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**Subject: Transmittal of Framatome Inc. Comments on Fuel Facilities Fee Matrix
Following March 27, 2018 Public Meeting**

Framatome Inc. (Framatome) appreciates the opportunity to provide comments to NRC following the March 27, 2018 public meeting regarding the formation of the Fuel Facilities Business Line (FFBL) budget and options for the fuel cycle facility (FCF) fee matrix.¹ This meeting supplemented the earlier public meeting held on December 13, 2017.² The additional fees-related discussion during the public meeting on April 11, 2018, was also very informative.³

All of the NRC's proposed options for the FCF fee matrix are similar in that they reduce fees for the Category I FCFs and increase the annual fee for most other classes of licensees. Framatome is very concerned that some proposed options will increase our annual fees for the Washington State based facility on Horn Rapids Road (HRR) by \$1M or more with no change in NRC's regulatory activities related to HRR.

Based on the discussion in the March 27th public meeting, it appears that the NRC's staff intends to move ahead with changes to the fee matrix in parallel with longer-term changes to the size of the program. This approach will immediately result in a substantial increase in HRR's annual fee. It is disappointing that although NRC has been shrinking the FFBL,⁴ the NRC's program reductions have not kept up with the reduction in workload. To date, this has already led to increases in the annual fee, even without a change to the fee matrix.

Framatome believes that until the NRC has restructured its FFBL, the NRC should refrain from making any changes to the fee structure. Once the NRC has completed transforming the operation, then changes to the fee structure should result in cost sharing that is based on the relative use of infrastructure and other resources required for regulating those specific facilities.

One example of inequitable distribution of fees relates to the MOX fuel fabrication facility not paying an annual fee because they do not currently hold an NRC license, as documented on slide 10 of the December 13th public meeting presentation. It appears that other FCF's are subsidizing the infrastructure that has supported the MOX program and that those costs have been primarily absorbed by the CAT 1 facilities. Arguably, those additional annual fees have been passed back to the US Government from the CAT 1 facilities through rate-of-return fuel contracts. Thus, the commercial nuclear industry is apparently subsidizing a US Government enterprise that will ultimately compete with the rest of the industry.

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This situation should be remedied as part of the Fiscal Year 2019 (FY19) Fee Rule. At a minimum, the MOX project should either pay an annual fee commensurate with the services it is provided, or an equivalent amount should be removed from the fee base for the operating FCF licensees (or at least those licensees that primarily serve the private sector).

The NRC should understand that any increased fees compete with the money budgeted for improvements and enhancing production efficiencies. The NRC's actions relative to these increasing costs are making it more difficult for Framatome to make desired improvements and harder to compete internationally for business.

In summary, the current budget process is not transparent and the only engagement with the fee payers (i.e., the FCF industry) is when it comes time to figure out how to divide the bill. The front end of the budget process must be made transparent. Certainly there is no prohibition against a retrospective review at the end of each FY, which would allow for budget projections to be compared to actual expenditures and results achieved. This would give insight into how well NRC is budgeting at the beginning of each FY and perhaps initiate changes in the budgeting process based on how close the actual expenditures are to the proposed budget. Framatome recognizes that this would be a departure from past practices; however, with the focus on transformative change currently at the agency, Framatome believes the scrutiny that would be invited by increased transparency would support the transformation that NRC is seeking to achieve.

If you need additional information, please contact me at 509-375-8550.



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