

Official Transcript of Proceedings
NUCLEAR REGULATORY COMMISSION

Title: Public Meeting on FY 2018 Proposed Fee Rule

Docket Number: N/A

Location: Rockville, Maryland

Date: February 12, 2018

Work Order No.: NRC-3517

Pages 1-72

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UNITED STATES OF AMERICA

NUCLEAR REGULATORY COMMISSION

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PUBLIC MEETING ON FY 2018 PROPOSED FEE RULE

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MONDAY

FEBRUARY 12, 2018

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ROCKVILLE, MARYLAND

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The meeting convened in the Commissioners' Hearing Room at the Nuclear Regulatory Commission, One White Flint North, 11555 Rockville Pike, at 1:00 p.m., Maureen Wylie, Chief Financial Officer, presiding.

NRC STAFF PRESENT

MAUREEN E. WYLIE, Chief Financial Officer, OCFO

LUIS BETANCOURT, Facilitator

ALISON RIVERA, Facilitator

MICHELLE ALBERT, OGC

CAMILLA BARROR, NMSS

WILLIAM BLANEY, OCFO

JAMES COYLE, OCFO

LEIRA CUADRADO, NMSS

CRAIG ERLANGER, NMSS

1 BEN FICKS, OCFO
2 CHRISTINE GALSTER, OCFO
3 BRIAN HARRIS, OCFO
4 JO JACOBS, OCFO
5 ROBERT JOHNSON, NMSS
6 MICHELE KAPLAN, OCFO
7 CLARE KASPUTYS, OCM
8 JOHN MCKIRGAN, NMSS
9 KEVIN RAMSEY, NMSS
10 JENNIFER RAND, NMSS
11 SOLY SOTO, NMSS
12 RENU SURI, OCFO
13 RAM TIWARI, OCFO
14 JULIE WARD, NMSS
15
16 ALSO PRESENT
17 JOHN BUTLER, Nuclear Energy Institute
18 RICHARD FREUDENBERGER, Nuclear Fuel Services
19 HILARY LANE, Nuclear Energy Institute
20 JANET SCHLUETER, Nuclear Energy Institute
21 DOUGLAS WEAVER, Westinghouse
22 TONY ZIMMERMAN, Duke Energy
23
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P-R-O-C-E-E-D-I-N-G-S

1:00 p.m.

MS. WYLIE: Good afternoon. Thank you all for coming. I'm Maureen Wylie. I'm the CFO of the Nuclear Regulatory Commission, obviously.

I'd like to thank everybody who's participating here either as a -- here in the room with us or by phone or on the webinar. I really appreciate your interest in budgeting and fees. I'm very excited to be presenting our FY 18 fee rule. I believe that this is an important part of enhancing our dialogue about fee setting and fee policy.

As industry has crested over a number of years we've been accelerating the schedule associated with the development of the fee rule. As we did last year, the -- having our meeting here in February is a result of our publishing the rule early in January. Unfortunately, uncertainty about appropriations leaves it open as to when our final fee rule will be published.

You do have our commitment, however, that as soon as that is resolved we'll be working expeditiously to attempt to meet our performance goal as soon as possible. So your input on the proposed fee rule is an important part of our process. I

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1 really appreciate it.

2 What are the big headline messages?
3 There's a substantial change in our hourly
4 professional rate in part because of the change in the
5 number of mission-direct FTEs that are used in the
6 calculation of the rate. The rate itself increases
7 from \$263 an hour to 270.

8 There's been also a small increase in our
9 productive hours. As you know, we do that calculation
10 each year both for budget purposes and for the
11 purposes of development of the rule. Christie Galster
12 will talk about that a little bit later.

13 Because of the changes in the hourly rate
14 some of our flat fees for licenses have also changed,
15 and we'll talk about that a little bit.

16 So next slide, please. I want to cover
17 the agenda with you and introduce my fellow panelists.
18 First to my right is Craig Erlanger. He's the
19 Director of the Division of Fuel Cycle Safety,
20 Safeguards and Environmental Review in the Office of
21 Nuclear Material Safety and Safeguards. And because
22 of the interest in the topic of fees for fuel
23 facilities, we'll be discussing that business lines
24 budget for 2018.

25 Christie Galster to my left is the senior

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1 accountant on our License Fee Policy Team. Christie
2 is the numbers genius of the group. She'll discuss
3 important aspects of how we calculate fees and the fee
4 rule. Thank you very much for coming up today.

5 Renu Suri on my right is our fee
6 transformation product -- excuse me, project member
7 who will discuss our accomplishments associated with
8 fee transformation, both current and those activities
9 which are still on our schedule as planned.

10 And then of course because there is a
11 direct relationship between our budget and our fees
12 I'll be discussing generally how the budget in 2018
13 reflects our activities.

14 When we get to the question and answer
15 period Bill Blaney, all the way over on the left, who
16 is also on our License Fee Policy Team, will be
17 available to answer questions.

18 So thank you all to the panelists.

19 Next slide, please. Okay. For those of
20 you for whom this is new or is a refresher I want to
21 talk a little bit about the basics before we get too
22 far underway. The Omnibus Budget Reconciliation Act
23 of 1990, also known as OBRA-90, as amended, requires
24 that we collect approximately 90 percent of our
25 current year appropriation in the year that it is

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1 enacted.

2 Every year we conduct a major rulemaking,
3 this administrative rule, within that fairly
4 compresses time frame, and we also do some of the
5 basic things as we would every year. So we do data
6 gathering, both from the budget and gathering the most
7 important and available workload data. We do some
8 significant calculations which are provided to you in
9 the work papers. We update the rule itself and then
10 we respond to your public comments. We collect fees
11 under 10 CFR Part 70; that is the actual fee-for-
12 service, and under Part 71 for annual fees.

13 So let's go to the next slide, please. I
14 want to take just a moment to address the potential
15 for out-of-scope comments. Over time we've received
16 quite a few out-of-scope comments, but over the last
17 few years we've noticed a significant decrease in
18 those. And I believe that's a part of our dialogue
19 between the Agency, staff, and industry, both in
20 general and with specific licensees. We also believe
21 strongly that as we continue to provide transparency
22 about fees understanding increases and therefore this
23 idea that out-of-scope comments are necessary will
24 decline. So I appreciate your role in that process.

25 Out-of-scope comments are generally those

1 that are not either associated with the calculation of
2 fees, changes to the fee regulation itself or to the
3 fee schedules. Some common questions that we receive
4 are about additional necessary efficiencies in order
5 to achieve mission goals more cheaply. We're always
6 interested in that feedback; I'm happy to take that
7 input, but that's not going to be responded to as a
8 part of our rulemaking process.

9 We also get feedback about changes to our
10 overall regulatory process such as the common
11 prioritization of rulemaking, cumulative effects of
12 regulation and risk-informed performance-based
13 licensing, and regulatory processes. Those in
14 particular are of important concern to the Agency,
15 both to the Commission and to the staff writ large.
16 This is just not the venue for dealing with them. I
17 urge you to seek out appropriate venues for that input
18 as you still have it or to send letters to the Agency
19 directly, because we are of course interested in your
20 feedback.

21 In closing on this topic I just want to
22 emphasize that we are continually reevaluating our
23 fee-setting process, and so we are always interested
24 in your input about how we can make the process more
25 transparent, fair, and timely, both for your as

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1 licensees and for us as the Federal Government trying
2 to get through this major rulemaking process.

3 As you make your questions and comments
4 today I appreciate that. I would also ask you to
5 submit them formally in our process so that we can
6 disposition them correctly.

7 And now I'd like to turn things over to
8 our moderator.

9 Please introduce yourself and give us the
10 ground rules for the meeting.

11 MR. BETANCOURT: Well, good afternoon
12 everybody. I would like to thank everybody to attend
13 the meeting today. My name is Luis Betancourt and I
14 am one of the two facilitators today. Alison Rivera,
15 who's on that side, she's going to be doing a little
16 of the Q&A aspect.

17 So our purpose today is to have everybody
18 to have a very productive meeting to -- involve. So
19 what I would like to do now is to propose some of the
20 ground rules that we want to have.

21 First of all, let's talk about logistics.
22 You want to going to the restroom, please go to that
23 door and make to the left, and the ladies' will be on
24 the left; the guys' will be on the right.

25 In the case of an emergency, please follow

1 to the staff to the nearest exit on one -- on each one
2 of these sides.

3 As a general reminder there is no foods
4 allow or drinks in this room except for water. For
5 the people in the room, please remember to -- there's
6 a sign-in sheet on the front. We would like for you
7 to also register.

8 Next what I would like to do is to go over
9 what can you expect for this afternoon.

10 So the purpose of today's meeting is to
11 talk about the updates to the fiscal year 2018
12 proposed rules. The meeting is scheduled between 1:00
13 to 3:00.

14 As a general reminder this is a category
15 2 public meeting where members of the public are
16 invited to participate at designated times in the
17 agenda.

18 There will be three presentations from the
19 staff followed by the Q&A. And after that we're going
20 to open up the microphone and let people on the phone
21 for public feedback.

22 We would like to make every effort for all
23 of the stakeholders to have an opportunity to speak
24 today, so to help us please keep your questions brief
25 and also focus on the subject matter at hand.

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1 Just to let you know, today is an
2 opportunity to provide formal comments to the proposed
3 fee rule. During the presentation the staff will
4 provide the means to do that.

5 In the views that we have so many people
6 on the phone, instead of actually introducing
7 yourself, what I would like to do is for each of you
8 to email your name, position and organization to Bill
9 Blaney at williamblaney@nrc.gov.

10 Before we begin let's actually talk about
11 some of the general background on the process. We
12 have folks participating in today's meeting by phone
13 and webinar, so it's very important to ensure that
14 everybody can hear and follow the meeting. For that
15 reason I would like to for those in the room to use
16 the microphones, which it's this one over here, when
17 asking questions. And for those in the audience,
18 please use the standing microphone.

19 The people that are on the phone, please
20 remember to mute your phones. You can use star six to
21 prevent background noises for being a distraction.
22 When we get to the Q&A portion, we're going to open up
23 the microphone and we will give you specific details
24 on how you can actually indicate your questions.

25 There's also to the webinar, you can

1 answer -- there's a chat feature that you can send
2 your questions and we will actually read the
3 questions, depending on what they are.

4 Finally, public meetings forms are located
5 at the side of the ledges. Please be sure to fill one
6 out. You can leave one with the NRC participants here
7 or drop it in the mail. Your opinion is very
8 important for us to actually -- so we can improve our
9 openness and transparency in the public meetings.
10 Simply log on and locate this meeting under the public
11 meeting schedule and you will find the feedback form.

12 That being said, let's actually now start
13 the public meeting. And I would like to turn to over
14 to Maureen so we can start doing the presentation.
15 Thank you.

16 MS. WYLIE: Thank you very much.

17 So unique considerations. This will be a
18 little bit of an explanation of how we actually
19 receive our budget from the Congress and how that has
20 resulted in the numbers that you see in the proposed
21 fee rule today.

22 So let's start with our proposed budget
23 authority. It is 967 million. That's based on a
24 couple of things. It is our FY 2018 Congressional
25 Budget Justification amount, which is 952 million with

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1 an addition of 15 million for the Integrated
2 University Program, which while it was not originally
3 requested in our budget, is currently reflected in
4 both the House and the Senate marks for our budget as
5 they exist today.

6 So we chose this number in order to give
7 you the largest possible number rather to have a
8 process where we'd have a low number of the proposed
9 and then perhaps a larger number during the final
10 process.

11 As compared to the 917.1 million that we
12 received as an appropriation for 2017, the increase in
13 total budget authority of 49.9 million is due in part
14 to a request for 30 million in the Nuclear Waste Fund.
15 That is excluded from fee recovery.

16 The current CR is expected to conclude on
17 March 23rd. We are very hopeful that we'll have a
18 final appropriation by then, but we can't say for sure
19 until something actually happens. This has been quite
20 an exciting appropriations process for us this year.

21 So after we get to our -- through our
22 billing adjustments we would propose to collect \$826.7
23 million in fees. That would be an increase of \$20.8
24 million from our 2017 target of 805.9 million.

25 Why is that? Well primarily in 2017 our

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1 appropriation of 917.1 was reduced from the amount
2 that we would have received because we also received
3 Congressional direction to use \$23 million in prior
4 year unobligated carryover balances.

5 So we don't budget for carryover, so our
6 -- the number that we use for the proposed rule, which
7 reflects the Congressional Budget Justification, does
8 not make an assumption about the use of these
9 carryover balances.

10 I just want you to be very clear that what
11 looks like an increase from a budgetary perspective is
12 also a fairly level level of effort activity from 2017
13 to 2018 with the major exception of our request for
14 Nuclear Waste Fund resources.

15 We expect based on the House and Senate
16 marks that we see on the Hill today that we will again
17 be directed to partially fund our activities through
18 the use of these unobligated carryover balances, but
19 we won't know how much or whether until we receive our
20 final appropriation. Those balances reflect funds
21 that industry has already paid fee on, and so you'll
22 not be billed for those again.

23 Next slide, please. So we have some
24 efficiency and workload changes that are inherent to
25 the 2017 budget -- excuse me, 2018 budget, and let me

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1 just start with Project Aim. So of course in last
2 year's fee rule we had an extensive discussion about
3 the re-baselining of our Agency's workload, reviewing
4 our current and project workload and developing lower
5 priority lists. That's activities that could either
6 be shed or performed or performed with fewer
7 resources.

8 The 2018 budget continues to reflect those
9 changes, both of the original roughly 39 million that
10 you rolled out in the 2017 budget, but additional
11 savings that were taken for the first time in 2018 to
12 bring our total amount to \$48 million and 185 FTE.

13 We will close out our Project Aim
14 activity, but we won't stop focusing on efficiency,
15 effectiveness, and agility. I'm confident that at
16 Commission direction and in our processes we will be
17 continuing our efficiency seeking without having major
18 organizational effort in that direction. At least
19 that's what I see today and what I would expect to see
20 going forward.

21 So moving on from Project Aim and it's
22 overall budget impact I want to highlight some changes
23 from the 2017 enacted budget for reactor safety.
24 Given that the reactor community pays for about 84
25 percent of our appropriation, it -- I'm sure that

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1 these are areas of particular interest.

2 So there were some increases in the 2018
3 budget because of increased workload in several areas.
4 One of the most important areas is risk-informed
5 licensing actions and amendment requests. We received
6 one subsequent license renewal application. And
7 because of how carryover was funded we have what looks
8 like increases in the research product line, but is in
9 fact a continuation of activity that was funded by
10 carryover but would now be funded by our budget
11 request.

12 Those increases are partially offset by
13 decreases because we understand that through
14 efficiency seeking we can do what needs to be done
15 from more of an add shed point of view. So we've had
16 either declining or completed workload in the
17 following areas:

18 We've completed our COL application
19 reviews. We've cleared the Fukushima Near-Term Task
20 Force Tier 1, 2 and 3 activities. We budgeted for the
21 closure of the Fort Calhoun Station. We've completed
22 the NFPA 805 license amendment requests that were
23 budgeted in 2017. We completed certain license
24 renewals. We eliminated potassium iodide as there
25 were no states this year that were expecting us to

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1 replenish their requirement. And then of course we
2 still have those re-baselining efficiencies associated
3 with both the reactor oversight process; in particular
4 the inspection writing process associated with the
5 fielding of our new Reactor Program System, also known
6 as replacement RPS, and simplifications in the
7 significant determination process.

8 Next slide, please. I'd also want to move
9 on to materials and waste safety. That's about 20
10 percent roughly of our budget. And there were -- in
11 this area we had some significant decreases because of
12 declining or completing workload in the following
13 areas:

14 For fuel facilities we had a reduction in
15 inspection review of the mixed oxide fuel fabrication
16 facility and the Westinghouse license renewal.
17 Craig's going to talk a lot more about that in a
18 moment.

19 For decommissioning and low-level waste we
20 had the completion of reviews for license amendments
21 for Strata Energy and Jane Dough, reductions in
22 licensing work and efficiencies gained through the
23 realignment of the Uranium Mill Tailing Radiation
24 Control Act, UMTRCA, one of my favorite acronyms,
25 which primarily affected the Department of Energy.

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1 For spent fuel and storage and reactor
2 decommissioning we had reductions in the certificates
3 of compliance for DoE and decreased major
4 transportation licensing actions anticipated for '18.

5 We also maintained resources for the waste
6 control specialists' application in case that it was
7 -- its suspension was lifted. We had 4,600 hours
8 expected for that activity and 1.2 million that would
9 have been associated with Part 170 billing. So it
10 does affect how bills are associated with the rest of
11 the class.

12 And then finally, for materials users
13 efficiencies gained through process enhancements and
14 re-baselining for the Materials Users Program was
15 reflected in those requirements.

16 And then I'm going to turn this over to
17 Craig so that he can talk about the fuels facilities
18 business line.

19 Thank you, Craig.

20 MR. ERLANGER: Thank you, Maureen.

21 Could we go to slide 11, please?

22 MS. WYLIE: I'm going to -- ooh, there
23 should be --

24 MR. ERLANGER: Slide 12? Perfect. Thank
25 you.

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1 MS. WYLIE: Okay. And then I'm going to
2 go back to mission support.

3 MR. ERLANGER: Okay. Good afternoon
4 everyone. My name is Craig Erlanger and I'm the
5 director of the Division of Fuel Cycle Safety,
6 Safeguards and Environmental Review in the Office of
7 Nuclear Material Safety and Safeguards.

8 This afternoon I'll be providing you with
9 an overview of the fuel facility line FY 18 budget.

10 If you'd turn to the next slide, please.
11 This slide lists the products within the fuel
12 facilities business line. The fuel facilities
13 business line is composed of mission-direct resources,
14 mission-indirect resource, and some resources that are
15 excluded from the fee base.

16 As we would expect, the majority of the
17 business line resources are in mission-direct
18 resources and they fund the NRC's core activities
19 including event response, international activities,
20 licensing, oversight, and rulemaking. Mission-
21 indirect resources, they support the execution of
22 activities such as supervisors, training and travel.
23 They include staff again of supervisors, licensing
24 assistants, administrative assistants, and legal
25 counsel.

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1 I would like to note that while generic
2 homeland security is vitally important and a vitally
3 important part of the fuel facilities business line,
4 it is excluded from the fee base, and that means that
5 it is not part of the 90 percent that the NRC
6 recovers.

7 In Christie Galster's presentation, which
8 is next on the agenda, she'll provide some additional
9 detail about the resources assigned to the fuel
10 facilities business line products.

11 Next slide, please. On this slide I'm
12 going to provide you just an overview of some of the
13 activities accomplished by the fuel facilities
14 business line. The fuel facilities business line is
15 responsible for ensuring the safety and security of
16 fuel cycle facilities and greater than critical mass
17 facilities. The business line leads the licensing and
18 oversight activities for these facilities as well as
19 the NRC's implementation of the domestic Material
20 Control and Accounting Program and the International
21 Safeguards Program.

22 This slide provides an overview of some of
23 the activities that are being conducted in fiscal year
24 2018. I'd like to draw your attention to the fourth
25 and fifth bullets on this slide to give you a little

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1 bit more information related to them. The Part 40
2 facility that's being referenced is the Honeywell
3 license renewal that is presently being reviewed by
4 the staff, and the fifth bullet is referencing the
5 Westinghouse Columbia fuel fabrication license renewal
6 that the staff is reviewing and anticipates being
7 completed in fiscal year 2018.

8 Next slide, please. The fuel facilities
9 business line experienced a period of significant
10 workload increase between fiscal years 2018 and 2013,
11 and we also saw a corresponding increase in the
12 budget. And that's shown on the incline on the chart
13 that you're looking at right now.

14 Some of the reasons for the increase
15 included four major license applications reviews,
16 including mandatory and contested hearings, and those
17 reviews were related to the AREVA Eagle Rock facility,
18 Global Laser Enrichment, International Isotopes and
19 the MOX facility. There were also two major
20 facilities that were under construction during this
21 time frame, and that is LES and MOX.

22 We also completed license renewals for
23 five major fuel cycle facilities: Honeywell, Paducah,
24 NFS, GNFA, and AREVA Richland, and also for five
25 greater than critical mass facilities. During this

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1 time period we also reviewed three new greater than
2 critical mass license applications.

3 Additionally, the events in Fukushima had
4 a direct impact on the work within the business line.
5 As many of you are aware, we issued Generic Letter
6 2015-01 related to natural phenomena hazards. That
7 effort involved inspections at each of the major fuel
8 cycle facilities and the conducting of inspection and
9 issuing a specific order for one of our licensees, as
10 well as the development of the Generic Letter and
11 associated guidance. And lastly, we received a
12 significant amount of licensing actions by LES as the
13 facility was being constructed.

14 Between FY 13 and 2018 the business line
15 experienced a significant workload decrease and a
16 decrease in our CBJ numbers, Congressional Budget
17 Justification numbers. Some of the reasons for the
18 decrease included a reduced level of licensing actions
19 and complexity, reduced construction inspections,
20 reduced effort on major renewals, as they're mostly
21 finished how, a reduced level of infrastructure
22 development, and a reduction in the number of
23 operating fuel cycle facilities.

24 Since 2011 six licensees have been removed
25 from the fee class. Portsmouth was removed in 2011,

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1 AREVA Lynchburg in 2012, General Atomics in 2012 as
2 well, and Paducah in 2015. I'd like to specifically
3 note that this year GE Vallecitos is now in materials
4 fee class 1-F and not the fuel facilities fee class.
5 And Centrus' Lead Cascade facility has entered
6 decommissioning and as such is not paying annual fees,
7 but they pay direct fees as appropriate.

8 Since the NRC formulates its budget two
9 years in advance, it takes time to adjust when the
10 work doesn't materialize or changes. The NRC though
11 continues to actively evaluate resource requirements
12 and evaluate efficiencies that could reduce resources
13 needed and make corrections as appropriate during the
14 budget execution.

15 The NRC recognizes that Part 171 fees have
16 also increased. We continue to right-size the fuel
17 facilities business line in the current and future
18 years. As indicated on the right side of the chart
19 shown on the slide, the size of the fuel facility
20 business line has decreased. You will see this
21 decreasing trend continue when the proposed FY 2019
22 budget numbers are released in the near future. NRC
23 will also continue to evaluate options through a
24 reduced percentage of the budget assigned to annual
25 fees.

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1 Next slide, please. The fuel facilities
2 budget increased between FY 17 and FY 18 by \$1.2
3 million, or 3.5 percent, due to a 1 FTE increase as
4 the result of a comparability adjustment between the
5 nuclear material users business line to support an
6 increase in fuel facilities enforcement activities.
7 This change reflects where the work is being done and
8 who should be charged for the work. And the other
9 cause of the increase was the cost associated with
10 fully-costed FTE.

11 I'd like to just reiterate that we
12 continue to evaluate NRC resource requirements to
13 address fact-of-life changes between budget
14 formulation and budget execution. With that in mind,
15 the NRC continues to evaluate programmatic
16 efficiencies that have the potential to result in
17 further resource reductions. And in that case I'm
18 referring to dollars or FTE.

19 Next slide, please.

20 MS. WYLIE: Okay. Thank you very much,
21 Craig. I'd like to go back to slide 10.

22 MR. ERLANGER: I have one more slide.

23 MS. WYLIE: You have one more slide?

24 MR. ERLANGER: I do. One more.

25 MS. WYLIE: Go back. I'm causing chaos in

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1 the team here.

2 What slide is it? Seventeen?

3 MR. ERLANGER: Seventeen.

4 MS. WYLIE: I thought you were done.

5 MR. ERLANGER: I just got one more quick
6 one.

7 MS. WYLIE: Oh, okay.

8 MR. ERLANGER: Thank you. Over the last
9 year the Office of Nuclear Material Safety and
10 Safeguards has been reevaluating our programs and fee
11 classes and considering alternate organizational,
12 budget and fee structures. As part of that effort on
13 December 13th, 2017 the staff initiated external
14 outreach and conducted a public meeting to describe
15 the current method for calculating annual fees for the
16 fuel facilities fee class.

17 In this meeting the staff provided and
18 overview of the existing fuel facilities effort matrix
19 and a proposed alternative to the methodology used to
20 calculate annual fees. The staff sought feedback on
21 that method and discuss opportunities and options for
22 improvement. During the meeting the staff requested
23 written comments from stakeholders. To date the staff
24 has received eight letters. The analysis of those
25 comments are ongoing.

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1 In short, comments were mixed as to
2 whether the NRC staff should continue working on
3 changes to the methodology for calculating fees at
4 this time. Some stakeholders indicated the staff
5 should continue with this effort while others stated
6 the staff should consider alternatives such as a
7 reduction of budgeted resources before changing the
8 current fuel facility effort matrix.

9 The staff will continue to evaluate the
10 comments received and will provide another opportunity
11 for stakeholder engagement at a second public meeting.
12 This meeting will be scheduled soon.

13 The staff intends to provide a
14 recommendation regarding the continued use of the
15 effort factors matrix. The goal would be to provide
16 that recommendation to support the FY 2019 proposed
17 fee rule. I mention this; and I can build upon
18 Maureen's comment, I thought it was important to
19 address it in this forum, but none of the changes I
20 just discussed would impact the FY 2018 proposed fee
21 rule.

22 Transitioning to the second bullet, in
23 order to increase transparency in 2017 the fuel
24 facilities business line provided data on the cost of
25 various licensing actions to licensees and publicly

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1 communicated generic estimates and ranges for fees for
2 new types of work based on historical expenses for
3 similar actions. The information is available on our
4 public web site and the link is provided on this
5 slide.

6 And with that we can transfer --

7 MS. WYLIE: I apologize for stepping on --
8 because obviously it's the most important message of
9 all.

10 So the fact that we've received so much
11 input was actually very refreshing. We really
12 appreciate the time that everybody took to respond.

13 Now we'll go back to slide 10. Okay.
14 Let's talk a little bit about agency support. It's
15 always an area that people are very interested in.

16 So agency support resources fund agency-
17 wide corporate infrastructure. So administrative
18 overhead such as financial management, acquisition,
19 rent, those things that would be consistent whether
20 you're in the public or private sector.

21 It also funds certain policy support-
22 related activity such as congressional affairs, public
23 affairs, legal, adjudicatory support to the
24 Commission, the Office of the Executive Director for
25 Operations, and the Commissioners' offices. We also

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1 include in this category the resources for the Office
2 of the Inspector General.

3 Agency support component rose \$3.5
4 million, or 1.1 percent, from 2017, mainly the result
5 of information technology increases for our
6 infrastructure services such as ADAMS, enterprise
7 search and our public web site, IT security and IT
8 strategic management such as consolidation of our data
9 centers and making key improvements to leverage
10 authoritative data sources. If you're involved -- if
11 you receive an invoice, you're going to see some of
12 the outcome of that activity as a part of our fees
13 transformation activity.

14 These increases in corporate support were
15 offset by a reduction of 101 full-time equivalents
16 which included a reduction of 73 FTE specifically
17 associated with right-sizing our corporate agency-wide
18 support activities in balance with the changes to our
19 programmatic workload.

20 Throughout 2017 we worked hard to get to
21 our funded workload numbers for 2018 and we ended up
22 executing a very small reduction in force, but because
23 of the intensive management that we provided over the
24 course of the year, while we had people take some
25 downgrades of their -- and changes in their positions

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1 we were not required to separate anybody from the
2 agency. It was a very strenuous process and we
3 believe it was handled appropriately for the full
4 efficiency of the Agency.

5 The biggest change in the policy support
6 arena is an increase to support five Commissioners
7 expected in 2018. Because of the use of carryover
8 resources in 2017 we only received an appropriation of
9 \$4.5 million for the Commission and we used 3 million
10 in carryover to fund the rest of the activities.
11 There was a small increase in the Office of the
12 Inspector General associated with planned contract
13 audit of the Agency's 2018 financial statements.

14 Next slide, please. So here we go in the
15 rest of our process. So of course as I mentioned in
16 the open we still have some budgetary uncertainty this
17 year and we still need to collect approximately 90
18 percent in the year of the appropriation. So we are
19 as motivated to get out a final rule as you are
20 motivated to receive one so that you'll be able to
21 budget and execute appropriately.

22 If when the current CR expires and we --
23 and there -- we don't receive a full appropriation,
24 one of the other options could be that we would
25 receive a full-year CR. Then the fee rule is going to

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1 look a lot like the 2017 fee rule. We -- as I said,
2 we do hope to receive a full appropriation, but if
3 you're trying to do war gaming or just to anticipate
4 what your fees might be, you can also look at the 2017
5 fee rule.

6 Our goal is to have the rule out as
7 quickly as possible. We would be challenged to meet
8 30 June if we get an appropriation on the 23rd. That
9 is our hope, that we would be able to process that,
10 but of course we can't go to a final rule until we get
11 a final action from the Congress.

12 So this is the end of the budgetary
13 consideration segment. Let me just address how you
14 would submit your comments.

15 Go to the next slide, please. Click
16 through Craig. I liked how that line -- you're going
17 to do that afterwards? Okay.

18 So next slide. Christie Galster is going
19 to go over how we actually calculate the rule.

20 MS. GALSTER: Good afternoon. As Maureen
21 mentioned, my name is Christine Galster. I'm a senior
22 accountant of the Licensee Policy Team at OCFO.

23 Today I'll be presenting an overview of
24 the NRC's proposed 2018 fee rule. In this briefing
25 I'll be reviewing the fee rule process, calculation

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1 methods for both Part 170 and 171 with specific fee
2 class examples.

3 Next slide. As stated in the 2018
4 proposed fee rule our budgetary authority is based on
5 the 2018 Congressional Budget Justification in the
6 amount of 952 million. And as Maureen stated earlier,
7 are adjusted for the Integrated University Program of
8 15 million resulting in a total budgetary authority of
9 967 million, a rise of 49.9 million from the previous
10 year.

11 Next slide. Here I'll review the budget
12 and fee recovery amounts for the 2018 proposed fee
13 rule. As mentioned, the total budget authority is 967
14 million offset by excluded fee items for Nuclear Waste
15 Fund, generic homeland security, Defense Nuclear
16 Facilities Safety Board, and WIR. This total 47.6
17 million, an increase of 24.5 million with the
18 inclusion of the Nuclear Waste Fund's 30 million this
19 year. Multiplying our 90 percent required fee
20 recovery rate by the fee-based budget of 919.4 million
21 results in a total amount to recover of 827.5 million
22 that you'll see in the top circle there.

23 After the billing adjustments for Part 171
24 that we do for timing differences the amount to
25 collect from annual fees and fees for services is

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1 826.7 million, which is a 21 million rise from the
2 prior year.

3 Next. As we discussed, NRC is required to
4 collect approximately 90 percent of the annual budget
5 through fees. The remaining 10 percent that is not
6 covered is required to offset certain fee relief
7 activities. Listed here are the fee relief activities
8 shown in two groups. Group 1 is no existing licensees
9 to charge such as Agreement States which regulate
10 their own radioactive material licenses or
11 international conventions and treaties.

12 Group 2 is based on existing law or policy
13 such as research and rulemaking for material
14 decommissioning, and beginning in 2018 the fee relief
15 for non-military sites contaminated due to historic
16 uses of radium.

17 For 2018 the total fee relief activities
18 declined by 4.4 million in part from reductions under
19 scholarships and fellowships and work load for medical
20 isotope production infrastructure. Due to the rise in
21 the budgetary authority the 10 percent fee relief
22 allowance also rose by 2.5 million. This resulted in
23 reducing the fee relief surcharge from 2017 by 6.9
24 million, or 57 percent.

25 As a side note, the work papers last year

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1 were modified to include details regarding assistance,
2 conventions and treaties, and specific cooperation
3 activities included within the international fee
4 relief category.

5 Next slide. Another modification which
6 began in 2017 proposed fee rule and the associated
7 work papers was providing definitions of the hourly
8 rate components: mission-direct; mission-indirect;
9 agency support, which includes corporate support and
10 the IG; and offsetting receipts, and included the
11 productive hours assumption using the development of
12 the hourly rate.

13 For the 2018 fee rule and the associated
14 work papers we propose to revise those definitions of
15 the professional hourly rate components for further
16 consistency and clarity, as well as propose to codify
17 associated definitions in the Title X Code of Federal
18 Regulations of Part 170.

19 In reviewing the professional hourly rate
20 methodology I'll discuss how the components are
21 utilized in calculating the proposed Part 170 hourly
22 rate. The professional hourly rates budget includes
23 all mission-direct salaries and benefits, mission-
24 indirect program support, and agency support resources
25 totaling 790.3 million for the proposed 2018 fee rule,

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1 which is an increase of 2.9 million, or 0.4 percent
2 from the previous year.

3 The hourly rate budget is then divided by
4 the mission-direct FTEs of 1,938 times the mission-
5 direct FTE's productive hours of 1,510. This
6 calculates a proposed 2018 Part 170 hourly rate of
7 \$270, an increase of \$7, or 2.6 percent from the
8 previous year. The hourly rate increase is primarily
9 due to the decline of 58, or 3 percent mission-direct
10 FTE from 2017, which is offset by the slight rise in
11 the productive hours.

12 The FTE rate at the bottom represents the
13 full cost of an FTE. It's calculated by utilizing the
14 790.3 million budget that you see above divided by the
15 1,938 mission-direct FTE. For 2018 this rate
16 increased by 13,000 from the previous year.

17 This slide illustrates the hourly rate as
18 a formula with the budgetary resources in the
19 numerator and the denominator the direct number of
20 mission-direct FTEs times the productive hours,
21 equaling the 270 hourly rate.

22 Next? Continuing with our discussion on
23 Part 170 fees, in order to develop the estimated Part
24 170 billings by fee class we utilize actual billing
25 data from four quarters including the hourly rate

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1 charges and contract work. It's adjusted for workload
2 projections and the changes in the hourly rate.

3 In order to expedite the fee rule
4 publication the billing data used to estimate the Part
5 170 billings was changed in the 2017 fee rule and will
6 carry forward in the 2018 fee rules. The proposed
7 rule will utilize four quarters of the prior year
8 invoice data, while during the final fee rule will use
9 a combination of two years of the -- two quarters of
10 the prior year and two quarters of the current year
11 billing data. By giving up some precision in our Part
12 170 estimates we achieve the acceleration of the fee
13 rule publications.

14 Next. Now before we start discussing the
15 categorization of Part 170 and 171 fees by fee class
16 I believe it's necessary to understand the formulation
17 of the fee-based budgets from the Congressional Budget
18 Justification. Beginning with the CBJ business line
19 budgets the program offices analyze in detail their
20 budgetary resources and allocate to various fee
21 classes and fee relief categories.

22 The chart here -- the chart above
23 illustrates where the majority of each business line
24 budget is allocated by license fee class. There are
25 five notable differences between the business lines

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1 and the fee class budgets. This is a different way of
2 monetizing the budget resources for fee billing
3 purposes. These reconciling items consist of:
4 budgetary resources excluded from the fee calculation,
5 which is your generic homeland security; mission-
6 indirect program support resources, which pulls into
7 your hourly rate calculation; business line resources
8 allocated to other fee classes and fee relief
9 categories; and budget resources allocated from other
10 business lines; and the utilization of a full-costed
11 FTE. This crosswalk chart can be viewed in the CBJ as
12 well as the free rule work papers beginning in 2017.

13 Next. Within this slide we will review
14 what transpires after the budgetary resources are
15 allocated to the power reactor fee class in three
16 summarizing steps illustrating a five-year trend. As
17 you can see in step 1 the 2018 budgetary resource for
18 power reactors is 693 million, a decline from 2014 of
19 106.3 million and currently at a 22.7 million increase
20 from the previous year. This variance is mainly the
21 result of research activities requiring current year
22 funding rather than utilizing prior year carryover as
23 was the case in 2017, as Maureen explained earlier.

24 In step 2 the estimated fees for services
25 in 2018 totalled 247.1 million, a decline by 3.6

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1 percent, or 9.2 million. The outcome of SCG&E's
2 decision to abandon the construction of two new
3 nuclear units at VC Summer Nuclear Station.

4 The results in step 3 totalling 451.3
5 million show an increase in the overall recovery
6 annual fee amount by 5.8 percent, or 24.8 million.
7 Divided by 99 reactors equals a total annual fee per
8 reactor of 4,549,000, an increase of 251,000.

9 Next slide. For our next annual fee
10 calculation we'll discuss the fuel facilities fee
11 class. In step 1 the 2018 budgetary resources
12 allocated to fuel facilities class was 35.1 million.
13 This is a 26 percent, or \$12 million decline from
14 2014, however, when compared to 2017 it is a rise of
15 1.2 million, or 3 percent resulting from a change of
16 1 FTE in the amount of fully-costed FTEs.

17 The estimated Part 170 billings you see in
18 step 2 totaled 9.3 million, a slight decline of
19 300,000 or 3.2 percent due to two major completions
20 with mixed oxide fuel fabrication facility structure
21 review and the Westinghouse's license renewal.

22 Although the remaining overall annual fee
23 recovery amount rose by 800,000 in step 3, with the
24 departures in 2017 of Lead Cascade in the first
25 quarter and the downgrade of GE Vallecitos during the

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1 fourth quarter of 2017 the 2018 increased annual fee
2 recovery amount was distributed by two less licensees
3 resulting in a 6.5 percent rise in the annual fees for
4 that fee class.

5 Next. Within this slide I'll review the
6 spent fuel storage and reactor decommissioning fee
7 class over the past five years. Comparing 2014 to
8 today's 2018 proposed fee rule budget the increase is
9 1.8 million while the estimated Part 170 billings rose
10 by 2.9 million. This resulted in a five-year variance
11 of the annual fee recovery amount declining by 100,000
12 along with decline with one licensee.

13 Based upon the 2018 fee rule of 34.6
14 million the budgetary resources increased when
15 comparing to the previous year by 5.1 million due in
16 part to some activities requiring current year funding
17 rather than utilizing \$1 million of carryover as was
18 the case in 2017. In addition, 2018 resources
19 supported two environmental review applications and
20 efforts updating and consolidating Standard Review
21 Plans.

22 The Part 170 estimated billings of 8.3
23 million rose slightly by 400,000, which was
24 anticipated to be 1.2 million higher if waste control
25 specialists had not suspended their environmental

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1 review application. The remaining fee recovery amount
2 of 27.4 million increased by 4.4 million as compared
3 to the previous year. Divided by 122 licensees, the
4 rise in annual fee per license rose by 37,000
5 resulting in a total 2018 annual fee of 225,000.

6 Next. The next annual fee calculation
7 we'll be discussing today uranium recovery fee class.
8 this fee class is quite unique and it's a combination
9 of two uranium recovery groups making the calculations
10 a bit more complex than our early examples. Since
11 2002 the NRC has allocated the total annual fee amount
12 for this fee class between the Department of Energy
13 UMRCA Program and the remaining UR licensees.

14 As illustrated by the chart the 2018
15 budgetary resources declined by approximately 760,000
16 due to reductions in licensing, workload and
17 realignment of the UMRCA Program. The estimated Part
18 170 billings overall decreased by 510,000 as a result
19 of completed reviews for Strata Energy and Jane Dough.
20 When comparing 2017 to 2018 proposed the allocated
21 amounts so to be recovered through annual fees remains
22 stable for the remaining UR licensees.

23 The last fee class I'll be reviewing is
24 the material users fee class. This year we propose to
25 increase the fee subcategories from one established in

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1 2015 to a total of eight this year. The NRC staff
2 determined in order to accurately reflect the cost of
3 service provided on licensees with six or more
4 locations compared to licenses with less required
5 establishment of additional subcategories. The
6 subcategories were created for licensees under fee
7 categories 3A, 3B, 3C, 3O, 3P, 7A and 7B.

8 The changes for the subcategories include
9 revisions to regulations 10 CFR Part 170 and 171. For
10 each original fee category two subcategories were
11 created for location sites between 6 through 20, and
12 greater than 20.

13 Now during 2018 the budgetary resources
14 had a reduction of approximately 700,000 due to
15 process enhancements and re-baselining of the
16 Materials Program under Project Aim along with
17 decreases in the low-level waste surcharge and fee
18 relief adjustments contributing to the reduction of
19 1.2 million in the annual fee recovery amount. With
20 approximately 55 material user fee categories
21 including the new subcategories 32 categories remain
22 stable or had reduced annual fees for 2018, ranging
23 from 0 to 21 percent.

24 This concludes my presentation on the
25 overview. Thank you very much.

1 MS. WYLIE: Thank you, Christie.

2 So now we're going to take a short break.
3 We've given you a lot of numbers and a lot of details,
4 so we want to give you a chance to think about that.
5 And I'm just looking for the time we'd like you to
6 come back. The break is 10 minutes. Thanks very
7 much.

8 (Whereupon, the above-entitled matter went
9 off the record at 1:51 p.m. and resumed at 2:00 p.m.)

10 MS. WYLIE: Okay. Thank you very much for
11 returning so promptly. I really appreciate it. We
12 have one more short presentation before we open the
13 microphones for the question and answer period.

14 I'd like to turn the presentation over to
15 Renu Suri, who's going to talk about fees
16 transformation, and then I'll speak to how to take
17 your comments.

18 MS. SURI: Thank you, Maureen.

19 So my name is Renu Suri. I'm here to tell
20 you about the Fees Transformation Project.

21 A brief history first: So based on
22 comments received from you all and other external
23 stakeholders the Project Aim SRM, or the staff
24 requirements memorandum, included the Commission
25 direction to simplify how NRC calculates its fees,

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1 improve transparency of the fee setting process and
2 improve the timeliness of NRC's communications about
3 the fees.

4 So the Fees Transformation Project is the
5 Office of Chief Financial Officer's response to this
6 Commission direction. The goal is to make the fee
7 process more transparent, timely and equitable within
8 the statutory requirements of the Independent Offices
9 Appropriation Act, which is the IOAA, and the OBRA-
10 90. So I just wanted to point out that we are
11 transparent, timely and equitable right now. We're
12 trying to be more.

13 So the Fees Transformation Project
14 includes administrative or process changes and policy
15 changes for the fiscal years 2017 through 2020. In
16 October of 2016 the Commission directed the staff to
17 complete these fee setting process improvements as
18 soon as we could. So during this presentation I will
19 give you examples of some improvements and how they
20 have met the goals that we have set for ourselves.

21 So process improvements completed in FY
22 2017. I'm glad to say we completed all 14 of the
23 activities that we had put ourselves for, and in fact
24 we accelerated three from FY 2018. These were all
25 completed by September of 2017. And some of these

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1 improvements were adding additional content to our
2 Congressional Budget Justifications to help licensees
3 understand how the planned workload impacts fees.

4 We also put in actual amounts, execution
5 amounts comparing the budget to the actual amounts in
6 the Congressional Budget Justification. And we posted
7 the estimated cost of various licensing actions for
8 both reactors and Materials Program on the NRC's
9 public web site. Craig referenced it when he talked
10 about the fuel facilities estimates that are on the
11 fuel facilities web page.

12 So we -- there is another place that you
13 can go to see where we have posted all these
14 estimates. If you go to our license fees web page,
15 under the fee rule we have a table of accomplishments
16 and on the table of accomplishments we have added the
17 web pages where you can go. So the top line of our
18 web page is on this slide. And all these actions
19 that I just spoke about improve the transparency of
20 our fee setting process. We communicated to you as to
21 how we do it.

22 There was another accomplishment that we
23 had in 2017, and that was to facilitate publishing the
24 proposed and final fee rule earlier. We did that in
25 2017. We're going to continue for 2018. And to do

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1 that we modified the way we calculate our Part 170 or
2 our full-cost fees. And Christie had pointed that out
3 in our presentation.

4 Improvements to be implemented in fiscal
5 year 2018. So in the current fiscal year, which we
6 are in 2018, these are the improvements that we are
7 planning to do: We're going to revise the methodology
8 of charging overhead time for project managers and
9 resident inspectors.

10 We are going to add identification of each
11 NRC staff member on the invoice. In fact, our latest
12 invoices that went out in January had not only a
13 clearer description of the -- our activities, they
14 also included the staff name of folks -- staff, NRC
15 staff who worked on the project.

16 We also want to provide the stakeholders
17 insight into our annual fees versus user fees and we
18 are going to do that by adding a table to our FY 2018
19 final fee rule which will give you the amounts that we
20 collected for Part 170. That's the user fees and the
21 annual fees by fee class.

22 And the FY 2019 Congressional Budget
23 Justification which was released today includes in
24 each business line chapter a statement about how the
25 project line impacts the annual fees.

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1 For 2019 and beyond the major improvements
2 that we are looking at; these are not all of them, but
3 the two major ones that I wanted to talk about, is NRC
4 is considering alternatives to accelerate the
5 transition to e-invoicing, an electronic billing
6 system. And we have developed a project plan for the
7 flat fees pilot, and that is scheduled to be completed
8 by September 2020. So the e-invoicing we think will
9 help with our timeliness and the flat fees will help
10 with our equitability goal.

11 That's all I have.

12 MS. WYLIE: Thank you very much, Renu.

13 Well, so let's go to the slide where we
14 discuss how to submit your comments. That's slide 12.
15 No? Thirty-five? Okay. Great. One of these days
16 I'm going to figure out the numbering.

17 So the deadline for submitting your formal
18 comments is the 1st of March. You may submit your
19 comments by any of the following means unless you --
20 let's just -- so go to the Federal Rulemaking web
21 site. The docket that you would refer to is attached
22 here. Questions about the dockets go to Carol
23 Gallagher, and her number is listed as well as her
24 email.

25 For technical questions please contact

1 anyone on my staff, if you have an issue, and we'll
2 make sure we get you in the right direction. And then
3 there is an email for rulemaking comments, and you may
4 also fax them to our executive secretary as listed
5 above.

6 Okay. Next slide. Go back one. Sorry.
7 So you can -- if you're still inclined you can use
8 snail mail. The address is listed here. You may drop
9 them off by hand. We have a mechanism to allow that.
10 Of course that's from 7:30 to 4:15. And then of
11 course you could look at the rule and there will be
12 some additional information.

13 So for further information about this or
14 any other aspect of our fee recovery Brian Harris is
15 our new acting team lead for license fee policy
16 activity here in my office. Michelle Kaplan, who is
17 the former team lead is off on a special assignment.
18 We look forward to your inputs.

19 You can go to the next slide, please. All
20 right. And of course I am always interested in your
21 views and your feedback, so please feel free to
22 contact me directly. That number rings in my office
23 and of course my last name is spelled W-Y-L-I-E. I
24 look forward to receiving emails. And we also have
25 addresses for Craig and the members of my Licensee Fee

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1 Policy Team.

2 Next slide, please. Q&A. The floor is
3 yours.

4 MS. RIVERA: Good afternoon everyone.
5 Again, I'm Alison Rivera and I'll be conducting the
6 Q&A portion of this meeting. Thank you for your time
7 and attention.

8 Again, my goal during this period is to
9 collect comments and questions on the presentations
10 that you've heard. Maureen just went over how you can
11 formally submit comments on the proposed rule itself.

12 Again, my goal is to make sure that all
13 the stakeholders that are interested in providing a
14 comment or question have an opportunity to do so, so
15 if you could keep your comments brief, that would be
16 great.

17 While we're opening up the phone lines I'd
18 like to check in with those in the audience to see if
19 anyone has a question. I can either provide you this
20 hand-held or you can use the microphone to the side.
21 And those on the webinar are also welcome to use the
22 chat feature. And may I ask that you provide your
23 name and affiliation first. Thanks.

24 MR. BUTLER: Thank you. John Butler with
25 NEI. Maureen, thank you for responding to our request

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1 to accelerate the process for the fee rule.
2 Unfortunately we're both victims of that success.
3 With -- there isn't a final appropriation for '18, so
4 there's 100 percent chance that what's in the proposed
5 fee rule will change. Is there any possibility of
6 reissuing for comment once there is a final
7 appropriation for '18?

8 MS. WYLIE: So unfortunately we would not
9 be able to get the full administrative rule process
10 completed if we reissued a second proposed rule. Our
11 challenge is that we need to give 60 days for --
12 between the publication of the final rule and when the
13 rule actually becomes effective, because the rule is
14 a major rule.

15 We're also driven by our statutory
16 requirement to collect within the year. So I have to
17 be -- using last year as an example, we published at
18 such a time that we had 26 days to collect between the
19 day the rule became effective and the end of the
20 fiscal year on 30 September. So that's one of the
21 reasons that we use the highest possible number. It's
22 very clear that our appropriators, when you look at
23 both the House and the Senate marks, are looking at
24 different ways to budget us. So we wanted to make
25 sure that people knew what the worst case scenario

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1 could be. I just don't have a path to doing a second
2 proposed rule and stay on time for OBRA-90.

3 MR. BUTLER: If I could follow up then, is
4 there a way to provide some information -- I don't
5 know how to phrase this. If there were a 10 percent
6 change between the -- what's in the current proposed
7 fee rule and the final appropriation, would there be
8 simply a 10 percent change across the board and the
9 Part 171 fees? I suspect not. But some guidance on
10 what to expect once a final appropriation is made.

11 MS. WYLIE: Unfortunately, when we see a
12 table in the -- let me put it another way: One of the
13 reasons that the world is complicated between budget
14 and fees is that we budget at the business line and
15 program level and we execute the fee rule in
16 categories and classes, right? So there -- we've
17 spent a significant part of our time today talking
18 about the differences and the reconciling differences
19 between the budget and the fee rule.

20 We actually receive our budget in control
21 points which are different yet again from how we do
22 both our budget and the fee rule. So even if I get a
23 10 percent across the board reduction, how that would
24 actually apply by class might vary. Typically, if I
25 get a 10 percent reduction, it's not taken simply

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1 across the board. There are some reductions that the
2 Congress may take or not take. So usually by the time
3 I do the new calculations to support the new
4 appropriation, I'm on a pretty tight timeline to get
5 the final fee rolled out anyway.

6 So as much as I'd like to provide you with
7 an additional calculation, particularly in this year
8 where we're already looking at no earlier than March
9 23rd, I just don't have enough time in the fiscal year
10 to get all that work done. And it usually takes us
11 some time, which would be expressed as our
12 implementation planning process, to translate what we
13 receive from the Congress in terms of control points
14 to programs, product lines and products here in the
15 Agency.

16 MR. BUTLER: Thank you.

17 MS. RIVERA: Thanks. Was there other
18 questions in the room?

19 MR. WEAVER: Hi, I'm Doug Weaver with
20 Westinghouse. Thank you for taking my questions.

21 You mentioned that this -- in the ground
22 rules a lot of this a lot of the content is off
23 limits. Do you have a suggestion about how should the
24 industry, or anyone for that matter, provide content
25 on the -- like for example, '19 or '20. What's the

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1 opportunity.

2 MS. WYLIE: So of course if you submit a
3 comment that's not germane to the fee rule, we just
4 won't respond to it in the rule. It doesn't mean that
5 we won't try to disposition your comment
6 appropriately. We have received correspondence from
7 both NEI and from companies independently,
8 correspondence that's sent to the Commission,
9 correspondence that's sent to the EDO where we try to
10 respond to your questions or comments.

11 So the real purpose for articulating the
12 issues around out-of-scope comments is to reduce the
13 number of non-germane things that we're trying to
14 dispose in the rule process given the short timelines
15 that are available. So if Westinghouse has particular
16 issues of concerns related to efficiency,
17 effectiveness, particular processes, if we have a
18 regulatory activity open at the time, of course you
19 can respond to those regulatory opportunities or you
20 can address your feedback to me, to the EDO, or to the
21 Commission as you deem appropriate.

22 MR. WEAVER: Okay. Thank you. And if I
23 could have one question, please?

24 MS. WYLIE: Sure.

25 MR. WEAVER: It was on slide 28 from the

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1 presentation.

2 MS. WYLIE: Let's go to 28.

3 MR. WEAVER: It was the example for the
4 fuel -- yes, that's it.

5 MS. WYLIE: Okay.

6 MR. WEAVER: If you look at those numbers
7 -- I looked at the fee rules going back to 2008, the
8 final fee rules --

9 MS. WYLIE: Thank you.

10 MR. WEAVER: -- and it was fun. It was
11 fun finding them, for one. But what you notice is the
12 Part 170 billings as a function of the top line used
13 to be -- in the years 2008 to 2012 used to be close to
14 50 percent of the top line. Now you can see that 9.3
15 in the proposed rule is only a little more than a
16 quarter. And so what that means is the staff's direct
17 effort is -- other than what gets billed to us in
18 inspection and licensing is invisible. So three-
19 quarters of the staff's effort we don't know what
20 you're doing. The work papers don't speak to it.

21 I just looked at the '19 Congressional
22 Budget Justification. It doesn't say what I'm buying
23 for my annual fee, because in the case of Westinghouse
24 our annual fee has gone from \$900,000 in 2008 to 2.8
25 million. At the same time the level of effort that's

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1 being directed to billable activities keeps shrinking.

2 So -- and so I'll -- we'll write
3 separately on why -- the content, but I guess is it
4 fair to say -- can we get more meat into the future
5 work papers or in the Congressional Budget
6 Justification that explains what am I buying with that
7 three-quarters of the staff's time that's not billed
8 to us on an hourly basis? Is that -- I hope it's
9 clear.

10 MS. WYLIE: So let me start and then I'm
11 going to turn to Craig --

12 MR. WEAVER: Sure.

13 MS. WYLIE: -- and see if he has anything
14 additional to add.

15 So just want to remind people that the
16 Congressional Budget Justification for this meeting is
17 the '18 budget. Okay? So this is one of the
18 challenges that the budgets and the fee rules are not
19 quite at the same schedule. We'll blame that on the
20 federal budgeting process being different than what we
21 do for fee purposes.

22 So we take your feedback about additional
23 information in the Congressional Budget Justification.
24 If you go back even to '16, you'll see that there's
25 been substantial increases in the amount of

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1 information. This is a task that we don't take
2 lightly. And we also recognize that the work in each
3 of the fee classes is different, and so it somewhat
4 defies standardization.

5 Having said that, what we talk about in
6 terms of workload is typically we tend to err on the
7 side of this is the Part 170 activity rather than a
8 more fulsome explanation of the Part 171-funded
9 activity. So broadly speaking, infrastructure
10 associated with support of the Part 170 goes into the
11 rate, so that's one of the reasons that the rate for
12 professional hours is going up. But in specific I
13 would turn to Craig to talk about some of the non-170
14 activities in his business line.

15 MR. ERLANGER: Thanks, Maureen.

16 Thank you for the comment, Doug. And
17 anything we can do to add transparency and explain
18 those fees we want to do that. As Maureen mentioned,
19 over the past couple years we've tried to increase the
20 level of detail that's been provided.

21 To reflect on some of the comments I made
22 in my presentation, the work within the business line
23 itself has changed. It does take a bit of time to
24 adjust to those changes. And those changes don't
25 necessarily need to be work that didn't materialize.

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1 It could have been the change in the type of work. We
2 try to do that. We try to do the executionary
3 adjustments. And if there's areas for improvement and
4 clarity as to what is being covered by those fees,
5 we'll endeavor to provide that clarity.

6 I would just say that is our goal and I do
7 appreciate that the cost of an FTE has increased and
8 that the fee billable work across the fuel facilities
9 business line has had a decrease. So we are aware of
10 it and we're adjusting the program.

11 The last comment I'll make is while the
12 numbers from the CBJ differ from the numbers in the
13 fee class, I would hope that the chart was
14 representative of the overall size of the program and
15 the adjustments we're making to reflect the work we
16 have in house, and we'll continue to do that. And
17 when the budget for FY 19 is released in a bit, you'll
18 see some of those similar trends continuing.

19 MS. WYLIE: It's out.

20 MR. ERLANGER: It's out already?

21 MS. WYLIE: It's out, yes.

22 MR. ERLANGER: Okay. And you were going
23 to say, Maureen?

24 MS. WYLIE: Let me just add something
25 specific to labor costs. So the fully-costed rate is

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1 a construct for the fee rule, but within the budget
2 one of the conundrums that we face is that even as we
3 decline in size as an agency and attrit people and not
4 hire, the average cost of our individuals has gone up.
5 The FY 18 budget has within it a 1.9 percent pay
6 raise. That's particularly expensive for the NRC
7 because most of our staff is in high-cost areas like
8 here or King of Prussia.

9 There's also the inevitable consequence
10 that I think industry also feels, which is the growth
11 of certain benefit costs, primarily health care. So
12 as long as we continue to have an aging FTE
13 population, that's going to have the consequence of
14 increasing our labor costs. So that's one of the
15 things that you see in all of our fee classes, that
16 even though we are attriting; and I would talk about
17 agency support and its impact, we're attriting FTE,
18 but the ones that remain grow more expensive.

19 So these are some of the pressures that
20 cause us to continually both put pressure on Craig to
21 find new ways to do his work, but broadly through the
22 Agency have efficiency seeking. Because even though
23 we are getting more efficient, it just costs more
24 every day to do our business. So just like in the
25 private sector we are continuing to look for ways to

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1 reduce our costs.

2 MS. RIVERA: Thank you. I have one more
3 in the room.

4 MR. FREUDENBERGER: Thank you. Kind of
5 continuing that same line of discussion. My name is
6 Rich Freudenberger. I'm the Safety and Safeguard
7 Director at Nuclear Fuel Services, so I have the honor
8 of representing one of the two facilities licensees
9 that has the highest annual fee. So -- and we're one
10 of a smaller licensees. Came from the power reactor
11 side and kind of understand the finances there a
12 little bit, so it does put a particular strain.

13 And what I would like to do and talk on a
14 little bit is to compare the same slide we were just
15 talking about, slide 28, and the variability over the
16 years of the percent changes.

17 MS. WYLIE: Yes.

18 MR. FREUDENBERGER: And then you compare
19 that to slide 15, and slide 15 shows what I assume to
20 be changes that were based on direct costs. So I
21 would say we're pretty transparent relative to the
22 direct cost.

23 The indirect cost is the -- reflecting my
24 colleague's comments, is where we're seeing that we
25 don't -- we're looking into an abyss. We don't see

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1 what we're buying with our money. So between BWXT --
2 which I'm actually an employee of BWXT assigned to
3 NFS. I'm representing about \$15 million a year that
4 I can not explain three-quarters of that to my
5 customers and they're looking for three to five-year
6 contracts with stable prices. And when you look at
7 the variability in what our fees are during that time
8 frame, that's the reality of the challenge that we're
9 facing based on how the fee rules are -- is currently
10 implemented and how this process is currently working.

11 MS. WYLIE: So we -- so first of all,
12 thank you very much for your input. As you could tell
13 from the previous work that Craig talked about, we are
14 actively looking for ways to make the process as
15 transparent as we can and as fair as we can.

16 What you're really saying is we need to
17 find ways to find additional budgetary efficiencies so
18 that you pay less. And we accept that. There are
19 some increases in efficiencies in the 2019 budget.
20 Those pressures will continue as a part of our normal
21 efficiency seeking. They will -- they are also an
22 area of particular concern to the Commission and to
23 the senior leadership in the Office of the Executive
24 Director for Operations.

25 So Craig is getting a lot of help these

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1 days in searching for ways to find -- to make his
2 budget smaller. And we take your feedback. There is
3 a high degree of variability. You have a small number
4 of licensees in your case. Any changes in any way
5 causes volatility. In that you have commonality with
6 the UR community. But the fact that we're having a
7 special section on it here in this fee meeting is
8 intended to be an indication to you of the high
9 priority that we place on the issues and our
10 commitment to continue to work them. Okay?

11 MR. ZIMMERMAN: Thank you. My name is
12 Tony Zimmerman. I'm with Duke Energy and I appreciate
13 your taking the time for this session today.

14 Along the lines of the questions asked
15 earlier about increasing costs of labor and the cost
16 of doing business with an aging workforce, looking at
17 the corporate support functions in the work sheets
18 that represents about 30 to 32 percent of the Agency's
19 overall budget, and the worksheet showed a reduction
20 of -- I believe it was 95 FTE, and yet there was an
21 increase in overall costs of about \$2½ million when
22 you exclude OIG.

23 And so I understand your comment earlier
24 about salaries and benefit costs increasing, and there
25 were other charges associated I believe with rent and

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1 IT upgrades --

2 MS. WYLIE: Yes.

3 MR. ZIMMERMAN: -- that offset the loss of
4 head count. And so is the Agency doing anything to
5 look at their overall corporate structure or support
6 size or organization to try to make sure it's the
7 right footprint, the right total FTE to minimize the
8 fees passed onto us? Because when the industry sees
9 a reduction in FTE but an increase in fees, that's
10 very difficult to understand when we're facing a
11 climate where plants are shutting down early. Thank
12 you.

13 MS. WYLIE: I particularly appreciate your
14 concern. I'm actively involved in the budget review
15 for corporate support, probably more so than any other
16 business line.

17 We have just completed two significant
18 studies of corporate support. The first that resulted
19 in the -- the total number for corporate support is
20 around 80. And then another study that is implemented
21 in the FY 19 budget where we also reduced the mission
22 support segment within the programmatic business
23 lines. An so for now, given where we are with re-
24 baselining and the other Project Aim activities, we
25 think we're about right-sized.

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1 The place where we think we'll gain the
2 most efficiency as -- is as we go through our new
3 acquisition strategy associated with IT
4 infrastructure. The acronym is GLINDA. In all candor
5 I can't ever explain what that means, but it's an
6 extensive new use of the GSA Schedule 70 contracting
7 process where we use government-wide category
8 management in order to buy our -- to leverage the
9 buying power of the Federal Government to get
10 significant efficiencies in how we buy our IT
11 infrastructure.

12 We also have a new process within that
13 where we have -- instead of one large contract per
14 seat we now have a setup where we have internal
15 competition between a number of qualified contracts so
16 that we get competition on every aspect as we let
17 those task orders. So we think the next big area of
18 efficiency will continue to be in information
19 technology.

20 It's a conundrum. We know we need
21 qualified trained corporate support employees to
22 properly execute our responsibilities. As you're
23 probably well aware from your own corporate
24 governance, we perform a compliance function within
25 the Agency as well as a facilitation function. But we

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1 do want to do it for less. With our aging workforce
2 that's harder to do, but we remain committed to
3 efficiency seeking overall.

4 So as we go through our agility efforts
5 within the programs and that results in savings in
6 programs, we will look what -- we will re-look what
7 the right footprint is for corporate support. Will we
8 get big step function adjustments? In the short term
9 that's unlikely, but we're also harvesting single FTE
10 as we find them because we are looking for ways to do
11 it cheaper.

12 While it can be satisfying to have a rule
13 of thumb that says corporate support ought to be about
14 30 percent, in practice that's often a sticky
15 relationship. You have changes in a program area.
16 You implement them. You determine you need less and
17 then you have a change in corporate. That's a
18 trailing change rather than a leading change. So it's
19 a rough-order-of-magnitude kind of estimating strategy
20 rather than a precision machine.

21 MS. RIVERA: I'd like to take a moment and
22 just check in with the phone lines and see if there's
23 any licensees on the phone line that had questions.

24 (No audible response.)

25 MS. RIVERA: Hearing none, are there any

1 members of the public on the phone line that have
2 questions?

3 (No audible response.)

4 MS. RIVERA: Turning back to the room, is
5 there anybody that would like to follow up?

6 MR. BUTLER: Thank you. John Butler
7 again. One of the differences I saw between the
8 proposed fee rule and the 2017 fee rule was there
9 seemed to be an increase in non-labor, mission-direct
10 resources. I may have heard the answer to this
11 question when you spoke earlier in that what's in the
12 proposed fee rule now doesn't take into account the
13 use of carryover funds, but can you give us a little
14 bit of info of how much of that increase is due to
15 that reason and how much is a true increase?

16 MS. WYLIE: So Christie's going to stand
17 by to help me if I get this wrong. So \$23 million is
18 the amount of carryover that we used in '17, so the
19 bulk of the increase is related to that. Remember,
20 you have to take off the top the \$30 million
21 associated with the Nuclear Waste Fund and the other
22 smaller off-the-fee-base appropriations that we
23 receive.

24 There are some minor non-offset costs that
25 are almost entirely associated with increasing FTE

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1 costs because again, we had a 1.9 percent pay raise,
2 we had significant increases in benefits and locality
3 pay. So we have attempted to offset those increases
4 through our efficiency seeking. The vast majority of
5 the growth is associated with carryover.

6 MS. RIVERA: Any other questions in the
7 room?

8 MS. SCHLUETER: Janet Schlueter, NEI.
9 First of all, thank you to Craig for holding the
10 December meeting where we talked about the fuel cycle
11 matrix, and I think we're going to have a follow-up
12 meeting to that. And so we appreciate that. We
13 gained some additional insight from that conversation,
14 which I think plays into Doug and Rich's comments.

15 And thank you, Maureen, for responding in
16 such a direct manner, reading right through the tea
17 leaves and being very clear that we're looking for
18 efficiencies in the indirect portion of the budget.

19 So there were two other areas that I
20 wanted to focus on a little bit turning to uranium
21 recovery. So if Wyoming goes agreement, there's a
22 staff paper that says that there would be 16 FTE, I
23 believe, that the budget could potentially be reduced
24 by, but I haven't really heard NRC go into any real
25 in-depth discussion about how that will occur, because

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1 that is eminent potentially on October 1.

2 MS. WYLIE: So I'm going to give you the
3 best answer I can, and Craig would be happy to -- you
4 want to start --

5 MR. ERLANGER: Sure.

6 MS. WYLIE: -- and then I'll --

7 MS. SCHLUETER: I mean, what will that
8 look like potentially for the other program --

9 (Simultaneous speaking.)

10 MR. ERLANGER: Craig Erlanger, NRC.
11 Janet, thanks for the question. What I'm going to do
12 is I will take an action coming out of this meeting
13 and talk to John Tappert, the director of the
14 division.

15 What I can also tell -- what I want to
16 tell you is that the discussions are ongoing about
17 what that looks like for the Agency and where the
18 reductions are in the budget. So while I'm not
19 representing that business line, I can tell you
20 they've put effort towards exploring what it would
21 look like if Wyoming does become a material -- excuse
22 me, an Agreement State. What I'll do coming out of
23 her though is follow up and get you some details about
24 how that translates into budget formulation and
25 execution and the whole --

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1 (Simultaneous speaking.)

2 MS. WYLIE: But only for 2018 and '19.
3 Okay? So we just need to be clear. There is a paper
4 at work at the direction of the Commission that has
5 not been sent to the Commission yet. So there are
6 multiple avenues being worked, multiple options. We
7 are committed very directly. We are committed to
8 reducing and to managing the impact that it would have
9 on remaining licensees.

10 MS. SCHLUETER: Okay.

11 MS. WYLIE: That's really the bottom line.

12 MR. ERLANGER: And they have I would say
13 a best guess estimate for dates and timelines. I'm
14 not sure what's publicly available at this point, but
15 I'll ask that group to follow up and we'll find a
16 forum to have that discussion.

17 MS. SCHLUETER: Okay. And then it bears
18 the related question about are the resource
19 expenditures worth it for the flat fee pilot --

20 MS. WYLIE: We may adjust --

21 MS. SCHLUETER: -- if there's only three
22 people left?

23 MS. WYLIE: -- based on that, if there's
24 only two, yes.

25 MS. SCHLUETER: Yes.

1 MS. WYLIE: We may adjust. When we
2 started on the flat fee journey --

3 MS. SCHLUETER: Right.

4 MS. WYLIE: -- this was not --

5 MS. SCHLUETER: Right.

6 MS. WYLIE: It wasn't a thing, right? And
7 so we've been marching in a very deliberate way to
8 make sure that we had quality data. There's been some
9 frustration with that in some areas, but the risk is
10 then if you get it wrong, it's bad particularly if the
11 Agreement State switchover is delayed for whatever
12 reason. It may still be worthwhile. But you're
13 exactly right. We would adjust accordingly.

14 MS. SCHLUETER: Okay. And then last one:
15 Ms. Suri, I believe you made the comment that there
16 would potentially be changes to the methodology for
17 the cost or rate associated with project managers and
18 resident inspectors. Would there be some opportunity
19 for engagement with stakeholders on those changes this
20 fiscal year or next?

21 MS. WYLIE: Go ahead.

22 MS. SURI: So we talked about this in our
23 proposed fee rule about the change in methodology.
24 So, yes, this is -- February 28th is when the comment
25 period expires. So, yes, we are open to any

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1 stakeholder comments on that.

2 MS. SCHLUETER: Oh, so you're referring to
3 anything beyond what's in the --

4 MS. SURI: Correct.

5 MS. SCHLUETER: -- paper, like with the
6 six percent and --

7 MS. SURI: Correct. We are planning to
8 eliminate the six percent that goes on the invoice and
9 instead have our staff charge their indirect time to
10 activity codes that will be billed to licensees.

11 MS. SCHLUETER: Okay. All right. Thank
12 you.

13 MS. WYLIE: And that would allow you to
14 see it on your new invoice. We'll be having another
15 public meeting where we talk about changes to invoices
16 and our new processes, but I'd like to just give you
17 an unsolicited opportunity to look at the new invoice.
18 This has been a critical part of our transparency
19 activity. We have a lot of new information on the
20 invoices. And I have enough to hand out to most of
21 the public that's present, so I'll give them to you on
22 the way out. Sorry.

23 MS. RIVERA: No, you're totally fine.
24 Plugs.

25 Any other comments or questions from the

1 room?

2 MR. ZIMMERMAN: Thank you. Tony Zimmerman
3 again with Duke Energy. And looking through the work
4 sheets and the proposed rule staff makes a lot of
5 their -- their assumptions are based on dollars spent
6 and FTE. And at that times that becomes difficult to
7 correlate to actual reductions, staffing reductions to
8 look at what the numbers of NRC staff engaged in
9 licensee review activities are.

10 Is there a cross-chart that aligns FTE to
11 staffing actual head count reductions that we've seen
12 like in the '14, '15, '16, '17. Are those numbers
13 available? I'm focused on --

14 MS. WYLIE: By fee class?

15 MR. ZIMMERMAN: Well, I'm focused on power
16 reactors. That's where my concern is.

17 MS. WYLIE: So in the President's budget
18 request there's a table that shows you the reduction
19 by agency. Do we have --

20 MS. GALSTER: In the work papers we have
21 each -- by each fee class we've broken it down by
22 contract dollars and the number of FTEs and then the
23 FTE rate. So you can compare between it between this
24 year and the last year. We do have that in the work
25 papers.

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1 MS. WYLIE: But you'd like to be able to
2 say -- see it further back in time?

3 MR. ZIMMERMAN: Well, I -- the -- in the
4 work papers it does show the dollar amount and the
5 FTE, but when you have multiple staff members that 20
6 percent of their time may go towards a specific
7 activity and you add that up to get a full-time
8 equivalent or an FTE. Is the FTE -- one FTE directly
9 equivalent to one staff reduction, for example, when
10 you look at the change from '18 proposed and '17.
11 When you see a 95 reduction in FTE at corporate is
12 that 95 people that --

13 (Simultaneous speaking.)

14 MS. WYLIE: That's very close to -- in
15 corporate it's almost one to one FTE to actual person.
16 That's not always true because in some cases you use
17 part time or summer hire. But if you're looking at
18 corporate staff reductions, they're pretty much
19 straightforward head count.

20 Now as I said, we did manage to reduce by
21 moving people to funded workload. We did that
22 primarily through early-out buyouts and people taking
23 downgrades. So we didn't actually attrit anyone out
24 the door. We're pretty proud of that. There were no
25 involuntary departures. But, yes, that's pretty close

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1 to FTE and faces for corporate.

2 MS. RIVERA: Is there anybody on the phone
3 line that has a question?

4 (No audible response.)

5 MS. RIVERA: Anybody else in the in-person
6 audience?

7 (No audible response.)

8 MS. RIVERA: Okay. Before I turn it back
9 to Maureen for closing, I'll just remind you one last
10 time if you could sign in as you're departing and
11 picking up your invoice sheet.

12 Maureen?

13 MS. WYLIE: Thank you all very much, both
14 to our external participants, industry, stakeholders,
15 and to the NRC employees who participated today.
16 Nothing makes me happier than to talk about fees and
17 educate new people about them.

18 We take your input extremely seriously.
19 We understand that it's real money for you. It's
20 really money for us, too. And it's part of our
21 responsibility as the Office of the Chief Financial
22 Officer, and as all federal employees to make sure
23 that the citizen gets value for the dollar and as a
24 stakeholder required to pay for services, you get
25 value for your dollar.

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1 We've had several different dates talked
2 about as to when your comments are due. I've been
3 assured that the real date is February 26th, so please
4 get your formal comments in by that time. The
5 presentation materials have the variety of ways you
6 can do that. You can also refer to the rule.

7 Thank you very much for your kind
8 attention. I believe we're adjourned.

9 (Whereupon, the above-entitled matter went
10 off the record at 2:43 p.m.)

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