destination, and the traveler(s) for each trip.

(j) If the data in this report indicates a need for additional funding beyond that already obligated, this information may only be used as support to the official request for funding required in accordance with the Limitation of Cost (LOC) Clause (FAR 52.232-20) or the Limitation of Funds (LOF) Clause FAR 52.232-22.

5.4.1 Technical Progress Report

The NRC intends to assess the technical progress of this Report through regularly scheduled conference calls and deliverables, as discussed above. If the PM determines additional written status updates on technical progress is necessary, this will be requested on an as-needed basis.

5.5 GOVERNMENT FURNISHED INFORMATION

The Contractor has responsibility for obtaining, in a timely fashion, the documents listed in Exhibit 1 and any other publicly available documents needed to fulfill this contract. The NRC will provide copies of other materials to the Contractor at the Kick-off meeting. If the Contractor identifies other needed NRC documents not publicly available nor provided at the Kick-off meeting, the Contractor shall request that the NRC staff furnish these documents.

5.6 PERIOD OF PERFORMANCE

From time of award and project start, this contract shall span approximately 40 work weeks.

**EXHIBIT 1:
Mandatory Material to be Obtained by Contractor**

Document Type	Title
Legislation	Omnibus Budget and Reconciliation Act of 1990, as amended
Legislation	Independent Offices Appropriations Act of 1952
Regulation	10 CFR Parts 170 and 171
Federal Register Notice	Revision of Fee Schedules; Fee Recovery for FY 2003; Final Rule; published Wednesday, June 18, 2003
OMB Circular	OMB Circular A-25, "User Charges"
Government Policy/Standard	Managerial Cost Accounting Concept and Standards for the Federal Government, Statement #4