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**NUCLEAR REGULATORY COMMISSION**

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Category 2 Public Meeting

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UNITED STATES OF AMERICA

NUCLEAR REGULATORY COMMISSION

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OFFICE OF THE CHIEF FINANCIAL OFFICER

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FISCAL YEAR 2017 PROPOSED FEE RULE

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CATEGORY 2 PUBLIC MEETING

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THURSDAY, FEBRUARY 16, 2017

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The Category 2 Meeting met at the United States Nuclear Regulatory Commission in T2B1, 11545 Rockville Pike, Rockville, Maryland, at 1:00 p.m., Sheila Ray, Facilitator, presiding.

PRESENT

SHEILA RAY, Office of Nuclear Reactor

Regulation, Facilitator

MAUREEN E. WYLIE, Chief Financial Officer

BILLY BLANEY, Office of the Chief Financial

Officer

ELIZABETH BOWLIN, Office of the Chief Financial

Officer

JAMES COYLE, Office of the Chief Financial

Officer

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1 CHRISTINE GALSTER, Office of the Chief Financial  
2 Officer

3 MICHELE KAPLAN, Office of the Chief Financial  
4 Officer

5 ANDREA KOCK, Office of Nuclear Material Safety  
6 and Safeguards

7 RICHARD RIVERA, Office of New Reactors

8 RENU SURI, Office of the Chief Financial Officer

9

10 ALSO PRESENT

11 JOHN BUTLER, NEI

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C O N T E N T S

CFO Opening Remarks . . . . . 4

Establish Ground Rules for Meeting . . . . . 9

Key Features of the NRC FY 2017 Budget

    Budgetary Consideration . . . . . 11

    Uranium Recovery . . . . . 20

FY 2017 Proposed Fee Rule . . . . . 31

Fees Transformation . . . . . 40

Fee Billing Enhancements . . . . . 44

Question and Answer . . . . . 46

Public Comments Submission . . . . . 64

CFO Closing Remarks . . . . . 65

Meeting Adjourned . . . . . 66

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

1:06 p.m.

1  
2  
3 MS. RAY: Thank you. I'll turn it over to  
4 Maureen for opening comments.

5 MS. WYLIE: All right. Good afternoon  
6 everyone. Thank you very much for coming. I'm  
7 Maureen Wylie. I'm the CFO of the Nuclear Regulatory  
8 Commission.

9 We are having our annual meeting on the  
10 2017 Proposed Fee Rule. We're doing that both here in  
11 the NRC and by phone and by webinar. So, I hope  
12 everybody has access to the materials in their chosen  
13 format.

14 I'm very excited about having an  
15 opportunity to discuss this Rule with our  
16 stakeholders. And I hope to continue to enhance the  
17 dialog that we have around fees as our priority on  
18 transforming our fee process is going to be a  
19 continuing priority for the long term.

20 For the first time, we were able to  
21 publish the Proposed Fee Rule by January 30. That's  
22 two months earlier than our prior practice. That's  
23 one of the first elements of the fees transformation  
24 commitments that we've made to the Commission.

25 I'll highlight is that our hourly rate has

1 increased slightly this year from \$265 under the '16  
2 Final Fee Rule to \$267 this year. Primarily because  
3 of the reduction that we've experienced in our mission  
4 direct FTE as a part of our transformation under  
5 Project Aim.

6 Michele Kaplan, who is the head of our  
7 License Fee Policy team is going to walk you through  
8 the details of that calculation later on in the  
9 presentation.

10 Even though most of our license  
11 application fees have declined, there are a few that  
12 will increase as a result of the increase in that  
13 hourly rate. We're going to cover that a little bit  
14 later.

15 And Andrea Kock is going to talk to us  
16 about some increases in the uranium recovery area.  
17 So, let's go to the next slide.

18 This is our agenda for the day. We're  
19 scheduled for two hours. And we'll take as much of  
20 that as necessary to make sure that everybody's been  
21 heard from.

22 When I'm doing giving you an orientation  
23 on the agenda, Sheila Ray, our Facilitator, is going  
24 to cover the ground rules for our meeting.

25 Andrea and I are going to cover segments

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1 of the budget that are important for our fee analysis.  
2 Michele Kaplan will be covering our Proposed Fee Rule  
3 in general. Then we'll take a short break.

4 Renu Suri will cover fees transformation.  
5 Elizabeth Bowlin will be covering some billing  
6 enhancements. And then we'll go into the question and  
7 answer and the public comment discussion process.

8 So, with luck, we'll all be done by three  
9 o'clock. So, next slide, please.

10 Let's talk a little bit about the basics.  
11 Although I'm sure that for many of you, this would be  
12 somewhat of a review.

13 We collect our fees under the Omnibus  
14 Budget Reconciliation Act of 1990, also known as OBRA-  
15 90. And it requires that we collect 90 percent of our  
16 budget authority in the year of that budget authority.

17 With each year we conduct a major  
18 administrative rulemaking process. Because of the  
19 impact to the economy, major rules typically have more  
20 than \$100 million impact to the economy.

21 That -- we have attempted to compress that  
22 time frame in order to be more responsive to our  
23 licensee's needs for information earlier in their  
24 planning and budgeting processes. But we still have  
25 some fairly complex processes associated with

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1 calculation as well as responding to the public's  
2 comments.

3 We collect fees under Part 170. That's  
4 direct fees for service based on our hourly rate. And  
5 then we collect under Part 171, which is our annual  
6 fee collection.

7 In the absence of an appropriation, our  
8 Proposed Fee Rule is based on our original 2017 budget  
9 justification, as modified by the Commission's  
10 direction on our Project Aim rebaselining.

11 So, I'll give you a little more detail on  
12 that later. But that gives you an opportunity to  
13 understand the relationship between the budget and the  
14 workload it represents and the fees that we're  
15 covering now.

16 So, for the top line numbers, based on  
17 this estimate, we would collect approximately \$833.4  
18 million. That's a net reduction of about \$50 million  
19 from our 2016 collection target of \$883.4 million.  
20 Let's go to the next slide.

21 Each year we ask the public for comments.  
22 And we receive a wide variety of comments. Many of  
23 them are focused on the Fee Rule.

24 We do in fact though continue to receive  
25 some comments that are out of scope. In particular,

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1 those comments that are not focused on either the  
2 methodology for calculation or collection, are out of  
3 scope for the Fee Rule.

4 Many common questions or feedback that we  
5 receive involve how the Agency could achieve  
6 additional efficiencies and invite change in our  
7 regulatory processes. We are happy as an Agency to  
8 receive that feedback.

9 However, we would request that you direct  
10 that feedback into appropriate venues that would allow  
11 us to deal directly with your requests. So, we like  
12 to hear from you. We're eager to respond to your  
13 comments on the Rule. And we will give you feedback  
14 if you give us out of scope comments in hopes to  
15 direct that to the most appropriate places.

16 In closing of my opening remarks, in  
17 addition to the rebaselining and other initiatives  
18 that we've conducted on Project Aim, we will  
19 continuously adapt our fee setting process to try to  
20 make it simpler, more transparent, easier for us to  
21 operate and for our licensee community to understand.

22 Most important, we are interested in  
23 increasing the efficiency, transparency, and  
24 accountability. We will give you a specific update on  
25 our fee transformation efforts later in the

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1 presentation.

2 But I would like everyone to know that as  
3 the Chief Financial Officer, this is my highest  
4 priority. And many of the activities that we cover  
5 today, and many others that aren't in scope of today's  
6 meeting, are focused on that effort.

7 As always, you're welcome -- we welcome  
8 your questions and your formal comments. And I  
9 appreciate the dialog that we're able to have in this  
10 area.

11 So, thank you for participating. And I'd  
12 like to turn it over to Sheila Ray so that she can  
13 cover our ground rules.

14 MS. RAY: Thank you. As Maureen said, my  
15 name is Sheila Ray. And I'm -- will be serving as  
16 your meeting Facilitator.

17 I also have Richie here to -- he's in  
18 training as a Facilitator. And he's going to help me  
19 with the Q&A.

20 My role is to help the meeting go smoothly  
21 to achieve a common objective. I'll be setting some  
22 ground rules and encourage participation and open  
23 dialog.

24 I'll help keep the meeting focused and on  
25 topic. And I'll also keep track of the agenda to

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1 ensure timeliness.

2 This is a Category Two public meeting.  
3 And the public is welcome to participate in the  
4 discussions provided they stay on topic.

5 In addition, the public will have an  
6 opportunity following the business portion of the  
7 meeting to make comments. Feedback forms are provided  
8 in the back. And we encourage your feedback.

9 All of the presentations will be made  
10 public in ADAMS. In terms of logistics, there are  
11 restrooms, walking out these doors, to the left, past  
12 the elevators. And the men's is on the left. Women's  
13 is on the right.

14 In case of emergency, please follow one of  
15 the NRC staff out of the building. We've covered the  
16 -- there is a telephone bridge line, and there is a  
17 webinar.

18 And if for those on the webinar, please  
19 type in the chat box to make a comment. And for those  
20 on the bridge line, please press star one.

21 In terms of ground rules, please have one  
22 speaker at a time considering the folks on the  
23 teleconference. And also, we are transcribing this  
24 meeting. So we would please ask that you state your  
25 name before making a comment so the transcription is

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1 accurate.

2 And although the meeting is being  
3 recorded, please submit your comments in writing. We  
4 would ask that you please hold your questions until  
5 the end at the Q&A session.

6 And please mute or vibrate all of your  
7 electronic devices. And lastly, please sign in on the  
8 sheet so we can have an accurate record of the  
9 meeting.

10 And at this time I will turn it back over  
11 to Maureen for features on the FY '17 budget.

12 MS. WYLIE: Thank you very much, Sheila.  
13 Let's go to the next slide.

14 So, -- there we go. We began the  
15 formulation of our 2017 budget very, very early in  
16 2015. So, it's been a journey for us.

17 At the same time that we worked on the  
18 budget, we recognized that we would receive direction  
19 from the Commission on Project Aim. And we wanted to  
20 focus on the efficiency and effectiveness efforts  
21 associated with that.

22 A key action under Project Aim was  
23 rebaselining the Agency's workload. That was the  
24 first along with common prioritization of the 19  
25 directed activities from the Commission's direction to

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1 us.

2 The idea was to reduce lower priority  
3 activities which could be shed or performed with fewer  
4 resources. So we had a fairly inclusive process  
5 associated with that.

6 We had many opportunities for both  
7 internal and external stakeholders to provide their  
8 input and give us ideas where we could be more  
9 efficient and effective. Once we received that idea  
10 -- all of those ideas, and we appreciate the extensive  
11 feedback we received from our external stakeholders in  
12 particular, our lead in partner offices prioritized  
13 and analyzed the input that we received.

14 So, the programmatic business lines,  
15 operating reactors, new reactors, fuel facilities as  
16 examples, as well as the corporate product lines were  
17 actively involved in this effort. The Office of the  
18 Chief Financial Officer had significant participation  
19 both as a product line and as a clearinghouse and  
20 evaluator of this activity.

21 We had a very bottom up effort associated  
22 with that work. Subject matter experts, responsible  
23 branch chiefs, division directors, were very careful  
24 in analyzing the Agency's work, while continuing to  
25 achieve our mission objectives, our values and the

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1 principals of good regulations. These were incredibly  
2 important guidelines and shaped our work throughout  
3 this process.

4           Once that level of work was completed, a  
5 cross office team of experienced senior managers,  
6 primarily deputies in our Agen -- in our  
7 organizations, reviewed the results. They did a  
8 really effective job of integrating those priorities  
9 from the various business lines to give to the most  
10 senior leadership opportunities for making decisions  
11 about rebaselining.

12           The list of recommendations that we  
13 provided to the Commission were, in general, accepted,  
14 there were very few exceptions, in January 2016. And  
15 as a result, we saved approximately \$40 million in the  
16 2017 budget process.

17           We still project to have future savings in  
18 2018 and beyond, bringing our total savings to nearly  
19 \$50 million associated with this initiative. So, the  
20 Office of the Inspector General, which is a part of  
21 our Agency budget was unaffected by this activity.  
22 Let's go to the next slide, please.

23           So there were some changes both in the '17  
24 budget as we originally proposed it in early February  
25 2016, as well as some significant changes from our '16

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1 and active budget. I'm just going to cover some top  
2 line activities associated with that.

3 I would recommend that if you are  
4 interested, you could review our Congressional budget  
5 justification. Which is fairly detailed in this area.

6 We had both increases and decreases in our  
7 budget that this is an annual effort where we balance  
8 our priorities. But there were some very significant  
9 activities of long duration that either reduced or  
10 ended during -- in the proposed '17 budget.

11 The most significant of which is our  
12 Fukushima Near Term Task Force activity. Given the  
13 Commission meeting today, I won't go further on that.

14 We also had some significant changes that  
15 involved the completion of some combined operating  
16 licenses in the new reactor business line. And some  
17 reductions to rulemaking and research.

18 These decreases were partially offset by  
19 increases based on work requirements. In particular,  
20 we have a request before the Congress for \$5 million  
21 to support our activity around preparing for advanced  
22 reactors. That would be off our fee base.

23 We have resources associated with medical  
24 isotope facilities. The Waterford and River Bend  
25 License Renewal projects, and the New Reactor Program

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1 System, which is a critical component of our managing  
2 of our workload going forward. It also helps us in  
3 our larger systems environment to increase the  
4 management information available to Agency leaders.

5 In the materials and waste safety area  
6 again, there were increases and decreases that  
7 balanced one another. Important areas include  
8 reductions in the oversight program for fuel  
9 facilities. A slow down of several rulemaking  
10 activities in that area.

11 There were Fukushima Near Term Task Force  
12 activities that were reduced during the period. We  
13 reduced licensings to support transportation packages  
14 and certification reviews for that. And contract  
15 support to decommissioning environmental reviews and  
16 licensing actions.

17 In the Agreement State area, we  
18 implemented online training for our Agreement State  
19 partners that allowed us to reduce funding in that  
20 area as well. Those decreases are partially offset by  
21 increases. The most significant of which is the  
22 expectation and our receipt of having at least one  
23 consolidated storage facility application.

24 We are now in receipt of the WCS  
25 application. And there now maybe an additional one

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1 that arrives in 2017. As I said, Andrea Kock will  
2 cover this in more detail when she talks about uranium  
3 recovery licensing and environmental reviews, also a  
4 growth area in our budget.

5 Now I'd like to talk about Agency support.  
6 Let's go to the next slide.

7 In particular there's been quite a bit of  
8 focus on our Agency support activities. For  
9 definition of the fee rule, Agency support represents  
10 corporate support activities and the funding  
11 associated with the Office of the Inspector General.

12 So as you can see here, let me speak a  
13 little bit in detail about what corporate support is.  
14 It is intended to reflect those service organizations  
15 that support the entire Agency.

16 And they are functions such as financial  
17 management and budgeting, which are of course, near  
18 and dear to my heart. Acquisitions, human capital,  
19 IT, rent, utilities, telecoms, other administrative  
20 services, facilities management, and of course  
21 stakeholder outreach.

22 It also includes policy support activities  
23 which are somewhat different. Which are more,  
24 obviously support to our policy activities, the Office  
25 of the Executive Director for Operations,

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1 Congressional Affairs, our Public Affairs, Commission  
2 funding including the Offices of the Commissioners.

3 So, Agency-wide rather than associated  
4 with any program. The combination brings us Agency  
5 support.

6 While we budget for the Inspector General,  
7 we are not involved in the development of that budget.  
8 So questions on that should be sent to the Inspector  
9 General's Office.

10 So as you can see, there is an increase  
11 from the amount associated with our Final Fee Rule in  
12 2016 and the Proposed Rebaseline Budget that we have  
13 today. There are two reasons for that.

14 The first is the long process associated  
15 with the '17 budget. We received a \$10.8 million  
16 reduction to our request in our appropriation in 2016.  
17 Since the roll out of our '17 budget, we have in fact  
18 reduced our corporate support by \$3.6 million as a  
19 part of rebaselining.

20 There are other requirements built into  
21 that budget request that we, the Agency, believe are  
22 critically important to the complete and useful  
23 effectiveness of our corporate activities. Of  
24 interest to this group in particular, our funds  
25 associated with IT in support of the accounting system

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1 and modernization of same.

2 We expect that through the final  
3 appropriations process, however that resolves, should  
4 the NRC receive a number lower than its current  
5 continuing resolution number, there will be reductions  
6 in corporate support. Based on the House and Senate  
7 marks that we see today for our 2017 budget, we  
8 anticipate that.

9 So when you see the Final Fee Rule, you  
10 should expect this number to be smaller. The only  
11 instance where it would not is if we do not in fact  
12 receive an Omnibus appropriation for the Agency.

13 There is still some uncertainty associated  
14 with the final closure of the 2017 budget. We are  
15 currently operating on a continuing resolution through  
16 April 28. And that is at the 990 level that we  
17 received in 2016.

18 We are hopeful that should we receive a  
19 year long continuing resolution, our Agency will  
20 receive an anomaly that will reflect the reductions  
21 that we've made in our budget. We no longer require  
22 the amount that we had in 2016. Unfortunately,  
23 there's no way to guarantee that.

24 Our continuous focus -- if you'll go to  
25 the next slide, please. Our continuous focus

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1 continues to be on efficiency in this area. These are  
2 the specifics that I was just talking about.

3 We do believe that there will -- that  
4 there have been negotiations associated with our  
5 budget between the House and the Senate. But the  
6 final rules governing the end game of the budget are  
7 unclear.

8 I raise this because that would put us in  
9 a challenging position to try to construct a fee rule  
10 with that level of uncertainty. Currently, the CR is  
11 set to expire at a time later than we had anticipated  
12 completing the Final Fee Rule.

13 So, the stretch goals for delivery that we  
14 had set to ourselves for fee transformation, have been  
15 limited by the fact that we won't have a final budget  
16 authority to base it on until at least April 28. This  
17 does play some risk associated with our ability to  
18 collect our 90 percent in the year.

19 Our commitment is that we will proceed to  
20 the Final Rule as quickly as possible as soon as the  
21 Congress resolves our number. We note this  
22 possibility in the Proposed Fee Rule. And we are  
23 happy to take questions about that.

24 So, I'd like to transition from the  
25 broader issues of the top line number and the Rule to

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1 a discussion of specifics associated with uranium  
2 recovery. And I turn to Andrea Kock to do that.

3 MS. KOCK: Good afternoon. My name is  
4 Andrea Kock. I'm a Deputy Director of the Division of  
5 Decommissioning Uranium Recovery and Waste Programs in  
6 the Office of Nuclear Material, Safety and Safeguards.

7 Maureen kind of covered an overview of the  
8 entire Agency's budget. I'm going to give you some  
9 details about the uranium recovery product line within  
10 our budget. Next slide, please.

11 And as Maureen explained, and I'm sure you  
12 understand, our fees are driven by our budget. Which  
13 is what I'm going to spend some time explaining the  
14 budget in the uranium recovery area and why it's going  
15 up and down.

16 So in the uranium recovery area, there is  
17 different products within our budget. I've listed  
18 what those products are in our budget on this slide.  
19 And there's three of them.

20 Uranium recovery licensing actions. And  
21 that's the work that we need to do to issue new  
22 licenses or expansions of existing licenses and  
23 license renewals in the uranium recovery area.

24 In doing those licensing actions, we also  
25 have a product for uranium recovery environmental

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1 reviews. Every safety review has an environmental  
2 review associated with it. And that's what's within  
3 that product line.

4 And then the third product line is our  
5 oversight function. And that's uranium recovery  
6 inspections. So we complete inspections at all of our  
7 operating uranium recovery facilities. And that  
8 involves staff from both our Region IV office and our  
9 staff here at Headquarters.

10 So those are the products that are covered  
11 within the uranium recovery budget. And the next  
12 slide, please.

13 So then drilling down a little bit more.  
14 The activities within those products in our budget, I  
15 have listed on this slide. And I'll explain the  
16 different colors in a minute.

17 But there are, as you can see, many  
18 activities that support our budget for uranium  
19 recovery. And I've kind of grouped them into three  
20 areas.

21 One is licensing, the second inspection,  
22 and then there's other indirect activities that  
23 support uranium recovery but aren't directly in the  
24 budget for uranium recovery. I'll explain that in a  
25 little bit as well.

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1           So under the licensing area, I have safety  
2           and environmental reviews listed. As I explained, for  
3           every licensing action, there's a safety review. And  
4           then there's an environmental review.

5           Also, associated with licensing are  
6           hearings. As you're well aware, there is an  
7           opportunity for many of our licensing actions for  
8           contested hearings. So hearing support is an activity  
9           that's listed in our budget.

10           Underneath that I have the Office of  
11           General Counsel and the Atomic Safety and Licensing  
12           Board. You probably also understand that as we do our  
13           licensing reviews, we have support from our legal  
14           staff to review those documents.

15           And our budget includes resources for the  
16           Atomic Safety Licensing Board to support hearings.  
17           This is an advisory board of Judges that deal with any  
18           contentions that are raised as part of our licensing  
19           process.

20           Another activity within the licensing  
21           product line is programmatic Agreement Implementation.  
22           What that is are activities that are required to be  
23           completed underneath the auspice of continuing to  
24           protect cultural resources as part of our  
25           environmental reviews.

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1           And I also have programmatic  
2 infrastructure listed there. It was included, there  
3 are things like guidance updates, workshops that we  
4 may put on, or self assessments that we conduct to  
5 look at the uranium recovery program internally and  
6 see what lessons learned we may have.

7           And then we have various minor licensing  
8 actions that we take. We have about 60 minor  
9 licensing actions a year that we process underneath  
10 the licensing product.

11           Under the inspection item there on number  
12 two, as I mentioned, we complete inspections for all  
13 of our operating uranium recovery facilities. This  
14 involves staff from our Headquarters office as well as  
15 our Regional office.

16           And then lastly there are indirect  
17 activities. These activities are not within the  
18 budget for uranium recovery. But I mention them  
19 because they are activities that support the uranium  
20 recovery program even though they're not part of the  
21 budget.

22           And they impact where we spend our time.  
23 And those activities are rulemaking, international  
24 activities, what I mean by that is activities that we  
25 undertake to support other countries and participate

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1 in international activities to learn the way the rest  
2 of the world are looking at uranium recovery issues.

3 We do have substantial activities in the  
4 international product line. We do have some research  
5 activities that support uranium recovery such as code  
6 development.

7 And lastly, Agreement State activities are  
8 listed there. So this includes our support for the  
9 Impact Program as well as currently we have Agreement  
10 State application from the State of Wyoming. So, our  
11 activities to support review of that application are  
12 covered there under Agreement State activities.

13 I told you I was going to explain the  
14 different color of the activities listed under item  
15 number one. The activities that are in green there,  
16 hearings, Office of General Counsel support, Atomic  
17 Safety and Licensing Board Panel support, and  
18 programmatic infrastructure, I highlight those because  
19 those are activities that are listed in our budget and  
20 we have resources associated with those.

21 But they're indirect activities. They're  
22 not directly billed. And I highlight those because  
23 when you think about annual fees and whether they're  
24 going up or down, those are really the activities that  
25 drive whether the annual fee would go up or down.

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1 Because those activities we don't recoup through  
2 direct billing. Next slide please.

3 On this slide I wanted to cover how we  
4 develop our budget for uranium recovery. To give you  
5 a little insight into how we come up with the numbers  
6 that actually drive the fees.

7 Workload forecasting is the first thing we  
8 do when we try and develop our budget. It's based on  
9 the number of operating facilities that we have.

10 Also letters of intent that we might  
11 receive for upcoming license applications. And we do  
12 this through a continuous communications with our  
13 licensees. And they actually do submit letters of  
14 intent when they are planning on submitting an  
15 application.

16 We assume a 34 percent submission rate for  
17 letters of intent that we receive. This is based on  
18 historically how many applications we actually get  
19 from the letters of intent that are submitted.

20 And developing our budget, we also look at  
21 the type of work that would be before us. That goes  
22 back too again, in licensing we have a safety review  
23 and an environmental review for every licensing  
24 action. So we budget for those.

25 And then the cost of completing our

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1 licensing reviews varies depending on several factors.  
2 One of those is what type of environmental review we  
3 might need to do.

4 Some activities require an environmental  
5 impact assessment, which is a very detailed  
6 environmental assessment. And other activities  
7 require an environmental assessment, we call those  
8 EAs.

9 Also we look at the complexity of the  
10 licensing action that might be before us, whether it's  
11 for a new facility or an expansion and renewal. Those  
12 all require different levels of resources.

13 And the way we estimate our resources is  
14 based on historical information. And what I mean by  
15 that is, what it has typically costed us to complete  
16 one of those reviews in the past.

17 We also look at whether a facility that we  
18 have is a new licensed facility, which requires a  
19 higher level effort in getting that facility ready to  
20 operating and going through the pre-operational  
21 inspections that we complete. Or whether it's an  
22 established facility. And that impacts our  
23 inspections and our oversight function in the amount  
24 of resources that's required there.

25 As far as hearings, we budget for hearings

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1 based on our best estimate of the hearings that we may  
2 get based on the licensing actions we expect. We try  
3 and gauge that based on the level of public interest  
4 in a particular project.

5 And the resources associated with those  
6 hearings, we budget based on an estimation -- based on  
7 historical figures and what it has cost to support  
8 hearings in the past.

9 And lastly for inspection work, that's  
10 very straightforward. We estimate the number of  
11 inspections that we plan based on the requirements  
12 that we have in our inspection manual procedures for  
13 the period OCD of inspections. So those are well  
14 established.

15 And then we simply look at the number of  
16 operating facilities. And the number of operating  
17 facilities in uranium recovery is steadily increasing.  
18 Next slide, please.

19 So here's what you really want to know.  
20 Where are the vectors in our budget? And why is the  
21 annual fee for uranium recovery increasing?

22 In fiscal year '17, if you've read the Fee  
23 Rule, you'll see that the annual fee for uranium  
24 recovery is anticipated to go up by about 10 percent.  
25 And in this slide I'll cover why that is.

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1           And going back to where Maureen started,  
2           and I'm providing a little more detail, really the  
3           annual fee is driven by our budget. That's where it  
4           starts.

5           Our budget for uranium recovery in FY 17  
6           is increasing. Our resources did increase to support  
7           ten environmental and safety reviews. And that's an  
8           increase from fiscal year 16 where we budgeted for seven  
9           reviews. So there was an increase there.

10          Our resources also increased to support  
11          licensing and oversight associated with 11 licensed  
12          facilities. And that was an increase from the  
13          previous fiscal year. In fiscal year 16 we had ten  
14          operating facilities. We anticipate to have 11 in  
15          fiscal year 17.

16          We also look at the number of operating  
17          facilities that we have. We have six operating  
18          facilities. That number is actually steady from the  
19          year before.

20          And the one thing we look at with  
21          operating facilities again is the kind of stage of  
22          life that the operating facility is in. It takes a  
23          lot of resources to get a facility up and operating.

24          And so we will look in our budget as to  
25          whether we anticipate a new facility coming on line.

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1 And that requires a bit more resources.

2 Then looking at indirect activities.  
3 Those things that I highlighted in green a couple  
4 slides back.

5 We do budget for hearings. The number of  
6 hearings we budgeted for in fiscal year 17 increases  
7 to five. We budgeted for four the year before.

8 And the other activities I had listed on  
9 that slide in green were our legal support, which we  
10 call OGC, and the Atomic Safety and Licensing Board.  
11 Those resources remain steady from fiscal year 16 to  
12 fiscal year 17.

13 And the other thing that impacted the  
14 annual fee in 17 was what we call infrastructure  
15 activities such as guidance development and  
16 programmatic improvements. What's included here is  
17 guidance development or infrastructure program  
18 enhancements that we may take such as a self  
19 assessment.

20 And we did complete a self assessment  
21 early this year. And those types of activities go  
22 into infrastructure. And our budget increased  
23 slightly in that area. Next slide, please.

24 Other factors affecting fees. So, the  
25 activities I have listed here are those other factors

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1 that I listed on the slide with green and black that  
2 aren't directly part of our budget. But we do have  
3 activities that support uranium recovery in these  
4 areas.

5 And the reason I mention these is that  
6 while they're not part of the budget, if we spend more  
7 of our time in these areas such as -- on areas such as  
8 rulemaking research or international support, it can  
9 impact the annual fee because we would bill directly  
10 less.

11 So, the annual fee calculation is  
12 basically our budget and then you take into account  
13 how much we anticipate billing for the year. So, the  
14 point of this slide is these didn't cause the budget  
15 to increase, but that we do have activities in these  
16 areas that can impact the annual fee.

17 I've listed them there. International  
18 program support, that actually remained steady in our  
19 budget this year. And our support for rulemaking has  
20 remained relatively steady.

21 In research, our budget there also remains  
22 steady. And then there's some other activities that  
23 we support that are in fee relief that impact uranium  
24 recovery, and those are international conventions and  
25 treaties and support to Agreement State activities.

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1           Those are all the slides I have. And  
2 we'll take questions at the end.

3           MS. RAY: Thank you. And now we'll turn  
4 it over to Michele for the FY 17 Proposed Fee Rule.

5           MS. KAPLAN: Thank you. I'm Michele  
6 Kaplan. I'm the License Fee Policy Team Leader. And  
7 what I'd like to do this afternoon is give you an  
8 overview of the FY 17 Fee Rule. Next slide.

9           As Maureen said, our budget authority that  
10 we use to calculate the Fee Rule is based the CBJ on  
11 less rebaselining cuts. And as she stated, our budget  
12 authority is \$952.1 million. And it was a decrease  
13 of \$50 million from 2016. Next slide.

14           This is the calculation that we go through  
15 to determine the 90 percent that we have to collect  
16 for our -- for -- as -- I'm sorry. According to OBRA-  
17 90.

18           So we start with our total budget  
19 authority, which is the \$952.1 million. And then we  
20 deduct the items that are off the fee base. So that  
21 in total would be \$25.4 million.

22           And those are things like waste incidental  
23 to reprocessing, generic homeland security, and the IG  
24 services for the Defense Nuclear Facility Safety  
25 Board. So, we deduct out the \$25.4 million and we

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1 come up with \$926.7 million.

2 And then according to OBRA-90, we have to  
3 recover 90 percent of that. And we come out with \$834  
4 million. And then we have to deduct some timing  
5 adjustments for collections. So those are our billing  
6 adjustments of \$.6 million.

7 And we come up with our adjusted recovery  
8 amount, which is \$833.4 million as Maureen stated.  
9 And then we estimate what our Part 170 billings are  
10 going to be for the year, which is the \$324.6 million.

11 And the rest is our Part 171 fee  
12 collections required. And that's the \$508.8 million.  
13 Next slide.

14 Next slide. Okay. So, fee relief is the  
15 other 10 percent. And so what I want to say is in the  
16 fee role, we have two types of fee relief activities.

17 The first one is not attributable to  
18 existing licensees. And the second one is not --  
19 those licensees that aren't assessed fees based on  
20 existing law or Commission policy.

21 And there I just wanted to alert you to  
22 the fact that for Agreement States, we have one in the  
23 top section, Agreement State oversight. And then we  
24 also have the regulatory support to Agreement States  
25 in the bottom.

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1           And the difference being Agreement State  
2 oversight is technical assistance and training. And  
3 the regulatory support is developing regulations,  
4 guidance and legal advice.

5           And down at the bottom in both '16 and  
6 '17, there was a fee relief credit calculated. Which  
7 means that total fee relief was less than the 10  
8 percent. And so if total fee relief activities are  
9 less than 10 percent, we then assess a credit back to  
10 the licensee. So we give them a credit of their fees  
11 for the year.

12           If in certain years we do have this fee  
13 relief activities are over the 10 percent, we have to  
14 assess a fee relief surcharge. Next slide.

15           For the hourly rate. This year we have  
16 improved the work papers. We've improved the Fee  
17 Rule. We included definitions as footnotes for the  
18 hourly rate calculation.

19           So, as you saw before with Maureen's slide  
20 on Agency support, for the hourly rate we have three  
21 lines, or three buckets. We have mission direct,  
22 which are the resources allotted to perform the core  
23 work activities.

24           We have mission indirect, which is  
25 resources the support core mission direct activities

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1 such as supervisory support and mission travel and  
2 training. And then we have agency support, which  
3 Maureen already went over.

4 And then we have a definition for  
5 offsetting receipts. And I'll show you why that's  
6 important in just -- on another slide. All right.  
7 Next slide.

8 I'm going to skip this slide for just a  
9 minute. And I'd like to go to the next slide. Okay.

10 So, this is the hourly rate calculation.  
11 And we have our three buckets, mission direct, mission  
12 indirect, and agency support. And then we have a  
13 total, a subtotal there.

14 Now it looks a little different from our  
15 total budget authority that we need to collect.  
16 Because we are excluding contract costs, which we  
17 assess directly to the licensees.

18 So we have our subtotal there of \$801.4  
19 million. And then we deduct out offsetting receipts.  
20 So offsetting receipts, if you want to go back to the  
21 other slide.

22 MS. RAY: One more?

23 MS. KAPLAN: Yes. One more. No. One  
24 more. Yes, right. No. We're back. The one with the  
25 four. Yes. Okay.

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1           So there's the definition for offsetting  
2 receipts there. And it's the amount that we collect  
3 for FOIA and for the Price Anderson indemnity fees.  
4 So, those are not included in the amount that we  
5 collect for fees for the year. So we have to deduct  
6 those out.

7           Okay. So now back to the hourly rate  
8 methodology slide. Yes. One more.

9           So we come up with the total that we are  
10 included in the hourly rate, the total budget. So  
11 that's the \$801.3 million.

12           Then we look at, and this is in our  
13 budget, mission direct FTEs. So those are the  
14 individuals that are actually doing mission work.

15           And then we have a number for productive  
16 hours there of 15 hundred. And so, let's see, it's  
17 the next slide. Yes. The next slide, please. Okay.

18           So here's the calculation. We have  
19 budgeted resources over mission direct FTE hours. And  
20 that will equal our hourly rate. So, we have the  
21 \$801.3 million. And then the mission direct FTE hours  
22 are just our 2004 mission direct FTEs times the  
23 productive hours for each FTE.

24           And then we take that and we do the  
25 calculation and come up with the \$267 approximately as

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1 our new hourly rate. So, let me just explain if you  
2 want to go back to the other slide which talked about  
3 -- that. Nope. The productive hours assumption.

4 How did we come up with 1500? So this is  
5 the calculation. We take the total hours in mission  
6 business lines. And then we divide that by the total  
7 hours in mission business lines plus other hours.

8 So, it's the regular work that the FTEs  
9 are doing plus the other hours which are things like  
10 sick leave and training and holidays. And so we get  
11 a ratio.

12 And then we times that by the total work  
13 hours in a year as according to OPM, which is the  
14 2087. And we come up with our productive hours  
15 assumption.

16 So, for 2016, we had 1440. And in 2017 we  
17 have 1500. So, next slide. Next slide. Okay.

18 So this is where we are right now with  
19 \$267 as Maureen stated before. Okay. Next slide.

20 How do we develop our Part 170 fee  
21 estimate? Normally we look at our historical  
22 information, billing data from four quarters worth of  
23 activity. And because of this year we had to  
24 accelerate, in the past it was a combination of both  
25 actual and hist -- the prior year.

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1                   But this year because we're accelerating,  
2 we didn't have time to wait for the quarters to close  
3 and to get an idea of the current year's activity. So  
4 we have to use the prior years. So, you can see the  
5 Proposed Rule estimated four quarters of fees  
6 collected.

7                   When we do the final we will have some  
8 quarters that have closed for the year. And so we  
9 will use two quarters of actual for the year. And  
10 then two quarters of prior year. Next slide.

11                   So, how do we get our Part 171 annual  
12 fees? What we do -- this is for reactors. And this  
13 is a five-year historical trend analysis.

14                   We take our budgeted resources and we  
15 deduct our Part 170 estimate. And deduct any  
16 adjustments. And we come up with the amount that we  
17 need to spread over that many licensees in each fee  
18 class.

19                   And so as you can see from 2013 to 2017,  
20 how many operating reactors were in the fee class and  
21 what the annual fee per reactor was. Next slide.

22                   For fuel facilities, you can see the trend  
23 for the past five years. And what I want to say is  
24 fuel facilities, the budgeted resources has declined  
25 due to anticipated construction delays at Shaw Mixed-

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1 Oxide Fuel Fabrication Facility. And reduced workload  
2 resulting from increased efficiencies with the fuel  
3 cycle inspection program.

4 And then for the number of licensees. For  
5 the Proposed Rule, we have nine in this fee class.  
6 But one licensee, USEC Lee Cascade has decided to  
7 leave the fee class. And so for the Final Rule, we  
8 will have one less licensee.

9 Now, if the budget and the Part 170 fee  
10 estimate remain the same, we may see an increase in  
11 annual fees for the remaining licensees in the Final  
12 Rule. But, we don't know for sure. Because we don't  
13 know what the final budget's going to be.

14 So this is just to alert you that it could  
15 be the same. It could be greater. It could be less.  
16 We just don't know at this point.

17 And then for uranium recovery, which is  
18 the next slide, you can see the trend. And Andrea  
19 already went into the drivers for the increases in the  
20 budget. And you can also see the breakout between  
21 UMTRCA Program, Department of Energy, and then the  
22 other licensees.

23 Now in 2016, the licensee count was  
24 reduced to nine operating possession licensees,  
25 causing an annual fee increase that year. And then in

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1 2017, how many did we have in 2017? Nine? The same.  
2 All right. It remains the same. Okay. Next slide.

3 Part 171 materials user fee class. The  
4 annual fee recovery amount increased approximately  
5 \$500 thousand. And now there's over 40 fee categories  
6 all together. But 13 categories increased annual fees  
7 ranging from 1 to 23 percent.

8 So the annual feel methodology includes  
9 various components due to the complexity of each fee  
10 category. So we look at average hours to complete the  
11 licensing based on our biannual review.

12 Average hours to complete inspections.  
13 The inspection priority of frequency, low level waste  
14 surcharge, Part 35 medical use byproduct materials,  
15 and the number of licensees within each category. So  
16 all of those affect the fees in that particular fee  
17 category for materials users. Next slide.

18 So this is where you can find the Fee Rule  
19 and the work papers. We have enhanced the work papers  
20 this year in response to stakeholder comments. We've  
21 included more information, more definitions. And for  
22 the Final Fee Rule, we will continue to enhance our  
23 work papers and make it more understandable for  
24 stakeholders.

25 And so that concludes my presentation.

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1 And I think we were going to take a break now  
2 according to the agenda.

3 MS. RAY: Yes. It will be a ten minute  
4 break. And so please return back at we'll say 2:05.  
5 And Lauren, if you can let the folks on the phone know  
6 that we are on a ten minute break.

7 (Whereupon, the above-entitled matter  
8 went off the record at 1:54 p.m. and  
9 resumed at 2:06 p.m.)

10 MS. RAY: We are back, and now we will  
11 move on to fees transformation by Renu.

12 MS. SURI: Thank you, Sheila.

13 Good afternoon. My name is Renu Suri. I  
14 am happy to here tell you all about fees  
15 transformation and how we are doing. Next slide.

16 To answer the question why fees  
17 transformation, I would like to give you a brief  
18 history. Our external stakeholders, some of whom are  
19 in attendance today, submitted comments to us when we  
20 requested information via Federal Register notice  
21 which was published on March 22nd last year. The NRC  
22 received a large number of specific ideas on  
23 developing the Agency's fees. We also received  
24 comments on our proposed fee rule last year, and we  
25 received feedback during a public meeting on April

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1 13th of last year.

2 We also got Commission direction. There  
3 was the staff requirements memorandum on Project Aim,  
4 which told us to transform fees, and we plan to do so  
5 by improving the efficiency, transparency, and  
6 accountability of the NRC fee setting process.

7 So based on the internal and external  
8 feedback, Maureen, our CFO, submitted a memo to the  
9 Commission, SECY-16-0097, which identified  
10 administrative or process changes for fiscal year 2017  
11 through 2020. This SECY also requested Commission  
12 approval to analyze four improvements as policy  
13 issues. The Commission approved all the process  
14 issues, but of the four, only one, related to flat  
15 fees for uranium recovery, was approved. Next slide.

16 What do we plan to accomplish with this  
17 fees transformation project? In the Project Aim staff  
18 requirements memorandum, which was dated June 8th, the  
19 Commission directed the staff to simplify how the NRC  
20 calculates its fees, improve transparency, and improve  
21 the timeliness of the NRC's communications, so the  
22 OCFO, Office of Chief Financial Officer, has taken a  
23 fresh look at how we assess fees and has developed a  
24 roadmap of changes to be implemented within the  
25 statutory framework of the IOAA, the OBRA-90, and our

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1 annual appropriation.

2 So to see how we can simplify, we are  
3 reviewing our fee calculations for some of the fee  
4 classes. Transparency: Maureen characterizes our  
5 efforts to be transparent with the metaphor of the  
6 three-legged stool. The first leg, we continue to add  
7 more explanations in our fee rule work papers. So one  
8 example is something that Michele brought up in her  
9 presentation about the hourly rate terminology.

10 Congressional budget justification, as the  
11 second leg of the stool, is going to have more fee-  
12 related tables in the future. And the third leg is we  
13 are going to continue to make our invoices clearer.

14 So although Maureen has mentioned this, I  
15 want to mention it again to showcase our timeliness,  
16 that our 2017 proposed fee rule was published January  
17 30 of this year. It is the earliest date in recent  
18 memory. But a reminder: implementing policy and  
19 process changes to transform the fee setting process  
20 is challenging, especially in the current environment  
21 of plant resource reductions. Next slide.

22 How are we doing? We are doing well on  
23 our 2017 actions. You can see the list of actions  
24 that we have already completed for 2017, but I want to  
25 talk about one of them. It is the fourth down the

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1 line. It is -- if you go to our public website, now  
2 license fees is on our homepage on the footnote. You  
3 click on license fees, and it takes you to not only  
4 our fee rule, it takes you to the work papers and the  
5 Microsoft Excel fee-related spreadsheets. That is  
6 something our licensees had asked for. We are on  
7 target to complete the remaining actions for FY 2017,  
8 including aligning budget and fees.

9 The future year actions require us to  
10 begin the preliminary work in the current year. Most  
11 of our project plans are in place, which is going to  
12 help us chart our progress such that we can accomplish  
13 the actions in a timely manner. Next slide?

14 The next steps: so the staff requirements  
15 memorandum for the fees transformation Commission  
16 paper directed the staff to accelerate as many actions  
17 as possible. What did we do? We have completed one  
18 action scheduled for the next year, as noted on the  
19 slide. We are accelerating.

20 One of the actions for FY 2019 is a major  
21 system redesign. In our next presentation with  
22 Elizabeth Bowlin, she is going to give you more  
23 details. The system redesign should reduce billing  
24 errors. The Commission has also recommended  
25 accelerating the electronic invoicing, which is

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1 something that lots of our licensees would like. For  
2 electronic invoicing, the staff is reviewing a few  
3 options and plans to make their recommendations to  
4 Maureen soon.

5 For the flat fees project, if you  
6 remember, that is the policy change that the  
7 Commission approved. Our program staff is gathering  
8 data to explore a number of options. We plan to give  
9 the Commission a status of how we are doing every year  
10 at our -- with our annual fee memo.

11 This ends my presentation. Thank you for  
12 your attention, and the next slide -- if you could go  
13 to the next slide please -- gives you some ADAMS  
14 numbers. You can look them up, and the Federal  
15 Register notice that you can look them up, that is, if  
16 you can't get to it on our website. Thank you.

17 MS. RAY: Thank you. We will now move to  
18 fee billing enhancements from Elizabeth.

19 MS. BOWLIN: Good afternoon. I am  
20 Elizabeth Bowlin, and I work in the OCIO. Next slide,  
21 please. Thank you.

22 We have heard your requests for increased  
23 transparency in fee billing and have several data  
24 initiatives in progress to help support this. There  
25 is the cost accountability and management project,

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1 which is about standardizing and streamlining data  
2 with more clarity. The Master Data Management Program  
3 is what Renu alluded to, and that is about integrating  
4 the Agency's data systems.

5 The Agency is moving toward authoritative  
6 data systems, or a single system of record, and  
7 applying consistent data standards and also a  
8 centralized reporting information system. It will be  
9 a tool that staff can have timely access to data that  
10 is collected and processed across the Agency, and that  
11 allows us to do better work planning and communicate  
12 to you earlier than the invoice. The better  
13 management information allows us to give better  
14 information. Next slide, please.

15 To support this, we are also increasing  
16 controls for time and labor in the fee revenue  
17 process, that is, the data elements for fee-billable  
18 staff hours, and those go to the Part 170 hourly rate  
19 invoice. We are taking a comprehensive approach for  
20 increasing the controls end-to-end and also with  
21 participation across the offices and regions.

22 If you will follow me on our stacked Venn  
23 diagram, really the foundation is that authoritative  
24 source and integrated systems that we spoke of. The  
25 standard data structure and process will have

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1 consistent labeling of cost activity codes combined  
2 with the already extended field, and we're  
3 establishing a standard set of reusable fee-billable  
4 cost activity codes, and these are based on the  
5 activities that carry out the regulatory process.

6 We are hoping to gain efficiencies and use  
7 the time card itself to build accuracy and  
8 completeness into the fee bill. The focus is to give  
9 licensees and management an integrated and consistent  
10 view into the work that goes into producing safety and  
11 security and the resources that are used for that, and  
12 the intended consequence is better information on the  
13 invoice to support understanding of what work was  
14 accomplished during that period.

15 That is all for me. Thank you.

16 MS. RAY: Thank you. At this point, we  
17 are ready for our Q&A. I would remind you that we are  
18 transcribing this portion -- well, the entire meeting,  
19 but please state your name and affiliation before  
20 making a comment. Lauren, if you could open up the  
21 phone lines, please?

22 (Pause.)

23 MS. RAY: Lauren, can you open up the  
24 phone line please? For those on the phone line, you  
25 can press star 1 to make a comment.

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1 (Pause.)

2 MS. RAY: Are there any comments in the  
3 room? Please, go --

4 MR. BUTLER: Sorry.

5 MS. RAY: -- ahead.

6 MR. BUTLER: My name is John Butler with  
7 NEI. Maureen, I -- I want to express my appreciation,  
8 I think industry appreciation for all you are doing to  
9 set these meetings and answer our questions, and you  
10 have accomplished a lot in the last couple of years.  
11 Your team has, and this meeting has just pointed out  
12 to all those changes that you have -- you have been  
13 able to make for the better. I mean, just the earlier  
14 publication of the proposed fee rule I think was quite  
15 an accomplishment and really helps us to get a head  
16 start on what is coming down the road.

17 I know you're dealing with a number of  
18 challenges. The lack of an appropriations bill right  
19 now is one of those challenges, so my first question  
20 is if you don't get a final fiscal year '17  
21 appropriations bill by a certain date, the language in  
22 the proposed fee rule says you're going to go back to  
23 the fiscal year '16 rule: how does that quite work  
24 out? I mean, you're operating right now under a  
25 reduced workforce, reduced workload. And if you

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1 collect under fiscal year '16, what do you do with the  
2 difference, throw a big party at the end of the year,  
3 or --

4 MS. WYLIE: So I could guarantee you that  
5 there will be no party-throwing. In fact, the worst  
6 of all possible alternatives is the -- would be that  
7 a yearlong CR would be put into effect with the -- the  
8 amount that is currently  
9 -- that we are currently operating under, which would  
10 be an annualized rate for \$990 million for the fee-  
11 setting Agency, and then an additional \$12.1 million  
12 for the Office of the Inspector General. We  
13 highlighted that in the rule so that industry would  
14 understand what the worst-case scenario would be.

15 We -- we were -- well, we were all hoping  
16 that we would receive an appropriation at the end of  
17 the original CR, which was the 9th of December. That  
18 would have fit tightly, but would have fit into our  
19 current schedule. Unfortunately, without that, we  
20 simply wanted to articulate to industry that they  
21 would end up seeing billing rates approximately that  
22 of 2016 in that worst-case scenario.

23 The Agency no longer requires \$990 million  
24 for the vast majority of our activities. We have --  
25 we are proud of the efficiency work that we have been

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1 doing over the last year, and unfortunately, should we  
2 have to bill at that rate, we would carry over  
3 resources.

4 Now, as you are probably well aware, we  
5 also have had feedback from the Congress that they  
6 don't want us to carry over large balances, and,  
7 frankly, I don't want to do that either. That is not  
8 good financial management for you or for our industry  
9 customers in this instance. But we would be required  
10 to do so.

11 Those funds would be available to offset  
12 appropriations in future years, though, so as we did  
13 in 2014 where we used \$34 million in carryover and the  
14 appropriation we required was reduced, we would in  
15 that bad scenario look to do the same thing in the  
16 future.

17 MS. KAPLAN: Maureen, can I add that when  
18 we do have carryover, we do not charge fees again on  
19 it in the year that we use it?

20 MS. WYLIE: You have paid -- the industry  
21 has paid for that, and so that -- that allows us to  
22 ask for a reduced appropriation from the --

23 MR. BUTLER: Right.

24 MS. WYLIE: -- Congress.

25 MR. BUTLER: Right.

1 MS. RAY: Are there other questions on the  
2 phone, or should I just -- I will give other people an  
3 opportunity. Anyone on the phone or in the webinar  
4 have any comments or questions on the webinar? Please  
5 type in the chat box, and on the phone, please press  
6 star 1.

7 (No audible response.)

8 MS. RAY: Hearing none, John, did you have  
9 other comments?

10 MR. BUTLER: Yes.

11 MS. RAY: Please go ahead.

12 MR. BUTLER: This may be a question for  
13 Andrea. For the uranium recovery licensees, in the  
14 proposed rule, it talked about -- I understood the  
15 part about oversight hearings, but there was a  
16 specific line that talked about congressional hearings  
17 and inquiries as part of the basis for the increase.  
18 Can you explain that a little bit more?

19 MS. KOCK: That was language in the fee  
20 rule. Things like congressional inquiries are not in  
21 our budget. The main driver for the increased annual  
22 fee is our budget. However, congressional inquiries  
23 would fall into those indirect activities that I  
24 mentioned that are not part of our budget, so the way  
25 that could impact an annual fee is if we spend a lot

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1 of our time on those indirect activities, it could end  
2 up decreasing your billings.

3 Now, that did not happen for this year,  
4 actually. The billings in uranium recovery actually  
5 increased. So it is a factor. It is not the main  
6 factor. The main factor is the budget and the  
7 increase in the work.

8 MR. BUTLER: I just find it a little odd  
9 that it was pointed out or culled out for that license  
10 fee class and not others, I mean, but there is nothing  
11 unique about this class that you're expecting  
12 significant congressional oversight?

13 MS. WYLIE: So -- so if I may, part of the  
14 challenge is that not all of our business lines have  
15 the same level of automation of information that the  
16 reactor program does, and so as there has been  
17 additional requests for information, some of that has  
18 had to be done in a manual way, so that is a workload  
19 challenge for us going forward.

20 I -- I think that as the fee rule was  
21 being developed, we had many opportunities for input  
22 on that wording, and I -- I think as we have continued  
23 to do analysis of the workload that is actually  
24 driving the budget that you will likely see additional  
25 changes to the wording in that area. Again, it is the

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1 proposed and not the final.

2 MR. BUTLER: Okay. Yes, all right.

3 MS. WYLIE: Good.

4 MR. BUTLER: One of -- another area that  
5 captured my attention was in the -- I guess the  
6 uranium licensees also, to -- you -- no, this is in  
7 the fuel area. To address the departure of the  
8 Cascade gas centrifuge demonstration facility, and  
9 this was mentioned in the presentation, if you know  
10 that that is going to occur, are you taking some  
11 actions to address that -- that -- the loss of that  
12 licensee other than, as it has been characterized to  
13 me, spread the jelly over a smaller piece of bread?

14 MS. WYLIE: So one of the challenges for  
15 us is that we don't know what the final appropriation  
16 for the fuels area will be, so it may be that we  
17 receive less in that area. We also have as a part of  
18 our internal Commission procedures and our budget  
19 execution processes an opportunity for the Commission  
20 to reallocate resources through either reprogramming  
21 or our implementation planning process, and so there  
22 is always an opportunity for us to continue to review  
23 the resources in the fuels area and see if they need  
24 to be reallocated or reprogrammed to another area.

25 The longer we have uncertainty around the

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1 budget, the shorter period of time we will have to do  
2 that, but our internal processes have us go through  
3 both the appropriation that we receive from the  
4 Congress and our current year requirements before we  
5 do a final allocation to the business lines, so that  
6 is more of a you may see a difference in the final fee  
7 rule, or you may not, depending on what the final  
8 appropriation status is.

9 MR. BUTLER: Okay.

10 MS. RAY: One more?

11 MR. BUTLER: Continue?

12 MS. RAY: Go.

13 MR. BUTLER: International activities, I  
14 think we made comments last year that some  
15 international activities are on the fee base, and some  
16 are -- are -- some are Part 170, some are Part 171,  
17 and some are fee base, so they are addressed in  
18 different ways.

19 There was a note in the presentation, I  
20 guess there has been an explanation provided in the  
21 work papers or somewhere. I will go back and look for  
22 that because that is something that I still am  
23 challenged to understand, you know, what -- what the  
24 -- these international activities are and what the  
25 basis is for making some Part 170, some Part 171, and

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1 so, again, I will go back and look to make sure that  
2 I understand what is in the work papers.

3 MS. GALSTER: Yes, it is located in the  
4 work papers, and it kind of goes through the different  
5 items that are going to be on fee relief and what will  
6 be under the Part 171.

7 MR. BUTLER: Okay.

8 MS. WYLIE: But for example, Part 170,  
9 export/import licensing directly beneficial to the  
10 licensee, Part 170 is fairly straightforward, but we  
11 can -- before you depart, we can -- can we show him in  
12 the work paper?

13 MS. GALSTER: Oh, absolutely.

14 MS. WYLIE: Yes, we can do that before you  
15 depart so you will be able to see.

16 MS. RAY: And ma'am, could you state your  
17 name for the --

18 MS. GALSTER: I am sorry --

19 MS. RAY: -- record?

20 MS. GALSTER: -- Christine Galster --

21 MS. RAY: Thank you.

22 MS. GALSTER: -- OCFO.

23 MS. RAY: Thank you. I will just check,  
24 are there folks on the phone that have questions or  
25 comments?

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1 THE OPERATOR: I am showing no questions.

2 MS. RAY: Thank you, Lauren. Any --

3 MR. COYLE: Anyone in the room?

4 MS. RAY: -- none from the webinar?

5 MR. COYLE: None from the webinar. Folks  
6 in the room, questions?

7 (No audible response.)

8 MS. RAY: John, the floor is yours.

9 MR. BUTLER: Maureen, I guess this is back  
10 to the -- I guess the area that we even talked about  
11 it before, corporate support.

12 MS. WYLIE: Yes.

13 MR. BUTLER: I listened very carefully to  
14 your discussion, your presentation discussion on why  
15 corporate support is increasing. I didn't quite  
16 understand it.

17 MS. WYLIE: Sure.

18 MR. BUTLER: So if you could give me the  
19 lay version of why that is occurring?

20 MS. WYLIE: Okay. So we received our '16  
21 appropriation, and we got less than we asked for,  
22 \$10.8 million. We had still built our '17 budget on  
23 the same set of requirements as our '16 request, so  
24 that meant there were things that we wanted to do,  
25 particularly in the IT area --

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1 MR. BUTLER: Okay.

2 MS. WYLIE: -- that were not funded in  
3 '16, but that are included in the '17 budget.

4 MR. BUTLER: Okay.

5 MS. WYLIE: We have rebaselined the  
6 corporate budget, so we have actually reduced the  
7 delta between the two amounts, '16 and '17, but there  
8 are still increases that we requested back in February  
9 of 2016.

10 It is my expectation that if we do receive  
11 an appropriation number in an -- in an omnibus or an  
12 anomaly in the CR, in a full-year CR, that you would  
13 see further reductions in corporate support based on  
14 our efficiency work that we continue to do.

15 MR. BUTLER: And it also sounds like some  
16 of the things you were including under corporate  
17 support were once, like the IT changes, IT support  
18 changes, were not continuing, right? There would be  
19 --

20 MS. WYLIE: So some things will. We -- we  
21 found savings, and we eliminated them. In other  
22 instances, we have delayed investments that are  
23 required in our IT systems. Particularly of  
24 interest to me, there was an increase associated with  
25 the accounting system to do some additional

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1 modernization. I am trying to continue that work with  
2 the resources that I have available.

3 One of the reasons that you see invoice --  
4 electronic invoice, other kinds of activity in the  
5 2020 time frame is that there is only so much that you  
6 can do through process and data. Some of them require  
7 systems upgrades, so that is the challenge of getting  
8 resources in corporate support in a -- in a downward-  
9 trending environment.

10 I think -- so the oblique answer to your  
11 question is I think I am going to get another cut in  
12 corporate support, so you should expect to see that,  
13 and then we have continued to do work in 2018. That  
14 work is not completed because we have not received  
15 guidance from the new administration. The Commission  
16 has not finished voting, so I can't be more  
17 transparent about the '18 budget yet. That is  
18 enjoined by A-11. But we are very committed to our  
19 efficiency efforts under Project Aim, and you will  
20 continue to see them --

21 MR. BUTLER: Okay.

22 MS. WYLIE: -- in corporate support.  
23 Better?

24 MR. BUTLER: Yes, thank you.

25 MS. RAY: Other questions from anyone on

1 the floor? Anyone on the phone?

2 (No audible response.)

3 MS. RAY: Any more questions?

4 MR. BUTLER: Yes.

5 MS. RAY: Please, go ahead.

6 MR. BUTLER: Oh, sure.

7 Agreement State support: correct me if I  
8 am wrong. Some of the Agreement State support is off  
9 the fee base, but there is some Agreement State  
10 support that is on the fee base, is that correct?

11 MS. GALSTER: Christie Galster. Yes,  
12 John. Well, actually, Agreement State oversight and  
13 Agreement State regulatory support is in fee relief.  
14 I am not aware of any Agreement State that we charge  
15 annual fees for. It is typically all fee relief.

16 MS. WYLIE: So some of the savings that we  
17 indicated is that we reduced -- we changed how we did  
18 training that we provided to Agreement States, so that  
19 allowed us to reduce the training budget associated  
20 with that. So as they take up less fee relief, that  
21 makes more fee relief available for other parts of the  
22 budget. It is one of the reasons that there is a  
23 credit to licensees in the proposed '16 fee rule.

24 MR. BUTLER: So this is -- this is not my  
25 area of expertise, so I will ask the question, and

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1 forgive me if it is not stated the right way.

2 MS. WYLIE: Okay.

3 MR. BUTLER: When Wyoming becomes an  
4 Agreement State, that takes a large portion of the  
5 licensees away from direct NRC oversight and into the  
6 state oversight. The remaining licensees that are  
7 remaining licensees under NRC, they would not see a  
8 significant increase in -- in their -- their fees  
9 because that oversight would be off the fee base? I  
10 mean, any support you provide for Wyoming would be off  
11 the fee base?

12 MS. KOCK: So let me try, and then I can  
13 phone a friend in the CFO's office.

14 MR. BUTLER: Well, first off, do you  
15 understand my question?

16 MS. KOCK: I think the question I think is  
17 -- is when Wyoming becomes an Agreement State, which  
18 would result in a large portion of our licensings  
19 being rated by Wyoming, what impact would that have on  
20 the remaining -- okay, so I think that was your first  
21 question.

22 MR. BUTLER: Yes, that is basically it,  
23 yes.

24 MS. KOCK: So let me try, and then like I  
25 said, I will phone a friend over here.

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1           So when Wyoming becomes an Agreement  
2 State, there will be a large impact on our uranium  
3 recovery budget. A large portion of our licensees are  
4 in the State of Wyoming, so I would expect that when  
5 that happens, our budget in uranium recovery will be  
6 decreased significantly.

7           The annual fees are driven by the budget,  
8 so that would decrease, but whatever is left is going  
9 to be spread by less licensees too, so, you know, how  
10 that all works out with the math, so you -- we'll have  
11 a decrease in our budget, so that should decrease the  
12 total fee that we have to reclaim, but there will be  
13 a smaller number of licensees over which to spread  
14 that. I can't -- I don't know how that will work out  
15 depending on what the budget is and the number of  
16 licensees that are left.

17           MS. WYLIE: And because it is not in this  
18 year's fee rule, in the '17 fee rule, I don't actually  
19 have any math to offer you as an example, but  
20 logically she is exactly right. It may -- it may also  
21 mean, quite reasonably, that our support to Agreement  
22 States for both oversight and -- and rulemaking would  
23 go up, so the amount that would be in fee relief would  
24 go up, thereby making less fee relief available to be  
25 spread across the rest of the Agency -- the rest of

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1 the licensees.

2 So there are a lot of moving parts to give  
3 you a final answer to your question, which is will it  
4 -- will fees go up or down for those remaining  
5 licensees and how will that look? I don't today know  
6 what that looks like, but we are working toward that.  
7 What is the year that we expect to be done?

8 MS. KOCK: The year that Wyoming is  
9 anticipating is the end of fiscal year '18 into '19,  
10 so in our -- it would be in the FY19 budget.

11 MR. BUTLER: Right, but the general  
12 problem that that poses applies across a number of  
13 different fee classes. With the operating reactors,  
14 you have potentially significant reduction in  
15 licensees there, and -- and fuel enrichment class,  
16 same thing there.

17 MS. WYLIE: So --

18 MR. BUTLER: So --

19 MS. WYLIE: -- but in this instance, it is  
20 a little different because some of that budget and  
21 workload is going to move over to the Agreement State  
22 activity. The -- the point I hear from you is how are  
23 we responding to shrinking numbers of licensees? And  
24 -- and I would -- and I would simply say we recognize  
25 the changing workload landscape. That is why we

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1 started Project Aim all the way back in 2014. We are  
2 doing a lot of work projecting our workload into '18  
3 and '19.

4 We -- we are getting ready to do '19  
5 budget development because of the -- the way the A-11  
6 calendar works, so we are -- we are cognizant both of  
7 the need to be very -- to be as accurate as possible  
8 in our projection of that future workload, and we are  
9 cognizant that we need to continue to increase our  
10 agility, efficientness -- effectiveness, and  
11 innovation in order to respond to these changes. We  
12 are just not to that year yet.

13 MR. BUTLER: Great.

14 (Pause.)

15 MR. BUTLER: I just -- I guess one final  
16 point on the Agreement State --

17 MS. WYLIE: Yes.

18 MR. BUTLER: -- I mean, I agree that the  
19 -- the Agreement State support and how that is handled  
20 is -- is kind of different than -- than some of the  
21 other reductions or changes in numbers of licensees in  
22 that if every uranium licensee were under an Agreement  
23 State and there were none under NRC, there would still  
24 be a need for NRC I would imagine in the support that  
25 you provide the Agreement States in providing a

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1 framework, in providing guidance, in providing  
2 training that was mentioned in the presentation, so I  
3 just hope that that is kind of taken into account, and  
4 that -- and that while you can't bill the state  
5 directly, that we find a way that you're not having to  
6 bill the remaining licensees.

7 MS. WYLIE: So I -- I hear that feedback,  
8 and I will make sure that that -- so I know that that  
9 issue has been discussed in budget development, and  
10 you have my commitment that it will be an issue that  
11 we will continue to work going forward.

12 MR. BUTLER: I guess one final comment?

13 MS. RAY: Please.

14 MR. BUTLER: Again, I would like to  
15 express my appreciation for all the changes that --  
16 the transformation changes that Renu went through. I  
17 missed my opportunity to look at the Excel spreadsheet  
18 that was mentioned in the slides, but I will find  
19 that, but having more information, and I think  
20 electronic provides a lot easier way to digest the  
21 information, it's not a matter of having more  
22 information, it's a matter of having it in a form that  
23 can be easily understood and digested, so I wanted to  
24 just express my appreciation for the -- the changes  
25 that you have already accomplished and the changes

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1 that you're still underway to complete, so thank you.

2 MS. WYLIE: Thank you very much. Thanks  
3 for all of your contributions as well. You know, we  
4 know a lot of feedback came from you and NEI. It was  
5 very helpful in focusing our attention, and even  
6 beyond 2020, as we kind of improve in the fee area, we  
7 are going to continue to do so. Thank you very much.

8 MS. RAY: Thank you. Any other comments  
9 from any other folks in the room, on the phone, or on  
10 the webinar?

11 (No audible response.)

12 MS. RAY: And for those on the phone, star  
13 1 to make a comment. One last chance.

14 (No audible response.)

15 MS. RAY: Okay. We will move on, then.  
16 We will move on to the how do you submit public  
17 comments? Next slide please, Jim.

18 So there's a number of ways to make public  
19 comments. We do request that comments are submitted  
20 by March 1st. You may use the website to provide  
21 comments, and please search for the docket ID NRC-  
22 2016-0081. Another way is through email at the email  
23 address provided here, and again, please use the  
24 docket number. For faxing comments, please use the  
25 number shown here, 301-415-1101, and again, please

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1 include the docket number for easy reference. Next  
2 slide, please.

3 The comments may also be mailed to the NRC  
4 at this address, and again, adding the docket number  
5 would be extremely helpful. Hand delivery is also  
6 welcome. Our office is open 7:30 to 4:15, and any  
7 other further information that you may need, please  
8 contact Michele Kaplan. And these slides will be  
9 available in ADAMS so all of this information may be  
10 referenced in the future.

11 And at this time, I will turn it over to  
12 Maureen for closing comments.

13 MS. WYLIE: All right. In summary, our  
14 contact information is available. You can always send  
15 me an email, although my name is probably the most  
16 challenging to spell. In any case, the -- the names  
17 that you see here are the people who -- who are  
18 standing by to answer your questions.

19 I -- I do want to talk just a little bit  
20 about the -- the work that Elizabeth Bowlin covered.  
21 We didn't -- we didn't talk to the work that our  
22 program offices are engaged in to improve the  
23 information we provide licensees at the front end, at  
24 the acceptance end of taking in new work. There are  
25 limits to what we can do, and that is work that we're

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1 working on this year for 2017. There are limits to  
2 how much we can put on an invoice, so information  
3 flowing about the work and what is being done will  
4 continue throughout the process, and we're going to  
5 continually improve in that area.

6 I would like to thank everyone for  
7 participating, both in the room and on the phone. To  
8 my staff, thank you very much. It has been a journey.  
9 To our public commenters and specifically to you John,  
10 thank you very much for making this effort, for  
11 joining us in person. It is -- it is important to us  
12 to hear your views, and we appreciate that dialogue  
13 that we've had now over a number of years.

14 I hope that the webinar worked well for  
15 those of you who participated. Feel free to give us  
16 feedback about how that went as well. For all of you,  
17 I hope you have a little bit better sense of how the  
18 process works and know that we're going to  
19 continuously improve that process to the limits set  
20 for us by the Commission in OBRA-90. Thank you all  
21 very much. We are adjourned.

22 (Whereupon, the meeting went off the  
23 record at 2:44 p.m.)

24

25