Official Transcript of Proceedings

NUCLEAR REGULATORY COMMISSION

Title: Fuel Facilities Budget Related Topics and Fee Matrix Category 3 Meeting

Docket Number: N/A

Location: North Bethesda, Maryland

Date: March 27, 2018

Work Order No.: NRC-3601 Pages 1-111

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UNITED STATES NUCLEAR REGULATORY COMMISSION

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FUEL FACILITIES BUDGET RELATED TOPICS AND FEE MATRIX

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CATEGORY 3 MEETING

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TUESDAY

MARCH 27, 2018

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The Category 3 meeting convened at the Nuclear Regulatory Commission, Three White Flint North, Room 01C03, 11601 Landsdown Street, North Bethesda, Maryland, at 1:14 p.m., Sheila Ray, facilitating.

STAFF PRESENT

SHEILA RAY, NRR, Facilitator
MICHELLE ALBERT, OGC
ANTHONY BARNES, OEDO
CRAIG ERLANGER, NMSS
BRIAN HARRIS, CFO
ROBERT JOHNSON, NMSS
MICHELE KAPLAN, OEDO
KEVIN RAMSEY, NMSS

JENNIFER SCRO, OGC
MAXINE SEGARNICK, OGC
OSIRIS SIURANO, NMSS
BRIAN SMITH, NMSS

ALSO PRESENT
JANA BERGMAN, Curtiss-Wright
BENJAMIN HOLLADAY, Naval Reactors
TIM KNOWLES, NFS
HILARY LANE, NEI
WYATT PADGETT, URENCO
MAX PIERCE, Naval Reactors
JANET SCHLUETER, NEI
TYSON SMITH, Winston & Strawn*
DAVID SPANGLER, BWXT NOG-L
MARK WOLF, Honeywell*

* Present via teleconference

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

1:14 p.m.

MS. RAY: Welcome to the Fuel Facilities Budget Related Topics and Fee Matrix meeting. I'll be serving as your facilitator, and my role is to help the meeting go smoothly to achieve a common objective. This is an NRC Category 3 public meeting, and we welcome public participation to fully engage the public in the discussion of regulatory issues. Comments are welcome at any time, and there is a specific allotted time for public comments, as well.

The purpose of this meeting is to respond to stakeholder comments from the December public meeting and to share some additional options for improving the method of calculating annual fees for fuel facilities.

On the counters, we have a sign-in sheet. Please sign in. And also we have the feedback forms and slides for this meeting.

The NRC --

MR. RAMSEY: Sheila, can you ask the people on the phone to send me an email so I can make sure I get a record of everybody?

MS. RAY: For those of you on the phone, we would appreciate if you could send Kevin Ramsey an email to indicate that you are participating in this meeting, and that's Kevin, K-E-V-I-N, dot R-A-M-S-E-Y at NRC.gov. And that's kevin.ramsey, R-A-M-S-E-Y, at NRC.gov. Thank you very much.

We also have feedback forms if you're interested. We always strive to improve our public meetings

Before we get started with introductions, I'd like to cover safety, logistics, and the ground rules. Restrooms, for those of you in the room are out the door to the left and then take another left at the hallway. If there's an emergency, we will exit out the back of this room and to the left, to the right when you exit.

In terms of logistics, we do have a telephone line and also this meeting is being recorded through transcription. So in terms of ground rules, I would ask that we please have one speaker at a time for an accurate transcription. Please state your name before speaking. Let's all follow the agenda and stay on topic. And I would ask that we all mute or place on vibrate your electronic devices. And, again, please feel free to ask questions during the presentation.

I would like to ask that we take a moment for introductions. As I mentioned, my name is Sheila Ray. I'll be serving as facilitator. Let's go around the room, yes.

MR. BARNES: I'm Tony Barnes from the Office of the Executive Director of Operations.

MS. KAPLAN: Michele Kaplan, Office of the Executive Director of Operations.

MR. HARRIS: Brian Harris from the CFO's office.

MR. B. SMITH: Brian Smith, Deputy Director of Division of Fuel Cycle Safety and Safeguards.

MR. JOHNSON: Robert Johnson, Fuel Manufacturer Branch Chief at NMSS.

MR. SIURANO: Osiris Siurano, Project Manager at NMSS.

MR. PADGETT: Wyatt Padgett, the Licensing Manager for URENCO USA.

MR. PIERCE: Max Pierce from Naval Reactors.

MR. HOLLADAY: Ben Holladay also from Naval Reactors.

MR. KNOWLES: Tim Knowles, Licensing Manager, Nuclear Fuel Services.

MS. BERGMAN: Jana Bergman, Curtiss-

Wright.

MS. LANE: Hilary Lane, NEI.

MS. SCHLUETER: Janet Schlueter, NEI.

MR. SPANGLER: David Spangler, NOG out of Lynchburg.

MS. SCRO: Jen Scro, Office of General Counsel.

MS. SEGARNICK: Maxine Segarnick, Office of General Counsel.

MS. ALBERT: Michelle Albert, Office of General Counsel.

MS. RAY: Thank you very much. Now I'll turn the meeting over to Brian Harris.

MR. HARRIS: Thank you, everybody, for coming here and for taking the time to meet with us about the fuel facilities cycle. One of the things I wanted to mention because I'm sure that you're all aware that we recently got our appropriations, and we're not going to be discussing those appropriations and how those affect these here. So we're using in this presentation what was in the proposed fee rule in the congressional budget justification. It takes us a fair amount of time to go through the appropriations to be able to see how that will impact these. So we're working on that, but we're going to use the congressional budget justification and the proposed fee rule to discuss this process here.

Next slide. So the NRC's budget authority that we used for, the NRC's budget authority that we used for this proposed fee rule was $952 million. That represented the congressional budget justification, and then for the proposed fee rule we actually added $15 million more on top of that to account for the integrated university program which has been historically included in the congressional final appropriations bill. And so that brought the total budget authority used for our proposed fee rule up to $967 million, which represented an increase of $49.9 million from the fiscal year 2017.

Moving to the next slide, please. Yes, ma'am?

MS. SCHLUETER: Hi. I'm Janet at NEI. Just process-wise, and I know you just got the CR so you can't, you know, speak to that necessarily, but timing-wise, can you give us some sense of when the final fee rule will be issued?

MR. HARRIS: It will be issued probably around the end of May, beginning of June.

MS. SCHLUETER: Okay. Thank you.

MR. HARRIS: When we do our proposed fee rule, the two major calculations that we do that help us to assign and move costs from the congressional budget justification into the fee class budget, and those are the full cost FTE methodology where we determine both the fully costed FTE rate and the professional hourly rate.

Up on the screen, this is slide three for people on the phone, you start off with the mission direct program salaries and benefits, and we add the mission indirect program support and the agency support costs, and that gives us a subtotal of budget authority that's about $790.3 million. You'll see a line that's talking about less offsetting received, which represents zero, but that's just a rounding issue. But that accounts for things like indemnity and flare costs that we don't take into account in the professional hourly rate. And that gives us the total budget authority of 790.

Now, you may be asking why that is different from what our total budget authority that I just talked about on the previous slide. That is to account for some things that are considered off the fee base: nuclear waste funds, waste incidental reprocessing, homeland security, and then IG services that are provided to the Defense Nuclear Facilities Safety Board.

We take that total budget authority -- and one other thing is that's the 90 percent, the over 90 percent in terms of what we actually have to recover. But we take that total budget authority and, to figure out the professional hourly rate that we're going to charge for direct billed services, Part 170 services, we'll use the mission direct FTEs that are assigned to the agency, this year it's 1,938 FTEs, and then the annual mission direct FTE productive hours. So this is what they actually, what we expect those mission direct FTEs to utilize during the year, 1510 hours.

You divide that total budget authority by the mission direct times annual mission direct FTE productive hours and that produces the $270 FTE rate, which, compared to 2017, that's a $7 increase from the 2017 rate.

Moving on to the fully-costed FTE rate. That represents the full cost of an FTE, so when you look at the congressional budget justification business line, it doesn't account for corporate support or the overhead. And corporate support can include things like the rent, utilities, the mission, the agency-wide IT infrastructure, OCHCO services. And so those need to be moved back into the fee class budget line in order to meet our over 90 requirements to recover the correct amount. And so what that $408,000 that you're seeing there, approximately $408,000 you're seeing there is what it costs to actually provide those services within the fee class budget line for a mission direct FTE.

Moving on to the next slide, slide four. This is a crosswalk of how the budget is allocated for the major business lines to the License Fee class. For what we're talking about here, I'll just draw your attention to the fuel facilities, and with fuel facilities the majority of the costs are actually reflected in the licensee fee class of fuel facilities.

But one of the things we have to do in order to determine the fee class budget is we need to reconcile both the CBJ budget to the fee class budget. The things that we will take into account for when we're doing that reconciling is, of course, the budget resources that are excluded from the fee calculation. This would be things like Generic Homeland Security, you know. In our proposed fee rule is the nuclear waste fund and the waste and those issues that I talked about before.

We also will take away the mission indirect FTEs that are in the business line, and we'll get to that in a little more detail on the next slide.

Then we also have to account for FTEs that are assigned to the fuel facilities business line that are coming from a different business line. And then, of course, the utilization of the fully costed FTE rate to be able to assign the corporate support overhead.

Yes, ma'am?

MS. SCHLUETER: Janet at NEI. I probably don't understand this chart, so my question might be off base. But because the fuel facilities are assigned a low-level waste surcharge, should we be reflected in the last box at the bottom under licensee class for low-level waste?

MR. HARRIS: So I don't think this is meant to actually cover that. There's actually a slide that talks a little bit about the low-level waste surcharge, and that may be a better place to have that discussion. But this slide is really trying to represent where the majority of the business lines costs are assigned to fee class, rather than all the places where the costs are assigned. But there is a slide talking about low-level waste towards the end.

MS. SCHLUETER: Thank you.

MR. HARRIS: Moving on to slide five. So this is the professional budget justification. Just in the way of orientation, you'll see two columns under the fuel facilities business line. The one on the left represents the contract costs that are assigned to fuel facilities business line in thousands of dollars and then the column on the right represents the FTEs that are assigned to the fuel facilities business line.

Of course, you'll see in this some of the things that are excluded from the fee-based Generic Homeland Security, some of the international activities that we get on or in fee relief. But this gives you basically the numbers you would look at when you're looking at the congressional budget justification.

We take the FTEs there at the bottom, 114, use the average FTE rate for the CBJ numbers for fuel facilities, and that produces that $19,952, add up the contract costs, and then you'll see the $25 million represents the congressional budget justification.

Moving on to the next slide, this is where we're trying to crosswalk and reconcile the congressional budget justification to the fee class. We go through what we call puts and takes to take away parts that shouldn't be included in the fee class budget and then to add certain parts back into the fee class budget that should be assigned.

You'll see on the first line Generic Homeland Security. That's got a footnote one which is it's a fee recovery exclusion. It's not included in the fee base when calculating the fuel facilities fee class fees.

For international activities, you'll see that there are six FTEs that are taken away. One FTE is left within the fuel facilities fee class, and the other six are removed for both -- sorry -- for fee relief and for assigned to other business classes.

Licensing and oversight, same thing, just talking about the things that are going to be removed for various purposes, mostly removing a lot of the mission indirect resources out of it. That products that $4 million, approximately $4 million and 32 FTEs that are being taken away. And then we have to go back through and assign resources back into the business line that should be included. These are coming from other business lines, so a little bit of oversight for contracts that have an FTE for state/tribal/federal programs and then some training resources.

At the end of that, you end up with the business line resources with the rule allocation, so that's $1.4 million in contracts and about 82.7 FTEs.

Here, to figure out what an FTE is worth because we need to account for the appropriate overhead and all the mission indirect resources that we have taken out of the business line during this calculation, we use the approximately $408,000 to figure out what an FTE is worth in the fee class. It produces that $33.7 million plus the total fee class budget, the contracts of $1.4 million, and you end up with a $35 million fee class budget, and that's the fees that we have to recover in this fee class.

Moving on to the next slide, this is really just summing up what we did on that last page. Hopefully, a little easier to see form, but you can see the difference in the contracts from the budget line to the fee class, about $4 million that's been removed in terms of contracts, 31.3 FTEs. But that FTE, because of the difference in the full cost FTE, it's about $13.8 million more in terms of the cost of the FTEs and about a $10 million difference in the total budget.

Moving to the next slide, this is slide eight for people on the phone. This is just an overview of what's happened in the fee class from fiscal year 2014 to the 2018 proposed fee rule. You've seen in the budgetary resources allocated to fuel facilities fee classes about $35.1 million is about a 26 percent or a $12 million decline since 2014. But it's a slight increase from the 2017 budget by $1.2 million or 3.5 percent.

In order to get to the annual fee, we have to go through the step of taking that total fee class budget and estimating the amount of Part 170 billings that we're going to get within that fee class. We do that by looking at, historically, sort of the last four quarters of what has come in and making estimates based on what we know about what's going to come in to figure out how much in Part 170 billings we're going to get. Part 170 billings, of course, are the direct things, license amendments, inspections, those things that are billed directly to a licensee.

What's left over from that estimate then becomes what has to be recovered in the annual fees.

Those annual fees are then divided amongst the licensees in terms of the fee class budget and fuel facilities. That's also, you know, modified using the fee matrix to assign how much effort is for each of the types of licensees.

Okay. We'll move on to the allocation of the low-level waste surcharge. We did receive comments in the proposed fee rule in the low-level waste surcharge, and we will, we are looking at those comments in terms of, you know, processing it, some questions on, you know, how we came to those numbers and whether or not those numbers are correct. So we're going back through that process to essentially re-validate them to make sure that, you know, in response to that comment.

But what I can speak to here, at least in terms of the allocation of the low-level waste surcharge, we use data from DOE's Manifest Information Management System, the MIMS system. It contains information on broad generator classes, ways that are classified generally into academic, industrial, medical, and utility. We look historically over a rolling time period at the utility waste volumes to estimate the allocation of the surcharge to each of the different licensee classes, and we account for the material users licensed by agreement states.

Part of the reason that we have to do this is that the low-level waste program itself, we have no licensees that are licensed by the NRC. And so this is how we're able to continue to pay for that part of the program. And we have to allocate the cost of that program to the licensees.

For this year in the FY 2018 proposed rule, it ended up being 41 percent of the surcharge was going to operating power reactors, 46 was to fuel facilities, and 13 was to material users. Just by way of comparison, the FY '17 rule, it was 24 percent to operating power reactors, 62 percent to fuel facilities, and then 14 to material users.

Yes, ma'am?

MS. SCHLUETER: Yes, I guess just for completeness, I'll repeat the comment that I made a bit earlier in the meeting, and that is I'm glad to hear that you're going back and trying to verify, you know, that information and data in MIMS because, through the utilities, you know, that I work with, I've learned that DOE has lacked some funding for data entry into MIMS for at least two calendar years, maybe longer ago than that. So there is a question as to how up to date the data is in MIMS, and utilities aren't even able to verify it because there's a generator report that hasn't been activated for quite a while in MIMS either. It was inadvertently sort of defunded and not activated, so we've been working with Jonathan Kang at DOE who's really the forefront person, I think, on MIMS, so you might start with him or something. But I'm not sure how accurate, complete, and up to date MIMS is today. So that might be probably a crux for potentially part of the problem.

MR. HARRIS: I appreciate the comment, and we'll definitely, you know, we're going through that process to look at that and try to allocate that. We do have to use information that is available, but I do appreciate that and we'll look into it.

MS. SCHLUETER: Right. Just when we talked amongst ourselves, it just looks a little almost nonsensical, if you will, when we look at the relationship between the number of fuel facilities and the number of operating power reactors and, of course, those that have announced, you know, premature shutdown and closing, that the fuel facilities would actually be based on this information responsible for more generation of low-level waste than the operating power reactors. That's what hits us as a little quirky.

MR. HARRIS: I understand. I can't give you an answer directly to that. We do look at it from sort of a rolling average, though, and that's one of the things that we're looking at in terms of responding to it in the fee rule.

MS. SCHLUETER: Yes. I'd just advise that you talk to DOE.

MR. HARRIS: We will.

MS. LANE: So do fuel facilities fall under just the industrial category? They're very broad categories. I just want to be clear where they fall.

MR. HARRIS: So I believe they mostly fall under the industrial category.

MS. RAY: And your name, ma'am?

MS. LANE: Hilary Lane. Sorry.

MR. ERLANGER: Craig Erlanger, NRC. I did have an opportunity after reading letters to talk to the business line owner that is responsible for pulling this information from DOE. The data that was utilized for the proposed fee rule for FY 2018 was accurate through 2016. We do expect DOE to update their database in the spring time period. As Brian mentioned, it's a five-year, I think it's a four or five year, a couple of years rolling average to eliminate if there are spikes and whatnot. So what I'd ask is look back and think about changes within the fuel facilities business line over that five-year period, and there has been some decommissioning and there has been some movement on material that may or may not account for some of these changes. But we are looking into it and we will respond to it as part of the final fee rule, and it was one of the comments we received. So I hope that helps.

MS. RAY: For those on the phone, do you have a comment? Please press *6 to indicate you have a comment. There will be another opportunity for comments, but, at this time, we will --

MR. HARRIS: Turn it over. With no other comments right now, I'll turn it over to Rob, Robert Johnson.

MR. JOHNSON: Okay. Good afternoon. My name is Robert Johnson. I'm the Fuel Manufacturing Branch Chief in the Division of Fuel Cycle Safety, Safeguards, and Environmental Review in the Office of Nuclear Material, Safety, and Safeguards.

I want to thank Brian for providing an overview of the fuel facilities budget. This meeting is a continuation of an ongoing dialogue that we've had here recently on or with industry on fuel facilities budget and fees. Recent interactions, just to recap, on the budget have been we've got an industry letter September 15th of 2017. NRC provided a written response on November 6th of 2017.

Since then, we had, on December 13th we had a fee matrix public meeting to talk about improvements to the fuel facilities fee matrix, how the fees are allocated to the different facilities. On February 12th, I believe, we also had an FY '18 fee rule public meeting at which time Craig had sort of given an overview of the fuel facilities budget.

Next slide, please. So slide two outlines key stakeholder concerns and highlights the need for additional dialogue. So during the December 17th fee matrix public meeting, staff requested feedback on the proposed improvements to the fee matrix and stakeholders responded, and we appreciate the feedback and actually the written feedback. So we got eight letters from industry, various parts of industry, with a number of questions. And the questions were both on the proposed fee matrix improvements, which is what we were looking for, and then, in addition to that, we got a number of more general comments on the fuel facilities.

So the key stakeholder feedback on fuel facilities budget included comments on NRC fees and fee increases; the ratio of Part 170 service fees to Part 171 annual fees; the number of FTE and the need for NRC to make more timely adjustments; staff to operating facility ratio, there were questions there or comments; and then there was another comment about retrospective reviews.

So this presentation is going to step through each of these areas, but, at a higher level, these letters demonstrated the need to have additional dialogue in a number of areas. So we wanted to talk about the fuel facilities budget and provide an overview, so there's an opportunity for you to understand sort of how things go from the CBJ down to the fuel facilities business line.

We wanted to take an opportunity to provide some dialogue or some discussion on responses to the stakeholder feedback that you all provided as a result of the fee matrix meeting. And I think that's it.

Now, I want to make an important note here. I think there was a bunch of discussion. We think that we can work on both. We can try and have the dialogue and provide some insights on where the fees are, what's in the budget to provide some openness there. We also think that, at the same time, we can be working on improvements to the fee matrix and how the fees are allocated to different facilities.

MR. ERLANGER: Robert, if I may, this is Craig. One of the comments that was noted in many of the letters we received was that the NRC needed to address the industry's budget concerns and questions prior to moving forward with any adjustments to the fuel facilities' efforts factors matrix. What Robert is referencing is we believe that both of those activities, we can be responsive to your questions, as well as approve the existing matrix at the same time.

To that end, one of the thoughts behind how we structured today's meeting was we'll hopefully answer many of the questions that you've raised and comments that we received as part of these eight meetings, eight letters, which Kevin will provide the ML numbers of if you're interested in during his presentation, and four additional letters on the 18 proposed fee rule. We think we can address that in the first half, take a break, but also talk about how we move forward with the fee matrix.

So the design of today's meeting was intentional to talk about the broader budget concerns and questions and then move to the other part of it on the matrix.

From our perspective, the reality is we are going to have a matrix. That is how we allocate fees, and we think there's opportunities to make it better than it is today and we welcome your feedback on that topic in the second hour.

MR. JOHNSON: Okay. Thanks, Craig. Slide three. So we're on slide three now. This slide addresses stakeholder questions on NRC fees and fee increases. The first comment was the stakeholders expressed a concern that a small, yet diverse, fleet of seven currently-operating fuel cycle licensees carries an enormous budgetary load given the relatively low-risk profile. So NRC recognizes that the operational fleet is relatively small compared to operating power reactors and that the regulatory load is being carried by a small number of operating facilities. So that we understand.

While that's the case, NRC has the mission. So the fuel facilities business line is responsible for ensuring the safety and security of fuel cycle facilities and greater than critical mass facilities. The business line leads the licensing and oversight of these facilities, as well as domestic material control and accounting and international safeguards implementation activities, for the NRC. The business line also supports rulemaking and environmental review activities.

Okay. This is priorities influence, the work performed on a day-to-day basis, as well as our interim and our long-term planning and the agency budget and execution processes. Our current priorities are: One, or first, ensuring safety and security and environmental protection through effective oversight of operating fuel facilities and facilities under construction and through effective management of licensing actions. This includes maintaining a focus on nuclear safety culture with outreach and education as directed by the Commission.

The second priority is supporting U.S. non-proliferation activities through implementation of international safeguards agreements and domestic nuclear material control and accounting programs. Our third priority is maintaining effective communications with stakeholders on approaches to emergent issues, rulemaking, guidance development, and other regulatory activities specific to the fuel facilities business line. This is one of those opportunities for us to talk about fees for the business line.

As discussed in the February 20 meeting, FY '18 fee rule public meeting, the fuel facilities budget increased between FY '17 and '18 by $1.2 million or 3.5 percent. This increase was primarily due to one FTE increase as a result of a comparability adjustment from the nuclear materials business line to support an increase in fuel facility enforcement activities. This change reflects where the work is actually being done and who should be being charged for that work. In addition to that, it also partly increases due to an increase in the NRC fully-costed FTE rate.

So with that said, it's important to note that the overall fuel facilities budget has decreased, on average, 6.9 or 7 percent over the last four years. While the fuel facilities budget has continued to shrink, the Part 171 annual fees have essentially remained constant in that same four-year time period with an average increase of 0.2 percent on average.

NRC continues to address budget concerns and evaluate resource requirements both in terms of FTE and dollars to address fact-of-life changes that are occurring between budget formulation and execution. NRC will also continue to evaluate programmatic efficiencies that have the potential to result in further reductions or adjustments as necessary.

The next slide, please, so slide four. This slide outlines stakeholders' concerns related to the ratio of the Part 170 service fees to the 171 annual fees, including concerns that the Part 170 service fees account for less than one-third of the total fuel facilities budget and questions about the two-thirds of the fuel facilities budget that's being recovered through the Part 171 annual fees and the services that are being provided by these funds.

So the following slides and descriptions or discussion provide additional clarity on the fuel facilities budget, the ratio of Part 170 service fees to 171 annual fees, and provides some additional clarity in this area.

Next slide, please. So we're on slide five. Okay. This slide outlines the fuel facilities budget breakdown. This pie chart and the following charts are meant to be illustrative of the type of activities that occur in fuel facilities business line and the types of activities provided in the fee class budget. The percentages are meant to be illustrative and illustrate the ratio of activities in the budget, and we've generally tried to indicate where the fees for the particular activities would be recovered.

So with that, now that I've sort of gone over the caveats, I'd like to step through each of the activities covered under the fuel facilities budget. And I'm going to start out with international activities, which I believe is the top orange slice.

So under international activities, that makes up about three percent of the fuel facilities budget and is primarily recovered through fee relief. Brian mentioned that six FTE are covered through fee relief. There is one FTE that's covered under Part 171 under the annual fees.

The next slide is Generic Homeland Security. That makes up about seven percent of the fuel facilities budget, and it's important to note that that is completely excluded from the fuel facilities budget, meaning it's not recovered through either Part 170 or Part 171 fees.

The next slice is event response. That makes up about one percent of the fuel facilities budget as recovered through Part 171 annual fees.

The next slice is corporate support. It makes up about 28 percent of the fuel facilities budget and is recovered through a combination of Part 170 service fees and 171 annual fees. I think it's important to note some of the key corporate support activities that are included in this slice of the pie. That includes IT, security, facilities management, rent, utilities, financial management, acquisitions, human resources, the commission, and the EDO. Oh, and the international university program.

MR. HARRIS: Sorry. Integrated university program.

MR. JOHNSON: Oh, integrated. Okay.

MS. SCHLUETER: Hey, Robert?

MR. JOHNSON: Yes, ma'am?

MS. SCHLUETER: Can you clarify what portions of corporate support are actually under the annual fee versus service fee? How is that distinguished?

MR. HARRIS: This is Brian Harris from the CFO office. Part of that is going back to the way we calculate both the professional hourly rate and the fully-costed FTE. So when you look at the professional hourly rate that we calculated, that takes the total budgetary authority, which includes all that corporate support, and then what we use for the mission direct FTEs and hours. So that's getting to some of that corporate support there.

And then the same thing with the fully-costed FTE rate. That's taking in account that total budgetary authority, and then you're using that to multiply it by the mission direct FTEs to figure out the fee class budget.

Based on those two things, once I have the fee class budget and what I think I'm going to estimate for what my 170 recovery is, everything that remains becomes an annual fee. Does that help?

MS. SCHLUETER: That helps. Thank you.

MS. LANE: Robert? Hilary Lane at NEI. Does this pie chart represent FY '17 breakdowns or FY '18?

MR. HARRIS: So it's from both the '18 congressional budget justification and the fee class budget that we're using for the proposed fee rule, and that's why it's illustrative because it's very hard to get a lot of this information in a way that's easily, you know, represented.

But what's important to understand is, especially when we're talking about the -- it's hard to see from here -- the 170 fees, those are not fully-costed percentages. Those are representing essentially the CBJ percentages, as opposed to the fully-costed percentages, because you'll see that corporate support isn't part of the business line budget, you know, and Generic Homeland Security isn't part of the fee class budget. So this was trying to be able to put it all in one place so you could see it.

MR. JOHNSON: So, Hilary, good question. The short answer is it's '18.

MR. HARRIS: I'm sorry.

MR. JOHNSON: Just to recap. Okay. The next slice is travel. Travel makes up about three percent of the fuel facilities budget and it's recovered through a combination of 170 service fees and 170 annual fees, depending on the type of travel it is.

The next slice is training. That makes up about one percent of the fuel facilities budget that was recovered through a combination of 170 service fees and 171 annual fees.

On the next slice is mission support and supervisors. That's about 12 percent of the fuel facilities budget, and it's recovered through a combination of 170 service fees and 171 annual fees. And that represents the fuel facilities business line supervisors, support staff, and administrative staff both here and in Region II.

The next slice is rulemaking. It makes up about four percent of the fuel facilities budget and is recovered through 171 annual fees. And then we're going to go into more detail on the green and the blue slices but at a high level. Oversight makes up about 22 percent of the fuel facilities budget and is recovered through a combination of 171 and 170 annual fees. The billable part of the 170, the billable -- let me start over again. The billable part of oversight is covered under 170 fees, and that's about 13 percent of the overall budget. The Part 171 annual fees account for about nine percent of the oversight activities. And then, lastly, licensing makes up about 18 percent of the fuel facilities budget and is recovered through a combination of Part 170 and 171 fees.

So billable Part 170 service fees account for about 15 percent of the licensing activities.

And Part 171 annual fees cover about 3 percent of the licensing activities.

MS. LANE: Question. Go ahead, Tim.

MR. KNOWLES: Tim Knowles, Nuclear Fuel Services. Could you give me an idea, for the corporate support, what type of activities would be charged under Part 170?

MR. HARRIS: So this is Brian Harris. So the way the 170 gets charged is, just like I discussed earlier, is that so we figured out the fee class budget based on the calculations that we just did. So that's going to have the total amount that needs to be recovered for all the fees charged in that fee class.

Then we use essentially four quarters of estimates for the Part 170 that we had seen up to that point to estimate how much is going to be recovered in 170. The remaining amount of the fee class budget is charged as an annual fee. So it's not a specific, you know, that it's this particular expense, it's that what has to be recovered that isn't going to be recovered under Part 170.

MR. B. SMITH: So, Tim, let me try to answer, as well, in maybe a different way. The folks that make up the corporate support, their hours are billable to, say, your licensee. But part of the hours are billed to you, like through licensing. Some of their fees that you pay for that cover some of the expenses in corporate support.

MR. HARRIS: That's a better answer.

MR. KNOWLES: That's clear. Thank you.

MR. JOHNSON: Hilary?

MS. LANE: Hilary from NEI. The four percent for rulemaking, is the majority of that right now due to the cyber rule? And if not, what are the other pieces of that?

MR. JOHNSON: That may be a little bit more detailed question. I think there are other activities going on that are incorporated into there, I believe, Part 74, the SNM Part 73.

MR. B. SMITH: Yes, material categorization.

MR. JOHNSON: Okay. So the intent here was to show you sort of the bigger picture of how the budget, the fuel facilities budget is broken down. Identify the key components where they're being recovered or where the fees for those different areas are being recovered.

I want to take another couple of slides to talk more specifically about the topics that are a little near and dear to us on our everyday activities. So with that, next slide, please.

Okay, slide six. This slide outlines the fuel facilities budget breakdown for licensing. On the left, you can see the pie chart which is the same pie chart that was on Slide 5. The column on the right side of the diagram outlines the licensing activities performed under the fuel facilities budget. These activities include -- okay. The licensing activities include: Billable or emergency preparedness, which is recovered through Part 170 service fees. That accounts for less than one percent of the overall budget. Billable environmental reviews recovered under Part 170 service fees. That's about one percent. Billable licensing actions, the day-to-day licensing actions that we get from the facilities, account for about 12 percent of the overall budget. And billable security licensing are recovered by 170 service fees, and that's about one percent.

So service fees represent about 15 percent of the overall fuel facilities budget, and those are the general areas that are covered.

Now, non-billable licensing actions which include project management activities not directly associated with processing fuel facility licensing actions, including coordination, routine calls with facilities, pre-licensing application support, public meetings, briefings, enforcement support, LPR support, site visits, security issues, and response to events. They account for about two percent of the overall budget.

So the next category in the licensing area is policy outreach and guidance development, and that accounts for about one percent of the overall budget. And the policy outreach piece is advice to the Commission and staff on legislative matters related to fuel facilities, congressional oversight. Examples of that would be one-pagers, post-hearing questions, questions for the records, responses to congressional inquiries, responses on fee issues related to fuel facilities like this, special projects related to fuel facilities.

So, overall, the licensing accounts represents about 18 percent of the overall fuel facilities budget, and it's broken down as I just listed.

Next slide, please, so slide seven. This slide outlines the fuel facilities budget breakdown for oversight. So, again, the pie chart on the left should look familiar. The column on the right side of the diagram outlines oversight activities performed under the fuel facilities budget. These oversight activities include billable inspection activities. Those were recovered under Part 170 service fees. That's about 11 percent of the overall budget. Billable security inspections also recovered under Part 170 service fees is about 2 percent. So 170 service fees represent about 13 percent of the overall fuel facilities budget for oversight.

Non-billable enforcement activities in case work. Okay. Let me -- so as far as the next category there, the non-billable enforcement activities in case work are recovered under Part 171 annual fees, and that accounts for about two percent overall. The non-billable inspection activities, that represents about four percent and is recovered under annual fees. And the types of things that you're going to see in the non-billable inspection activities include programmatic management of fuel cycle oversight program, providing and maintaining infrastructure for inspecting and evaluating fuel facility license compliance with regulatory requirements, developing procedures and program guidance, maintenance of the operational experience programs for fuel cycle facilities, incorporation of risk insights, risk and ISA insights into the fuel cycle oversight process.

And the last category or the next category there is non-billable security inspections. That's maintenance of the program, and that's about two percent of the overall budget. It's recovered through 171 annual fees.

A better title for this would be non-billable security oversight, and it includes activities like security-related enforcement and allocations, foreign ownership control and influence reviews, security inspection, program development, maintenance, and regional support, and then cybersecurity oversight.

The next category is inspection IT infrastructure. It's recovered through annual fees and it accounts for about one percent of the overall budget. And I believe that that's related to, that's the fuel facility business line portion of maintaining the RPS system for inspections.

So, overall, when you put all of that stuff together, oversight represents about 18 percent of the overall fuel facilities budget. Hilary?

MS. LANE: Can you go back to slide six for a minute? So the bottom, it says guidance, one percent. So in another one of our public meetings, I think it was Kevin, you explained the 250 guidance documents that the NRC was working on updating or revising. Is that where that would fall under that piece?

MR. RAMSEY: Well, some of them. You know, our fuel cycle division doesn't actually own all those documents, so a lot of those documents are owned by other groups in the NRC. Our involvement may simply be here's a copy of the revision, please review it and let us know if you have any comments. So we may not spend that much time on a revision if we're not actually coordinating it. If somebody else is coordinating it and we're just giving comments, that may only take a few hours.

MS. LANE: That one percent, that's where your time is for those efforts?

MR. RAMSEY: That's how it's budgeted, yes.

MR. JOHNSON: Yes. So, Hilary, a little bit just to make sure, so all of our policy outreach and guidance development are recovered through that one person. So, I mean, the amount of effort, and we've had a lot of discussions in the CER. We've stepped way back on the actual development of guidance, ISGs. There's things that have been, I mean there are things that are out there, but we're not spending a lot of time on it. So the guidance development is pretty limited, and it does account for review of updates to procedures. This is specifically in a licensing space, and there's another component in inspection, as well, oversight.

MR. RAMSEY: This is Kevin Ramsey. I just want to make sure we're clear on something here. There's a difference between what we budget and the hours we charge in execution space. Your fees are based on our budget, so what does or does not actually get charged in the course of a year is not changing your fees. Your fees are based on what was budgeted, okay?

MR. HARRIS: The one caveat to that is our use of the 170 for the prior four quarters to try to figure out what the 170 fees are going to be.

MR. PADGETT: Wyatt Padgett, URENCO. So determining what that one percent is, how do you -- based on last year's?

MR. RAMSEY: Well, I mean, the process, there is a reconciliation, you know, say here's what we budgeted, here's what was actually charged, and we'll try to make adjustments to keep those relatively close to each other. But I just want to make sure you're clear on your fees are based on what we budget. They're not based on whether we charged more or less than that number. You know, your fees are based on here's what the budget says. That's primarily what's driving your fees.

MR. PADGETT: I understand, but that value there isn't necessarily passed to an individual facility, right? It's not Part 170, it's 171. How do you determine what percentages you're applying for the budget for the next year? Is it based upon your efforts in the previous year? I don't know if I . . .

MR. B. SMITH: This is Brian Smith, NRC. We try to develop the budget based on the estimated work we're going to do two years in advance. That's the time line that we have to work on. And so we try to set aside some amount of FTE or contract hours to develop various guidance documents. Like, if we know we're going to do a major revision to our standard review plan, maybe we'll budget a little bit more from one year to the next. But, generally, the numbers stay about the same from the guidance development standpoint and usually it's not a lot.

MR. PADGETT: Thank you.

MR. PIERCE: Max Pierce from Naval Reactors. I just want to clarify something. So it's slide 12 of the December meeting. It references 250 documents were identified, and I think that's where your comment is coming from. Earlier, when you were talking about slide seven of the current presentation, under inspection you referenced inspection procedures and guidance constitute four percent of inspection. Then when you answered the previous question, you referenced that all guidance and documents were addressed in the one percent. So I think the disconnect is are all 250 of these documents really captured in that one percent? Because it seems like, based on the earlier comments, they're not.

MR. JOHNSON: Okay. So I think the short answer to the question is the documents that were represented, that's the whole list. We're not updating all those documents every year. They're cyclical, and I don't know specifics, but we'll be looking at some subset of those documents periodically.

And I may have introduced some additional confusion here, but what I was trying to do was show, from a licensing side, we're spending about one percent of our effort on guidance development and policy outreach. And then separately, there is also effort that's being spent to address guidance documents on inspection procedures and IMCs and program and maintenance development there.

So there are two different elements. When I was thinking about it, I already talked about what NRC is doing and where fees are going. I tried to make sure that we had at least a clear discussion for licensing and then another discussion for oversight.

MR. PIERCE: Okay.

MR. JOHNSON: Did that answer the question?

MS. SCHLUETER: Yes. I mean, I think -- I'm sorry. Did you want to --

MR. PIERCE: Well, just, again, I take from that that the 250 is not fully captured in the one percent.

MR. B. SMITH: Yes, the additional complexity -- this is Brian Smith again -- that Kevin added is that we're not the owners of all of those 250 documents.

MR. PIERCE: I understand that. I think I'm guessing, but the question is coming because was used as one of the justifications for the proposed changes to the fee rule, right? Am I kind of --

MS. SCHLUETER: Well, I think we all, in our call before this meeting to look at the slides, and thank you for getting them to us on Friday or making them public on Friday, we looked at these pie charts and found them useful and informative, and I know there's a level of effort that went in to produce them. So we appreciate that.

But I think the pieces we're having trouble discerning is following on to the December discussion where we learned that two-thirds of the budget was dedicated to indirect services. And so we're trying to figure out what's in that box exactly because, when we talked about the 250 documents as one example of what's in the box, we thought we should have some further dialogue about how NRC prioritizes their resources expended on guidance updates and so forth. We also heard that in the box for indirect services for things like maintaining the web page.

So we're not able, based on reviewing these slides and listening to you, to discern what other items are in the indirect service box which is making up two-thirds of the budget which we're all paying for. So that's what we're trying to pick out of these Venn diagrams, and it's a little hard to do because we don't know how the splits are in some of those pieces of the pie when they say, well, Part 170 and 171, but what's the proportion of those?

MR. JOHNSON: What I tried to do here to communicate, I think, exactly what you're looking for in oversight and licensing, so on slide six and slide seven, I kind of specifically identified where -- so, for instance, in the right column on slide seven, the first one is inspection, direct billable inspections were covered under Part 170. I tried to give you that breakdown for licensing and inspection because those are the areas that I thought were important.

MR. RAMSEY: Well, I think -- this is Kevin Ramsey. One of the reasons we have trouble giving you a number, you know, some places you'll see both 170 and 171, is some of this corporate stuff is totaled into the hourly rate, which is great. Some of the corporate support will be collected through 170 direct services if we bill time there. But that's kind of an unknown, and we're estimating that.

So we'll grab what we can. But if we don't have enough billable hours to cover the budget, whatever remains of corporate support and that other stuff is going to roll over to the annual fees. That's why you're seeing those numbers there.

MS. SCHLUETER: Yes, that's the whole balloon thing. We're squeezing on one end, but it pops out on the other.

MR. ERLANGER: So this is Craig from the NRC. Janet, one of your comments, we are trying to be responsive to the letters in the last public meeting to explain with an appreciable level of detail what's in our budget. It sounds like, I even see website and a review of 250 documents that are agency-wide documents seem to have stuck with certain members. But we also gave examples in the corporate support area, mission support, in some appreciable detail of what that accounts for.

So I guess my question is did we -- we tried very hard to explain what made up the 100 percent of our budget to a level of detail. Is the response that we, is the thought that we did not get to the right level of detail? So we covered everything from rent, salaries and benefits. Robert, you can go back and read all the examples we provided. And what I'm asking is we're open providing continuing dialogue, but it would help us to really specifically understand where you need the more detail because this chart is our best attempt to provide that detail and talk through all the examples that Robert provided.

MR. SPANGLER: David Spangler. I might be jumping ahead on something that will get clear later, but we started getting the fee a few years ago where our project manager is charging. And we said so how is it when our project manager charges and your prior project manager was in the licensing aspect of the fee, and then we suddenly started getting project manager direct charge? How does he or you all or us forget what his portion is that's not in here but comes out over there? That was one of our questions two years ago, last year. It was never really clear to us when we started pulling that string to get more detail because that would be one question we could say, aha, we never got the aha of how it is the project manager now charges when he didn't charge us and that will become clear in these breakdowns that --

MR. JOHNSON: I think a quick response to that is I think the CFO has heard that question and they're working on --

MR. HARRIS: On that chart, I totally

understand the question. Are you talking about the six-percent charge?

MR. SPANGLER: There's a six-percent charge that was a change in the way things were billed a number of years ago. How is that not billing twice for the same person? And so, as I see it broken down further, it still makes me ask that same question, well, how is it that I get three hours and sometimes six hours, and there's a whole version there. You know, how is it that project managers charge and then they don't charge and you get a licensing inspection fee? So what changed a few years ago and then how is my project manager get --

MR. HARRIS: So let me start off, and this may take a little bit of back and forth. So I think the first thing is, you know, in the proposed rule, we've already said that that six percent is not going to be there anymore. The project managers are going to be billing all their time directly. For a licensee project manager, they should be billing all their time to -- well, it will be after October is when that would go into effect, so it's really the new rule.

If you look in the regulations and, for being from OGC, I didn't bring my regulations with me, but it's in 170 and I can send it to you. Part of our regulations require us to recover all the time for a project manager and a resident inspector that's assigned to a licensee so all their time, except vacation. So their indirect time, things that would normally be billed, and that's essentially what that six percent was trying to do before. They tried to bill that, and I think they originally had some, you know, issues with trying to do that before. We looked at the cost of project managers and the time that was really going to indirect time and worked out that six percent represented about the amount of time that was not being billed directly previously.

So that's where that six percent came in from. Michele may be able to add a little bit more detail just because I'm a little new to the CFO's office, so my history is not as good as everybody else's. But that is now being, you know, that six-percent charge will be going away.

MS. KAPLAN: So there was a table in our billing system which had all of the costs you had if there's resident inspectors assigned to billable projects to our licensees. And it was not feasible to update it going forward. So in 2015, there was a decision made that they looked at all of those charges and it was determined it was around six percent. And so we just had this six percent across-the-board charge.

MS. RAY: Ma'am, could you introduce yourself?

MS. KAPLAN: I'm Michele Kaplan. I'm the former license fee policy team. I'm on rotation right now. So because of the concerns about transparency, we decided, as one of our fees transformation tasks, we were going to look at the six percent charge and we were going to determine that we wouldn't have this across the board six-percent charging and we were going to have the resident inspectors and the project managers bill their time directly to the projects that they were working on. So that includes time, like training and other administrative functions.

MR. HARRIS: Other than generic things. And in some business lines, project managers get pulled off to do generic work, so that wouldn't necessarily be --

MR. SPANGLER: So the license fees will be reduced in the future --

MS. KAPLAN: So the six-percent charge will go away.

MR. SPANGLER: -- and we're going to be getting inspector fees?

MS. KAPLAN: So you'll get specific charges from specific resident inspectors, project managers, for their time that they're spending on these administrative functions directly.

MR. JOHNSON: So let me suggest, Dave, I think the CFOs heard that question and they're working on a response for it now, and I expect in the final rule you'll see how that rolls out and it will go into effect. What we can do is try and provide a little more or as much illumination as we can now before the final rule is published.

So the bottom line is I think we've heard the question. We're trying to respond to it now, and you should see a difference. Now, whether we're moving that fee here, it may result in additional hours there for that project manager or the senior resident. But we've heard the question.

MS. RAY: This is Sheila Ray. I would like to continue on with the presentation. I really appreciate all of the feedback. I would like to leave some time for Q&A on this topic. Before we move to the second topic, we will have a short break. But if, Robert, you could finish in five to ten minutes and we could have at least ten minutes for Q&A. And, again, those on the phone, please press *6 if you have a comment. Thank you.

MR. JOHNSON: Yes, ma'am, I'm on it. Okay. So let's move to slide -- oh, okay, we're on slide eight. This slide eight represents or outlines stakeholder concerns with the number of FTE and the need for more timely budgetary comments. Some of the comments that had come in were stakeholders felt that the number of FTE was high and not economical and that additional reductions needed to be made. Stakeholders also noted that the number of FTE in the fuel facilities business line in the Division of Fuel Cycle Safety and Safeguards and Environmental Review has stayed relatively stagnant over the past several years, despite sort of having a reduction or a decrease in operating facilities from 11 to 7. Stakeholders also highlighted the vital importance of NRC's ability to make timely budget adjustments due to anticipated workload and the economic environment.

So we recognize and we understand the comments. What I'd like to do is, on the next slide, so slide nine, we're going to try to provide some additional clarity on the number of FTE and the historical budget adjustments.

So this slide should look familiar. It was discussed at the February fee rule meeting. I'll step through it relatively quickly.

So as discussed at the February '18 fee rule public meeting, the fuel facilities budget line had significant adjustments over the last ten years, and you can see from the diagram that there's been significant adjustments both upward and down. We had talked about in the last meeting about the reasons for the increase and the step up, so I'm going to, just for efficiency, I'm going to step through that. But I would like to sort of note that the peak in the 2012 and '13 time frame, we were up, the business line was up to about 184 FTE. So since then, we've had a significant or experienced a period of significant workload decrease and reductions both in staff and contract hours from the FY '13 approximately to FY '18 time frame.

The reasons for this decrease include reduce all fuel cycle facility licensing actions and complexity, reduce construction inspection activities, reduce the effort for major renewals -- they're mostly finished at this point -- a reduction in the level of infrastructure development. So we talked about the fact that the guidance development process has stepped significantly back. And a reduction in operating number of, the number of operating fuel cycle facilities.

Since NRC formulates its budget two years in advance, it takes time to adjust when work doesn't materialize. However, the NRC continues to actively evaluate resource requirements and evaluate efficiencies that could reduce resource needs and make corrections, as appropriate. So in that public meeting, we had an opportunity to talk about a number of activities that are going on to make the NRC a little more, as efficient as possible.

The NRC recognizes that the Part 171 annual fees have increased significantly since -- what was the time frame you guys mentioned? Over the last ten years. We continue to try to work to right size the fuel facilities budget in the current year and future years. As indicated by the right side of this chart, our progress is trending down in a direction that more accurately reflects the work in the fuel facilities business line, and we expect the trend to continue when the proposed FY 2019 budget numbers are, actually they've been released, as well as FY '20 time frame. And NRC continues to evaluate the options to reduce this percentage of the budget that is assigned to annual fees.

Next slide, please.

MS. SCHLUETER: Could we stop there and just have a conversation there?

MR. JOHNSON: Can I? Should we try and get through the presentation so that we can get into the comment period, or do you . . .

MS. SCHLUETER: Your choice.

MR. JOHNSON: well, okay. Well, yes, let's --

MR. ERLANGER: We have a second, Kevin's presentation on the matrix.

MR. JOHNSON: So I believe it's 2:30.

MS. RAY: We'll say 2:35 because we were slightly late.

MR. JOHNSON: Okay. So Janet, let's go ahead -- or, Hilary, if there are questions, we can . . .

MS. SCHLUETER: Yes. Well, I'll be brief. It's not a new point. But, you know, if you just took slide nine, you know, in and of itself, it would just look like such a great story. But if we look back at Brian's slide eight, which you had used, you know, in the February 12 meeting, which is the recovery on that over a period of 2014 to 2018, you know, the FTE has gone way down and I give you credit for that. But the budget is not going way down. Facilities aren't seeing a proportional change in the budget that reflects the FTE drop. In fact, we're seeing it stagnant and even bumped up two years and, yet, your own chart recognizes what we all know and what we've written in our letters and so forth that the number of licensees has gone down. At one point, we had 11 before 2014. Now we have 7.

So, yes, FTEs dropped down significantly, but the budget hasn't. So, you know, when we see FTE cut, people cut in private industry, your operating budget goes down. You do with what you have left. You make do. So this is the part that we're having trouble understanding why is there not a proportional decrease in the overall budget.

MR. JOHNSON: So I'll start off the discussion. I understand the comment, and, I mean, I think we've heard what you've said. I also want to recognize that just in the last four years the budget itself has decreased, on average, of 6.9 percent per year. And if you do -- you're correct. The fuel facilities budget has continued to shrink and the Part 171 annual fees have essentially remained the same with about 0.2 percent increase over those same four years.

So the number of facilities have dropped. We understand that and we recognize that. We have a certain level of resources that are necessary to conduct the mission and the program, and we've tried to outline what is being done with those resources and where they're being expended. So we've heard --

MS. SCHLUETER: I guess it's just a little frustrating, too, because we've seen it happen in the uranium recovery program, you know, where a majority of the sites are going to probably go to the State of Wyoming come October 1. And so it's like, you know, to what degree does NRC expect the remaining licensees, which in that case is going to be three, to carry the whole infrastructure of the NRC. I mean, there has to be some, I realize there's a minimum base, there's a foundation of infrastructure that you have to have for a regulatory program. But you can't expect the dwindling set to carry the burden of that large program as it is reflected today. There has to be some sort of proportional reductions.

And I don't know what the NRC is going to do with the uranium recovery program. I know the staff has been struggling with that and, you know, they're consulting with the Commission. But you've got a set of licensees there that are going to see some unknown fee rule and fee structure come October 1 because they're going to be left holding the bag. So how many fuel facilities are going to be left holding the bag in two years, three years, four years?

MR. B. SMITH: So to try to address one of your points, like you said, in 2014, the budget was in the first block there $47.2 million with ten licensees, so it's about $4.7 million per licensee. Seven licensees in 2018, so that's three less. So by my math, we're only off by a couple of million. 4.7 times three gets you to 14 million, subtract 14 from 47 gets you at 33. So we're only a couple of million off from where we were per licensee in 2014. If you take into account inflation, the cost of an FTE going up, that puts you at about even.

MS. RAY: This is Sheila Ray. If we could finish up the presentation, I'd like to leave at least ten minutes for general Q&A.

MR. JOHNSON: Okay. So thank you, Janet. We understand the question and we're trying to be responsive. So with that, we'll move to slide ten. Slide ten identifies stakeholder concerns with staff, operating staff to operating facility ratio and the question on the Environment Review Branch staffing. Stakeholders noted that the fuel facilities, fuel cycle facilities have a staff to operating facility ratio of approximately 16 to 1, while commercial nuclear reactors have a ratio of approximately 15 to 1, yet the fuel cycle facilities is substantially less.

NRC -- we have already sort of talked about this. NRC continues focusing on our mission and evaluating our priorities and looking for ways to become more efficient and effective. The fuel facilities budget has been reduced significantly since the peak workload that was identified in the 2012 to 2013 time frame and continues to evaluate changes to the budget as a result of changes in workload.

It should be noted that, while the fuel cycle facilities have a staff to operating ratio of approximately 16.3 to 1, this ratio includes operating facilities and facilities under construction.

The 15.6 to 1 ratio that industry cited in the quote above includes only the operating reactor portion of the new reactor safety business line. If you factor in both the operating reactors assigned and the new reactor lines, the ratio is closer to 20 to 1.

The next comment that was brought up, stakeholders cited the Environmental Review Branch as an example of where it's difficult to understand why 13 FTE are needed. So that's an opportunity just for us to clarify how we're budgeted. NRC's Environmental Review Branch provides a wide range of environmental review services, guidance, and training that's related to decommissioning and uranium recovery and fuel cycle and spent fuel and rulemaking activities. So for the Environmental Review Branch, they are receiving two FTE and one supervisor from the fuel facilities business line. The rest of the FTE, the rest of the 13 FTE are funded by other business lines.

MR. ERLANGER: The fuel facilities is not at 13 FTE for environmental reviews in the nuclear materials waste program.

MR. JOHNSON: Next slide, please, slide 11. This slide addresses stakeholder suggestions that NRC conduct various types of retrospective reviews. Stakeholders noted that the respective reviews of agency initiatives could inform current and future NRC activities and initiatives. And I'll save us some time, the specific quotes that were identified that came in as a part of public feedback or stakeholder feedback are provided in the slide.

NRC agrees that retrospective reviews may be beneficial. NRC puts careful thought into the regulatory initiatives it pursues. FCSE and industry conduct routine Cumulative Effects on Regulations meetings, and we've used that process as an effective forum for dialogue on regulatory initiatives, guidance, rulemaking, current activities, industry initiatives. I'll put a plug in. The next meeting will be on April 11th and each of the topics that were discussed in the second bullet, the Part 74 rulemaking, the Part 73 rulemaking, and the ANS 5711 standard will be topics that are going to be discussed.

MR. ERLANGER: Robert, this is Craig Erlanger, NRC. I would like to just take a moment and mention for the ANS 5711 standard, in that standard we get a lot comments that have been made in letters regarding not moving forward with that. Just to make it clear, the NRC is one voting member for the standard. So the Department of Energy is involved, licensees are involved, and we are just one vote. So while we do, and I want to be clear we do support the development of a standard, we're just one vote. So we just have to be -- other things go into whether we move forward or not. It's not solely an NRC decision. Thank you, Robert.

MR. JOHNSON: Okay. And then the last thing I'd like to say is we do, we understand the benefit of retrospective reviews in a number of areas and we do do those types of reviews. I would like to point out that NRC rulemaking guidance development is typically or almost always conducted through a very deliberate and open process that invites input and feedback from a broad range of stakeholders. So we've had an opportunity to talk about those rulemaking activities in various forms and had dialogue and engagement and an opportunity to understand industry feedback in each of those areas.

Next slide, please. So in conclusion, we understand the stakeholder feedback. I appreciate it. There was a lot of it. We know that industry feels that the budget, fees, and the number of staff are high. We understand that. We're trying to maintain the program.

Through this presentation and the various fuel facilities budget overview presentation that Brian had provided earlier, we're trying to provide additional information in response to the stakeholder questions, feedback, and comments that had come in as a part of that, I guess, from the fee matrix public meeting. And I'll say it one more time: we're continuing to evaluate ways that we can be more efficient and effective in identifying where resources can be more effectively employed. We continue to engage stakeholders on regulatory initiatives.

And with that, I'll hand it back over to Sheila and see if there are any other additional questions, see if there's anything from the bridgeline, as well.

MS. RAY: Thank you. For those on the phone, please press *6 to make a comment. Are there any comments from the phone line? I'm just making sure that they're not on the phone from the operator. But are there any questions in the room?

MR. PADGETT: Yes, this is Wyatt Padgett with URENCO again. I want to -- I do appreciate all the pie charts that you put together and information. It was very helpful. A lot of the questions that we had I think were answered. But I think providing it just simply isn't enough, you know, as far as the two-thirds, for that number, to understand why, not so much just what it is but why is two-thirds of this something else?

MR. JOHNSON: Thank you for the comment.

MS. RAY: Let me just check are there any folks on the phone who would like to make a comment? Okay.

OPERATOR: All lines are open.

MS. RAY: Thank you. Any other comments in the room?

MR. SPANGLER: So I guess what Wyatt said, thank you for providing an additional breakdown. Obviously, that's going to give us another opportunity to go, oh, now I got another question because you see a little more detail. So we'll probably have to digest this a little more and ask a few more questions.

But on one note, Robert, I would have to take issue to bring in the additional FTE comparison from commercial power plant construction to that number. It's already tough enough for me to swallow that we would compare FTEs for an operating nuclear power plant and operating fuel cycle facilities. The risk and INES scale, not my scale but the INES scale, we're three orders of magnitude lower in risk. I would say a starting point would be three orders of magnitude lower in fees and FTEs since we are supposed to be risk informed and performance based. That's the basis of the NRC, not because I said that.

And so to be slightly higher is already orders of magnitude too high, in my view, if it's truly risk informed. Okay. Thank you.

MR. KNOWLES: Tim Knowles, NFS. Yes, thank you. This is exactly the level of detail that I was hoping for. But also I'd like to make a comment again on corporate support, especially as we move into Kevin's presentation on the fee factor matrix, is that when it's determined overall what a particular fuel cycle facility is going to pay on an annual fee basis, why does one particular licensee pay a larger portion for corporate support than another? I think that absolutely should be taken into consideration as we move into the discussions relative to the fee factor matrix.

MS. LANE: I had a question for Brian. This is Hilary Lane, NEI. On one of the slides, you mentioned the professional hourly rate of 270, which has gone up $6.00 - $7.00 from last year. And maybe I missed this and I'm sorry if I did, but have you benchmarked that number with other agencies to see what their professional hourly rate is, you know, maybe DFSB or other similar regulatory oversight bodies?

MR. HARRIS: So I don't think that, you know, we have, but the way we have to calculate it for our OBRA-90 requirements is that we have to actually recover this fixed amount of fees. And so we have to account for all the overhead, you know, costs in those fees when we get to that final recovery of that 90 percent.

So one of the things that pops out, at least as a difference between us and a lot of other regulatory agencies is a lot of them don't have the OBRA-90 requirement. So they're working under a different model for fee recovery than we are.

We also have the additional physical security requirements that don't exist in a lot of the other agencies. But we have to account for that entire fee recovery amount and, basically, we have to account for that in terms of who's actually going to be a mission direct FTE which is what produces that number, rather than trying to benchmark necessarily against another regulatory agency.

MS. RAY: Any other comments? On the phone? Any other comments on the phone? Hearing none, I propose a five-minute break. If we could be back here at 2:50, would that be okay? And we'll continue on the fee matrix.

(Whereupon, the foregoing matter went off the record at 2:44 p.m. and went back on the record at 2:52 p.m.)

MR. RAMSEY: Okay, this a response specifically to the comments on the fee matrix that we got at the December meeting. If we'd go to slide 2.

So basically, in December, we had a public meeting, we introduced three possible approaches to calculating annual fees, and we're going to go through and discuss the comments received, at a very high level, on each of those approaches. We will also introduce two additional approaches that grew out of the comments that we received, and then we'll discuss next steps. So if we can go to slide 3.

Status quo, which is basically no change at all, the feedback was mixed. Some supported, some stakeholders supported no change because there was no indication that the matrix is flawed or unreasonable. That was their position.

Some stakeholders opposed it because they noted that two high-enriched uranium licensees pay over half the annual fee for the fee class, but the available information shows the NRC does not spend over half its resources on those two licensees. So they felt like a change was reasonable.

In the uniform approach, again, feedback was mixed. Some stakeholders supported the uniform approach because the majority of the indirect services are not facility-dependent, therefore it's reasonable to split the cost evenly over the fee class. Other stakeholders opposed it because they believed the approach was not fair and equitable.

With the combination approach, which, to refresh your memory, was a proposal to distribute 85% of the cost uniformly and 15% of the cost proportionally based on the billing data for the direct services. Most of the feedback was negative. The comments we received were that the approach was subjective and not fair and equitable.

Some believed that there was no information suggesting that the billing data captured the same types of activities across different facility types. Other stakeholders noted that using the billing data could discourage licensees from requesting amendments authorizing process improvements. So that's our high-level summary of the comments we got.

We go to slide 4. So where we are today, we still have the three proposals from December are on the table. But we're looking at introducing two additional approaches. The current matrix with revisions was mentioned briefly at the last meeting. We decided to list it separately so we could consider the impact of the changes while maintaining the status quo approach. So we're going to look at that.

In addition, one commenter noted that the sensitive information column in the existing matrix technically isn't the license process, but they thought it was appropriate to keep it. In addition, it was suggested that we add a column for physical security, which is also not a license process.

So in considering these comments, we determined that another possible approach would be to define the entire matrix in terms of the areas we regulate, rather than the processes that we license. So we're going to show you what that looks like.

So if we go to slide 5. So taking the current matrix and making some changes to it. In response to a comment that the factor of ten difference between high effort and low effort is unreasonable, to look at how we could change that. We changed the definitions from high, medium, low, from ten, five, and one to three, two, and one.

That's the most radical shift. We understand that there are variations that we could use, like one, three, and six, and one, four, and eight. But you know, rather than doing a lot of variations, we just decided to try three, two, and one and see what it looked like.

In response to the comment that solid UF6 effort for an enrichment facility should be consistent with the scores that are on the matrix for the low-enriched fuel fab, we lowered the score from high to medium for enrichment so that it matches low-enriched fuel fab.

And in response to the comment that there should be a column for physical security, we added a column.

So in slide 6, I apologize for the teeny, tiny type, but it's a big matrix. That's what it looks like. You probably have to pull it up on your screen to see the specific numbers, but let's go to slide 7. This is what the impact is of those changes.

So we're still using Fiscal Year '17 as the case study because we have complete information for that fiscal year. We get the following results. High-enriched fuel fab fee decreases from 7.2 million to 5.7. Low-enriched fuel fab fee increases from 2.6 to 3.6. The enrichment fee actually decreases from 3.5 to 3.1 million. And the conversion fee increases from 1.5 to 1.9 million.

So that's how we implemented those changes. So if you have comments on the actual changes that we made, maybe that wasn't what you intended. Maybe you, now that you're looking at it, think, well maybe you should make some other changes. Let us know what you think. But just playing with the existing matrix, we could make some changes like this, and that would change the results.

So on to slide 8. This is the other option of how about we just redefine the columns in terms of areas that we regulate rather than licenses that we process. What would that look like? So let's go to slide 9.

One thing, you'll notice that we continued to use the definitions of three, two, one for the high, medium, and low, so we carried that forward. Now, we note that it's a little cleaner. There's only one number in each column because the safety areas have their own column and the safeguards areas have their own column, so we don't need to have two numbers in each column.

Please note that we have a cyber security column, because for the effort spent on cyber rulemaking. There's a teeny, tiny line at the top there that you might not be able to read very well, but it's basically a reminder that non-billable services include rulemaking, guidance, implementing procedures and training.

And this matrix is a pretty good description of the non-billable services that we recover through annual fees. Because in each of these technical areas, we have to maintain a program of rules, guidance, implementing procedures, and trained staff in each one of these technical areas, no matter how many billable actions we process in any given year.

And that's kind of the, that's the program that we have to maintain. I understand that, you know, we can make cuts in staff, and I'm sure all the licensees have done that in their own staff. But you reach a point of diminishing returns where there's a certain level that you have to maintain or you're just not operating.

This is the program that we have to maintain. So there's kind of a baseline there that we're bumping up against. But so if we go to slide

10, so if we turn the crank, this is what this one looks like. The high-enriched fuel fab fee, now granted, this is, we scored all these numbers. So if you have comments on how we scored it, let me know.

High-enriched fuel fab fee would decrease from 7.2 to 4.4 million. The low-enriched fuel fab fee would increase from 2.6 to 3.8. The enrichment fee increases from 3.5 to 3.8, and the conversion fee would increase from 1.5 to 3.3.

So that's the second new approach that we developed. So if you go to slide 11. So here's basically where we are. Questions that we would like you to think about. Do you have any comments on the revisions approach, you know, the first one that we introduced?

Are there other revisions you think we should make to the existing matrix? Is the matrix of regulated areas better? Should the effort factors that we assign to the regulated areas be different, and if so, why? And of course, are there any other approaches you think we should consider?

So in the final slide, next steps is similar to the last meeting we had. We're requesting comments in connection with this public meeting by April 27, that's 30 days from now. What we'll do is after we get those comments and we evaluate them, from that point, we will be preparing any recommendations on this entire issue of modifying the method of calculating annual fees.

We'll be, you know, we'll be developing those recommendations for the Commission paper for the FY19 proposed fee rule. At that point, we'll be back into the rulemaking process. So if the Commission decides to propose a change to the annual fee calculation, you'll get another chance to comment on the Commission's decision when the fee rule comes out for comment.

MS. RAY: So I guess at this time, let me add that the comments, please send them to the Document Control Desk, with copy to Kevin Ramsey. At this time, we are open for any questions, comments either in the room or on the phone. And if you are on the phone, please press star six to unmute yourself.

MR. PADGETT: Wyatt Padgett, URENCO. You know, the two new proposals, something for us to consider that I think what you'd find amongst the seven new facilities is two would agree, five would disagree, three would agree, four disagree. It just depends on whether it's going up or down, right, and for the most part.

As far as the existing matrix, we don't feel that it's unfair. We don't feel the approach is unfair, and if the NRC's going to consider a new approach, you need to show why this approach --

MS. RAY: Thank you for your comment. Other comments, in the room or on the phone. Yes, sir.

MR. SPANGLER: Dave Spangler, BWXT. I'd like to thank the NRC for having these meetings, listening to some of our comments, and trying to incorporate some new methods. And so we do support the new approaches to, in the matrix, like they're presented. That be my first blush on it. That, take a look at efforts that we see are a little more equitable.

Sans security and the actual I see where security and accountability come out mostly in the areas through inspection and resident and things like drills and so forth. So we did a commensurate-level and inspection-level effort that is deserved of a Cat 1. But in the effort on the upfront, we spent about the same amount of time working with the regulators and the regulators with us. Thank you.

MS. RAY: Thank you for your comment.

Are there comments on the phone or in the room? Yes.

MS. LANE: Hilary Lane, NEI. So when you were calculating the numbers, you know, on the various charts, can you give a little more detail on how you arrived at the numbers for the different licensees?

MR. HARRIS: Do you have a specific example, do you want me to pull --

MS. LANE: Just in -- yes, yes, just in general.

MR. RAMSEY: Well, the total amount in that you'll see in the one that's on the screen now that's, what is that, slide 10? The, basically, we're tallying up the effort factors, and then for any given licensee, we're taking that total, dividing it by the total for all the effort factors to get a percentage.

So for any given line, you'll see it's somewhere between 12% and 16% of the total. The total amount for FY17 for those seven licensees was 27 million and change. So I'm basically just multiplying the percentage times that number to get what comes out in that next-to-last column. It's --

MS. LANE: Right, I understand the math. I think on slide 9, I was more interested in the justification behind those numbers, on how staff provides those.

MR. RAMSEY: Well, for three, two, one, I did consult with the specialists in many of those areas to say, you know, do you believe, can you -- when we're talking about rulemaking guidance, you know, training, that type of thing, you know, maintaining, training staff, is it pretty even across the whole business line? Or is there some place where we spend more effort?

And many of the general areas like radiation safety, chem safety, it's pretty even across the whole business line. So in a lot of places, I just scored that as two for everybody. But a few examples are, you know, for crit safety, for criticality's safety, it's higher for the high-enriched than the low-enriched, and it's zero for the conversion facility.

And also for things like physical security, higher for the high-enriched than the others. Now, for information security, I believe that may actually be higher for the enrichment facility than it is for the others, or maybe it was the same. I don't recall exactly how I scored that.

But so there are places where I've scored it equally across the whole business line, and there are places where I tried to reflect that, yeah, we do spend more time, because quite frankly, you know, if we just have more requirements in the regulations, we're going to be spending more time there.

But where the regulations are essentially uniform for everybody, I just gave everybody the same score. So again, if you disagree with how I've scored that, if you think for your particular facility it should be different, let us know, tell us why, and we'll take another look at it.

MR. PADGETT: Kevin, Wyatt Padgett, URENCO again. So is this, I mean this, these two new approaches. We're still commenting on the current matrix or the fee matrix you have is actually what we're valuing against on these proposals.

MR. RAMSEY: Nobody proposed, at this point, nobody proposed a change to the existing matrix. You know, this is all things that maybe, you know, we're going to take all your input and pass it forward to the Commission and say, okay, Commission, here's what we think, here's what the stakeholders think. Do you want to propose any changes in the FY19 fee rule?

And then at that point, it's the

Commission's call.

MR. JOHNSON: So the short answer is, based on stakeholder feedback, we've got the three initial options that we discussed in December. Based on stakeholder feedback, we came up with two additional options, so we're trying to factor, we're trying to listen to the comments that have come in. So now there are five options.

MR. RAMSEY: I mean, one thing I like about this one with the technical areas is when we're talking about license processes at the high-enriched fuel fab facilities, their processes are classified. So we always have to fumble around with surrogates, and there's always some debate about whether those are accurately reflecting what the high-enriched licensees are doing.

But if you get into the technical areas here, none of this is classified, because this is what we do. So I'm free to talk about all this, and I don't have to come up with weird terms, you know, to try to hide classified information.

I can just be right up front and say, This is what the NRC's doing, this is what you're paying for. Personally, I think this is a little bit more straightforward in terms of the services that we're providing.

MR. PADGETT: Like I said, there are going to be two facilities that like it and five that don't. I mean, overall, you know, one of the things that I think we, all the facilities would agree on, it isn't so much about how we're splitting up the total, more so than what the total cost is. We all have the same sort of feedback on that total cost.

But when it comes to actually reassigning the split, if you will, to different facilities, everyone's going to have a different opinion because it's going to impact their facility.

As a general policy issue I think, you know, it's one of the comments that we had as far as shifting costs from, and this is exactly what this proposal would do, is shifting costs from a defense-related activity to a commercial facility, essentially what is going on. And we take specific exception to that.

MR. JOHNSON: So let me try and just recap this. We understand that there are two issues that are out here. The comment letters made it clear that there are questions and concerns about the amount of fees, so we've heard that. We try to take the time to explain at a very detailed level what's in those fees and where the effort and the resources are going and how, what the proportions are.

So we also recognize that there could be improvements to the way that the fees are allocated. So the purpose of this meeting was to inform or provide additional information on the budget and what's included. So you get the overview, you got the specific aspects of the budget, as wells as the fee matrix pieces of it.

So we recognize that those two sort of questions or topics are on the table, and we want to continue to communicate and have dialog on what the fees are and where they're going. And we want to continue to work on a process to identify potential improvements for the fee matrix. We're following up on Commission direction to identify or engage stakeholders.

So we got a lot of feedback on the last round, and we're going to look forward to additional feedback. And ultimately what'll happen, what Kevin had identified, is we will identify options, stakeholder feedback, and a recommendation, like possibly for the FY19 fee rule.

So we've got some time to work on it, the proposed fee rule. And we're trying to have the discussion. But we recognize that we want to have the discussion on both fee matrix improvements and on the fees in general.

MR. PADGETT: I get that, I appreciate that. As far as on the fee matrix piece, you know, the five options that Kevin put together, the three previous and these two here, all five of them are moving the fees from the Cat 1 facility down to the Cat 3 conversion enrichment facilities, is what essentially what they are. And is that the general path that the NRC is on at the moment?

MR. RAMSEY: Well, this is Kevin, Kevin Ramsey. Keep in mind that those direct costs that are billed under 170, the high-enriched fuel licensees, you know, they have resident inspectors, the rest of you don't, so that's a huge cost.

They get many more inspections than most of the rest of the facilities do. They have all that high security stuff and everything that they go through, the get a lot more attention, in M, C and A.

So under Part 170, they're already paying much higher fees from the other facilities. What we're trying to address here is the non-billable stuff.

And quite honestly, even though

historically the fees have been much higher for the high-enriched licensees, when you start looking at the non-billable effort, the non-billable things that we're doing with rulemaking, guidance, procedures, and maintaining and training staff, I don't know that it is unreasonable to say that it should be more even across the business line.

MR. B. SMITH: I think, this is Brian Smith, I think it goes back to OBRA 90 where it says we have to develop fair and equitable fees. So we're looking at new methodologies that may be more fair and more equitable. So that's what we're trying to do, what we're trying to evaluate here and that's the point.

MR. HARRIS: So for clarification, we're hearing you say yes, but --

MS. ALBERT: Before we go back to the industry, I just wanted to chime in. Right now we're FY18 fee rule, we're asking any changes there. What we're having this discussion about is having changes down the road considering should we, should we not. If we did, what would we do. Those types of discussions.

So I don't want anybody inferring it as a trend, that we're all deliberating how engaged stakeholders get involved. I mean, there's not a final sort of decision at this point, these aren't necessarily all, we're just, you know, they're illustrative, we're trying to get feedback.

To be very clear about where we are in the process, and that way industry's not sort of trying to make data points about where we're going to end up. We're still trying to figure that one out ourselves.

MR. PADGETT: Well, I understand where you all are. It's quite common that we're in the start -- as the train starts going in that direction, that's where it ends up.

MR. KNOWLES: So Tim Knowles, NFS, and I also would like to reiterate that I think, and I appreciate Kevin's comments about fair and equitable, but I'll just be blunt, is I don't think a Cat 1 facility should pay any more for rent or for maintaining the NRC's website, or any of the other things that came under corporate support, than any other facility. It just doesn't pass the straight face test.

MR. B. SMITH: So to move that just a little bit, this is Brian Smith. So it's the same thing for the power reactors, but a little different.

They all pay the same. So would you say that you should pay the same as a power reactor? Or less, from a corporate share?

MR. KNOWLES: If I could --

MR. B. SMITH: He's saying they should all be the same, everybody should pay the same amount for this corporate support.

MR. KNOWLES: Well, yes. But you got different, you've got the different business lines. And the way you've set this structure up, it doesn't lend itself to equity among all licensees. But since you've segregated out these fuel cycle facilities into the one particular business line with this one particular budget, there's certain aspects of that budget that should be shared equally among all seven facilities.

MR. B. SMITH: So within the business lines, you think all seven should pay the same share of corporate support.

MR. SPANGLER: This is how I see it, this regulatory effort. How much time do you all spend regulatory-wise, really, with the people that are out there? You should be applying regulatory risk with your inspections and the document we use for ISA is the same, the document for rad protection. We get a bigger level of crit safety, bigger level of cyber imposed sometimes.

But for the day-to-day stuff, we're applying the same regulations and same documents. And where it comes into is how many hours you're in our facility, which comes out in the billing area. That's just my two cents.

I can see a big effort in this one and the other one versus the ten, five, one seems to be fairly subjective and the manager's kind of hard to stomach when it comes to the, Tim Sipple is my crit guy, and he's the same crit guy for the others. And Jeremy Munson, they might just spend a few more hours, but they don't spend more regulatory time. So that'd be my two cents, I think that echoes there Tim's.

And I know that's a, you know, so unpopular. It's like Wyatt had said, it's kind of like a two, five. But that's kind of how we got here, is our fees have gotten so much higher than a power plant's is, it must be noticed and we must examine the process.

MR. PADGETT: Kevin, Wyatt Padgett, URENCO again. My viewpoint on that is if that one facility has, how many critical safety inspections do you get per year? Two or three, or?

MR. SPANGLER: Just three.

MR. PADGETT: Three. And let's say we get one, all right. Obviously we're charged for those inspection hours.

And when it comes to the NRC and the amount of overhead that they need to apply, what you're trying to say is that it should be the same. I need as much management support for those inspections at mine, for that one inspection as you do for three. And I'd go that's disproportionate. I think it should be proportionate across the board.

And you know, like I said at the beginning, not trying to push fees in their direction at all. We really just want it to be fair. Most facilities are going to state the opinions based upon where they end up in the end result.

MR. KNOWLES: And that's exactly what this chart has shown. For example, crit safety for Cat 1 facilities is a three, and the others are one and two. So I think that does accurately reflect the level of regulatory effort for the differences in the facilities.

MR. PADGETT: So Tim, all due respect on that, the two Cat 1's at a Category of 31, and the rest of the facilities are in the high 20s, if you just simply looked at the number of inspection hours and residents that we actually have, their facility has something of the three to four thousand required inspection hours, plus your resident, you know, including your residents and whatnot.

Versus the Cat 3 facilities conversion in Richmond, there, it just went straight off with the inspection around 2600 said, with something less than 600 apiece.

MR. RAMSEY: Yeah, but that's just--

MR. PADGETT: It's significantly less.

MR. RAMSEY: That's our point, is that, and they're billed for that, the current, under 170. But under this, the question is are they using, are they applying different rules, are they using different procedures when they do those extra inspections?

Or are they using the same procedures that they use at the other sites? Because if they're enforcing the same rules and using the same procedures, that's essentially the same non-billable service.

MR. PADGETT: Well, we can talk about a specific item, but when it comes to those activities that fall outside of that, you know, that, I'm trying to go back to the chart as far as the percentage, so everything outside of Part 170. It's going to just, procedures. So Brian, there is more activity that the NRC's, in their overhead, is providing for those facilities than it is for the other five.

MR. JOHNSON: So I think this discussion is sort of illustrative of the challenge in trying to come up with a fair and equitable way to do this. And we're open to comments and we appreciate it. We're looking at what we've got now, and there were questions about whether it was fair and equitable. And we're trying to look for potential improvements. So --

MR. PADGETT: Robert, can I ask a question?

MR. JOHNSON: You can, but Janet had, I was trying to, Janet?

MS. SCHLUETER: Yeah, I was trying to let the licensee speak, so I'm not sure I have my full train of thought at this moment.

But well first of all, I guess I did want to go back to what I think everyone has said here, and that is that over the course of these three meetings, we do sincerely really do appreciate the level of effort that you guys have put in coming up with the three options before today, and then these two today.

And we did spend some time, you know, looking over the two different approaches. It's back to what Wyatt and others said, it just doesn't matter how you slice and dice it, there are winners and losers.

But this level-of-effort thing, the ten, five, one versus three, two, one, as I was listening to you speak, I think it might have been Robert, but it made me wonder to what degree those level-of-effort factors should in fact be near 100% or partially based on actual inspection hours, for example.

I mean, you're giving us a description of the level of effort that, you know, with all due respect, seems somewhat qualitative and subjective. And y'all have even used those terms in the past.

So when I see the fees going up and down based on how you apply these level-of-effort factors, it's not a good warm and fuzzy feeling to think, well, some of the facilities, Cat 3s, Honeywell in particular takes a big hit on the one chart. I mean it's like double, double the fees.

So how do they go back and sort of justify those types of increases to their own corporate management? Because it's, for everybody, it's the bottom line, it's the return on investment.

If they have a one million or a two million or whatever increase in the fees, how do you justify it when there's not been any, you know, change in the license activities, major amendments and processes, what have you. And I realize we're just trying to find a solution, coming up with a new way to slice and dice the pie, but it's critical that it be an informed decision.

And when I get to this level-of-effort thing on the three, two, one, it just feels a bit squishy. But it has implications for everybody.

MR. JOHNSON: So I appreciate that. And I think I understand exactly what you're saying. And what we were doing is trying to react to some of the feedback from --

PARTICIPANT: Right.

MR. JOHNSON: So there's an existing algorithm structure fee matrix that has been in use since '99. And it lays out the criteria, 10, 5, 1. So it's not, I want to be really careful with subjective, that we try to inform the existing process using feedback from you guys as far as why is there an order of magnitude difference between the low and the high. Or consider this option or this option.

So we considered the feedback and we tried to take a look at what the impact of the feedback, of the changes were and factor it in and try and provide it for the discussion.

MS. SCHLUETER: Right, so we recognize that. I'm glad, you know, you went to this level of effort. But the outcome is so critical and so important, and so I'm just looking for a little bit more like data-driven, quantitatively driven level-of-effort numbers.

You know, is there any way that we can get to the point where the level of effort is more quantitatively based or inspection hour based. Or have we thought about that at all? Is that another way to get there, is that another way to apply the matrix?

MR. B. SMITH: It goes back to something that Kevin, this is Brian Smith, the combination approach that Kevin, we had proposed originally. So, which was part uniform, part direct hour billing-based.

MS. SCHLUETER: That's true, I can

remember that. So can you refresh my memory on why it was a 85-15 split? How did you all come up with that?

MR. RAMSEY: Well, I mean, that was just the proposal that was made based on the fact that in order to justify using direct billing data for non-direct purposes, you know, 170 data to distribute 171 fees, you have to make a case for correlation. You know, what's the relationship between this data that you could use it.

The 15% that we originally came up with was that, for a reactive type, you know, for the routine stuff, we're probably, so there probably isn't a correlation there. But for special issues where we have to do reactive inspections and it's unplanned licensing actions and that type of thing, that pulls in extra resources.

That pulls in, you know, resources you don't normally use, like public affairs, congressional affairs and things like that. And so we said, well, how often do we have to react to something unplanned. And our estimate was, well, maybe 15% of the time, you know, we're working on unplanned stuff. And so that's what we used.

If you can't make a correlation between

the direct billing hours and all this other stuff, then it's, the argument falls apart.

MR. PADGETT: This is Wyatt Padgett, URENCO again. When it's under direct billing fees, you know, they're for two pieces, the inspections and there's the licensing activities, right. The inspection fees, to me, makes more sense. Okay, it just seems like it's more fair to base it off that. Maybe it's not, but I can somewhat understand that perspective.

When it comes to the licensing fees, and this, you know, for our facility district-wise, we went through a significant number of changes over many years. We're at the point of not making many changes anymore, all right. So obviously today, the number of direct billing for licensing activities would be less.

But we certainly don't want to be disincentivized to not work on improvement for the facility because we recognize that that cost will also now result in our annual fee to be increased as well as a result of making a change.

For some facilities, Cat 1s and Cat 3 fabricators, they've got somebody in there to balance it with. Right, if one of them works on their improvement activity for a certain year. If you went to that approach, then the other facility didn't, then there's somebody to balance with.

For us, we're all out there by ourselves. We've been converted, there's nobody to balance that varying cost.

MR. B. SMITH: Yeah, that, this is Brian Smith again, that was one comment that we did receive, which was to treat each licensee individually as opposed to like the two Cat 1s where we averaged the effort, or the three Cat 3 fuel fabs.

If we were to do that approach, we'd have to modify the rule itself to create a separate fee category for each licensee. So it'd be a licensee-specific fee, and we chose not to go down that route.

MR. PADGETT: But you get the point as far as you're disincentivizing me --

MR. B. SMITH: Yes.

MR. PADGETT: From wanting to make an improvement at my facility because of the fluctuating cost in the future.

MR. JOHNSON: Any other comments?

MS. RAY: And if you're on the phone, please press star six to unmute yourself.

MR. WOLF: This is Mark Wolf from

Honeywell. Am I unmuted?

MS. RAY: Yes, we -- go ahead.

Mw: Okay, a couple observations and comments, I guess. I did hear the comment that perhaps there should more equitable cost-sharing, what might you consider traditional overhead, rents, utilities, HR, IT, things like that.

And I would suggest to NRC perhaps do a rather deep drill of your budget number and see what those numbers look like, versus what you might call direct overhead, you know, those licensing folks doing specific activities. I think that might be an interesting move towards some more equitable cost-sharing without just simply painting everything with the same paintbrush. That's one comment.

The other comment is, particularly on that slide 9, which is the one that obviously, there already is a distinction in fee categories. Like all these other guys are showing up as fee category 1 with a few extra letters behind it. You know, we're down with a 2.

Part 40 does not equal Part 70, and there's already a distinction, and yet, even this chart's moving us more towards being on an equal basis with Part 70 facilities, which may or may not be true, depending on which of them you're talking about.

And then my third comment is just to agree that the size of the balloon is still too big, and regardless of how you move things around, it's just too big. So those are my observations on this particular part. Thanks.

MS. RAY: Thank you. Would anyone like to respond? Thank you for your comment. Are there any other comments, either on the phone or in the room?

MS. SCHLUETER: All right, well, I was going to ask that, the elephant in the room. Have you considered anything very revolutionary at all with this particular group of licensees with regard to the Cat 1 facilities and removing them from the fee-based and all that they encompass?

MR. B. SMITH: What would be a justification for removing them from the fee-based?

MS. SCHLUETER: Or at least their non-commercial activities, their defense programs, naval?

MR. B. SMITH: We bill other government licensees.

MS. SCHLUETER: Exactly.

MR. B. SMITH: I don't understand.

MR. RAMSEY: They're not a government

licensee.

MR. B. SMITH: Well --

MR. RAMSEY: Licensees performing services for the government.

MR. B. SMITH: We bill government agencies, like NIST, the Army, the Navy. I still don't understand. Why should we think, why do you think we should take them off the fee base?

MS. SCHLUETER: I'm just asking if it's an option that you've thought about at all, to recognize that there's only a, and they should speak for themselves as far as the small portion of their activities that is commercial-related or R&D or something that is not naval reactor-related.

But to potentially take those portions of the corporate support, the training, the travel, all those pieces that are attached to the Cat 1s, and simply take them off of the fee base with the proportionate amount of budget accordingly.

MR. HARRIS: So I'll -- finish and then.

MS. SCHLUETER: Okay, you get my idea.

MR. HARRIS: Yeah. So I think there's probably two ideas there. There's what we call fee relief, you know, and then there's not being part of the fee basis, you know, and that's done by Congress, you know, of what's on the fee base.

So to get something completely off the fee base, that's Congress taking some action to do that.

MS. SCHLUETER: Right.

MR. HARRIS: Fee relief, the problem is that we only have so much amount of money that can go into fee relief before you start basically adding a surcharge in fact to everybody, you know. So once you get beyond that ten percent, then everybody else is going to be paying a surcharge.

So you know, that's power reactors, but that's also the existing licensees in the fuel facilities business line would be paying that surcharge, to the extent you went over that ten percent.

MR. SPANGLER: Add the, some recent fuel relief.

MR. HARRIS: I'm sorry?

MR. SPANGLER: Congress, a law, fee relief for advanced reactors.

MR. HARRIS: No, that was taken off. That was excluded from the fee recovery. So that's, you know, that was, yeah, the five million last year was not part of the fee, what had to be recovered for

OBRA-90. So it was like the Nuclear Waste Fund.

MR. SPANGLER: I think that's what's Janet's saying. A similar idea.

MR. HARRIS: Yeah, but those are two different categories. So being off the fee budget, that's the way Congress would appropriate, and it'd be part of the net appropriations for us, and we wouldn't have to recover that if they did that.

If they put it into where we'd have to recover it, then you're talking about fee relief, which at the over 90, the ten percent, as the Agency budget gets smaller, that amount that can be put into fee relief gets smaller before you need to actually start charging all licensees to recover what's in excess of that ten percent.

So they sound alike, and I know we often probably interchange those words for those things at times, but they operate in two different ways.

MR. SPANLGER: Can I just get back to the question? They do operate in two different ways. Has the NRC considered any application of either way to address the Cat 1 facility?

MR. PADGETT: I think maybe you're -- both of you are really asking more about non-commercial, not necessarily this Cat -- this is non-commercial.

MR. SPANGLER: But it's, in our particular case, our primary customers are recognized. And so that would be revolutionary to think of a different approach than the same approach we've been doing, which has to date meant significantly affecting, say our fee.

But to balance this discrepancy now is potentially impactful or devastating to the existing licensee. So it'd be a really revolutionary thought.

MR. PIERCE: So correct me if I'm wrong but, Max Pierce, Naval Reactors, you would still have to identify an amount in the budget that would come out, correct? So you're still in the same exact issue of identifying how much effort it takes to regulate an issue, versus other facilities.

So I don't see how that gets away from the fundamental problem of deciding what the correct effort factor is. Is that, am I accurate with that assessment?

MR. JOHNSON: I think he was right to use the balloon analogy to figure out how much of that would go away with the defense-related activities. And I think that really, I understand and I appreciate the comment.

It's, when you talk about transformative changes, it's something that we should be thinking about. But how we would effect a change like that, that I think is maybe above.

MR. B. SMITH: Yeah, this is Brian Smith. To answer your question, no, we have not considered that. And to consider it going forward, what would you propose would be a basis for us to doing that, and why just these two licensees? Why not other NRC licensees that are involved with other government agencies?

MR. HARRIS: May I --

MR. SPANGLER: Have you considered these things that are revolutionary to help tackle the growing cost and the concern? If you were in Congress trying to work this out across the table, and you see a pretty significant impact to make, an equitable adjustment to what we're working with between Cat 1s and enrichments and Cat 3s.

MR. RAMSEY: Well, this is Kevin Ramsey. I think with regard to anything that Congress may or may not write into our budget, I think we as an agency, if we're going to propose anything to Congress, that all goes through the Commission, which probably would require a lot of, you know.

MR. SPANGLER: I'm aware of that.

MR. RAMSEY: And some lobbying from you guys. And of course, obviously you can call your own congressional representatives. Now, if you want to submit that as a comment, we'll certainly pass it along to the Commission. But from the staff --

MR. SPANGLER: Do that, but it's just, I wondered that --

MR. RAMSEY: Yeah.

MR. SPANGLER: Of just playing with this same balloon.

MR. RAMSEY: Our ability to propose changes to Congress is rather limited because we'd have to get the Commission to buy in on it. It's kind of tough. But if you want, I can send it in with your comments. We'll certainly pass the comment along.

MS. SCHLUETER: Well, I think we just wanted to just, you know, it's kind of been spoken, you know, sort of in sidebar conversations from time to time, and we wanted to just know whether or not you've given it any thought at all. And if so, how would that work? Is it feasible at all?

We're not suggesting it necessarily. I think it requires and awful lot of further insight and dialog and conversation, even amongst the industry. Obviously Naval Reactors I'm sure would have an opinion one way or another. And maybe it's not even realistic, feasible, or a desired outcome. But we're just trying to get creative, if you will, and turn over every rock.

MR. HARRIS: And I would encourage you to submit those kind of ideas, because when they're in writing committed like that, you know, even though we have a transcript. I think former Commissioner Ostendorff used to tell people coming into his office that, you know, don't tell me, send in something. So it helps us to respond to things when they're in writing.

MS. RAY: Any other comments on the phone or in the room?

MR. T. SMITH: Mine would be, this is Tyson, can you all hear me?

MS. RAY: Yes, go ahead.

MR. T. SMITH: Hi, yes, sorry I'm backtracking a little bit. I'm looking at the slide 9 again, which has the various columns for regulated areas. And I'm just curious as to whether you had done any comparison, you know, why each of these columns was sort of treated equally in terms of their relative contribution to the total.

Some of these might absorb much more or much less time than the others than if you're just treating them all the same, that that's going to skew the results one way or the other.

MS. RAY: Sure. Before someone responds to your comment, what was your name and affiliation again?

MR. T. STRAWN: Sure, Tyson Smith, I'm at the law firm of Winston & Strawn.

MS. RAY: Okay, thanks.

MR. RAMSEY: Yeah, this is Kevin Ramsey. Well, basically anybody who's done an evaluation report or a licensing action is going to recognize that these are basically the chapters in our evaluation report.

PARTICIPANT: Our standard review plan.

MR. RAMSEY: Yeah, I think our standard review. These are the areas that, you know, we look at, we review and we look for commitments and we inspect against. You know, where there's uniform, and I kind of, you know, scored them as a two, that was just kind of an arbitrary decision on my part. Just to say it's kind of a moderate effort and it's uniform.

Again, if you have comments and you think that they should all be ones and instead of twos and you can, you know, provide a reasoning for that, you know, we're certainly willing to consider making changes.

MR. T. SMITH: I guess my question is maybe a little bit different than that, which is, you know, if you look, and I recognize these as you know, review areas and chapters and the like. But I guess when you look at, for instance, the review that you do, do you have the same number, do you have 20 hours for each of these chapters? Or do some of these chapters take up a lot more time?

And if so, maybe the number for those chapters ought be scored, you know, zero to five, rather than one to three. And chapters that have smaller time are scored one to two.

MR. RAMSEY: Well, the hours are irrelevant. The hours are irrelevant. These hours that we spend on any given action are billed under 170. This table, this matrix is not for 170. This matrix --

MR. T. SMITH: No, I understand, I understand. My point is that I assume that in terms of the length of time or the constant rate of contribution to the overall regulatory effort is not the same for fire safety as it might be for criticality safety.

And I guess my question is have you looked at the data at that level of granularity to look at which of these areas requires more level of effort?

And those areas seem like they ought to be weighted higher when coming up with a total than some area like management organization, which I think is relatively, you know, straightforward, compared to some of the other areas in terms of developing guidance or whatever else goes into the part.

MR. JOHNSON: So I think we, I understand the question, and it sounds like that'd be a good comment to factor into any possible suggestions that come up. So maybe one of the topics is weighted a little bit heavier because it's more complicated technically or something to that effect. So that sounds like a good comment to send in. With that --

MR. RAMSEY: Well, what I would caution about when you're looking at the hours is that sometimes we get a high quality application, sometimes we don't. So you may get a lot of hours, I don't know that that means that somebody's more risk, one facility's riskier than the other, or.

MR. T. SMITH: Right? Because that would be the billable stuff. I mean it's weird that -- preparing the guidance, when you're preparing guidance, you all prepared like a big list of documents for the last set. And if you looked at those, and even just at the raw numbers, I think there are a lot more in certain areas than there are in other areas.

And my point is I think that these columns shouldn't be weighted equally overall, if all the factors are going to the Part 170 fees.

MR. JOHNSON: I think that may be beneficial, and we appreciate the comment. What I'd like to do is have you provide it to Kevin or to the NRC so we can factor it into the discussion, because there could be differences between the level of effort for reviews in the different columns.

We are now at about 3:50. What I wanted to do just for a second is thank everybody for the time today, the input on both the fee matrix and the general questions on the budget. Trying to go through and identify specific, give you another sort of drill-down or level of detail on what's included in the fuel facility budget, so the overview that

Brian had provided.

We tried to address the comments, the budget-related, fee-related comments that were provided. And tried to drill down into a significant level of detail. We recognize that you, that industry in general thinks that the fees are too high, the budget is high, and the number of staff is high.

I also put in that the NRC has recognized and identified that the budget, the business line itself, has significantly stepped down as a result of the workload that's there. I appreciate the opportunity for this dialog, as well as the discussion in December, the discussion in February on the fee rule itself. And it sounds like we're going to have an opportunity to have additional discussions on it.

So as far as closing remarks, thank you for the time and effort. And I'm going to turn to Brian Smith or Craig, any last closing remarks?

MR. ERLANGER: Echo Robert's comments. Appreciate the staff's preparation for the meeting, and I appreciate everyone looking at the material beforehand. It was evident you did review it, and I think it led to a great conversation and some good questions. So appreciate everyone being here.

MS. SCHLUETER: So this topic I think is actually on the agenda for April 11. No?

MR. ERLANGER: What Janet is referring to is there's a public meeting on April 11. The staff, based upon how today went, they don't, we don't know if we're going to get, we're not going to get letters from members of the public and those in the room by that time. It's about two work weeks to react to the outcome of this meeting, it is not enough time for the staff to hold another meeting during that day.

When we originally looked at the agenda for the April 11 public meeting, we were hoping to have an hour or so dialog on this topic. Our leaving this room position, or coming into this room position is it's not enough time to reflect upon what we heard today.

MS. SCHLUETER: But we did wonder about that at the time, you know, considering the timing of this one and the 11th. It seemed very close. I wasn't sure what you were going to try to focus on on the 11th. That's one reason why I was sort of reiterating the question as to whether or not it was on the docket for that day.

MR. ERLANGER: It is not, but we will

look for another opportunity to engage. And I think Kevin, at the end of his presentation, had a day where we were requesting comments by.

MS. RAY: April 27, please submit them to the Document Control Desk and copy Kevin Ramsey. I would also echo the remarks, thank you for your time and attention. If you haven't signed the sign-in sheet, please do so. And for those on the phone, please email Kevin Ramsey your information so we know you've attended.

And also, there are feedback forms. We would appreciate any feedback on the public meeting, and also if you don't want to do it in writing, on the public meeting website. This meeting is 2018-011. We would welcome any feedback. Craig.

MR. ERLANGER: Just a quick plug for the April 27 comments. We're looking for comments on the fee matrix options. We did receive your comments on the '18 Proposed Fee Rule, and there is a rulemaking process through which we will answer those comments. Hopefully we were responsive today based on the letters we received in December

We can't preclude you from talking about other issues, but we're really interested in comments related to the fuel facilities fee matrix. Thank you.

MS. RAY: Thank you very much, I think this meeting is concluded. Thank you for your time and attention, and those on the phone, thank you very much.

(Whereupon, the above-entitled matter went off the record at 3:53 p.m.)