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Fee Rule

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UNITED STATES OF AMERICA

NUCLEAR REGULATORY COMMISSION

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MEETING ON FISCAL YEAR 2019 PROPOSED FEE RULE

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WEDNESDAY,

FEBRUARY 13, 2019

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ROCKVILLE, MARYLAND

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The meeting convened in the Commissioners' Hearing Room at the Nuclear Regulatory Commission, One White Flint North, 11555 Rockville Pike, at 1:00 p.m., Richard Rivera-Lugo, Facilitator, presiding.

NRC STAFF PRESENT:

RICHARD RIVERA-LUGO, Facilitator

MAUREEN WYLIE, Chief Financial Officer

ANNA BRADFORD, Deputy Director, DCSE/NRO

STEPHANIE COFFIN, Director of Budget and Planning

RUSSELL FELTS, Deputy Director, DRA/NRR

MICHELE KAPLAN, License Fee Policy Team Leader

MIKE KING, Director, FCSE/NMSS

JANE MARSHALL, Deputy Director, DSS/NRR

JOHN MCKIRGAN, Chief, SFLB/NMSS

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BO PHAM, DUWP/NMSS

KEVIN WILLIAMS, MSST/NMSS

ALSO PRESENT:

JOHN BUTLER, Nuclear Energy Institute

ERIC JEBSEN, Exelon (present via teleconference)

ANDREW MAUER, Nuclear Energy Institute

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A-G-E-N-D-A

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P R O C E E D I N G S

1:00 p.m.

1
2
3 FACILITATOR RIVERA-LUGO: All right,
4 welcome, everyone. Good afternoon. Thanks for
5 participating in this public meeting.

6 My name is Richard Rivera-Lugo. I will
7 be facilitating this public meeting to discuss the
8 proposed FY '19 Fee Rule and the related budget
9 items associated to this proposed fee rule.

10 My role is to help you to ensure that
11 this meeting is informative, productive and on time.
12 With that in mind this meeting is scheduled for
13 three hours with two Q&A sessions at a scheduled
14 time during the meeting. So please hold your
15 questions for those Q&A sessions.

16 Before we get started I would like to go
17 over some housekeeping items that are necessary.
18 With regards to getting around the building please
19 remember that unescorted access is available for the
20 first floor of this Two White Flint and One White
21 Flint complex.

22 Any other areas you will require an
23 escort to move around.

24 As I mentioned a little bit earlier
25 please remember to sign your name on the sheets

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1 located at the doors of this commissioner's hearing
2 room.

3 And in the event of an emergency if we
4 are asked to evacuate the building please do so in a
5 calmly manner. Go outside the building. Follow the
6 directions from the security personnel and follow
7 the staff outside. We will gather on the extreme
8 end of the plaza in front of the building and we
9 will need to take a head count so it's extremely
10 important that you sign up on the sheets at the door
11 so we can make sure that everybody is outside
12 safely.

13 Today's meeting is a category 2 meeting
14 with participation from the NRC staff and external
15 stakeholders. And this meeting will be facilitated
16 to ensure that issues and concerns are presented,
17 understood and considered by the NRC staff.

18 The agenda for the meeting will be
19 discussed shortly by Maureen Wylie. And we invite
20 your comments and questions at the designated points
21 during the meeting. We will cue you when it's time
22 for those Q&A sessions.

23 For people in the room we ask that you
24 please turn off or mute all electronic devices. And
25 if you must answer a phone call please do so outside

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1 to avoid any disruptions.

2 We ask that you allow the speakers to
3 present their information and hold any comments or
4 questions until the designated Q&A sessions, and
5 avoid any side conversations that may distract the
6 speakers or the audience listening to the meeting.

7 If you have any questions please use the
8 microphones located in both ends in the front of the
9 room. Speak clearly on the microphone and always
10 state your name and affiliation to make sure that we
11 have the correct record for this meeting.

12 The meeting will be transmitted via
13 webcast and the presentation is posted in the NRC
14 public website.

15 If you're participating remotely we
16 strongly encourage that you mute your phones and
17 computers. During the Q&A sessions if you have a
18 question that you would like to ask any of the
19 presenters please dial *1 and record your name and
20 our operator will facilitate the questions from the
21 phone.

22 Any follow-up questions will be
23 addressed after the meeting and I will provide
24 information on how to submit those questions to the
25 participants so you can get a follow-up from them.

1 For the NRC staff in the audience I will
2 like to remind you that obviously our guests from
3 the industry and the public are here to participate
4 in this meeting. They have the priority when it
5 comes to questions and comments to the NRC staff.

6 So unless you find it imperative to have
7 any comments on the public record we ask that you
8 hold your comments or questions until the end of the
9 Q&A sessions.

10 With that I would like to turn it over
11 to Maureen Wylie, our chief financial officer.

12 MS. WYLIE: Thank you very much. It's
13 great to have our annual all fees, all the time
14 meeting. Thanks very much.

15 I'm very excited about presenting our
16 2019 proposed fee rule to our stakeholders. And I
17 hope to enhance our dialogue as we have over time
18 through meetings like this one.

19 I'm very happy to report that we
20 published the 2019 fee rule on the 31st of January,
21 only two days behind our original planned
22 publication date. We were impaired from the Federal
23 Register -- thank you, I wanted to say record, I
24 knew that was not right -- by the government
25 shutdown.

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1 Unfortunately we were not able to make
2 an emergency justification for publishing the fee
3 rule. I do believe that this is the earliest we
4 have ever published the fee rule in any case so I'm
5 pretty excited about that.

6 The 2019 professional hourly rate will
7 be increasing this year from \$275 to \$278 due to a
8 decrease in the number of mission-related FTEs
9 primarily due to standardization and centralization
10 of some mission support functions and the transition
11 of Wyoming to a agreement state status for uranium
12 recovery.

13 Michele will talk a little bit about
14 that more later.

15 Further, some of our flat license fees
16 have also increased. Some as usual do decrease
17 mostly as related to the professional hourly rate
18 but also because we do a biennial review of fees as
19 required by the administration.

20 So, you will continue to see that sort
21 of biennial adjustment in materials fees.

22 For annual fees they have increased for
23 some licensees and decreased for others. We're
24 going to go into more depth on that later in the
25 meeting.

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1 Could we have the agenda slide? All
2 right, well here we are.

3 As we have in some other years we're
4 going to do a comprehensive review of the FY '19
5 congressional budget justification.

6 And so my fellow panelists are Jane
7 Marshall who is the deputy director of the Division
8 of Safety Systems, Office of New Reactor Regulation,
9 Russell Felts, deputy director of the Division of
10 Risk Assessment. They're both from NRR.

11 Anna Bradford, the deputy director of
12 the Division of Licensing, Siting and Environmental
13 Analysis, Office of New Reactors. They'll be
14 talking about the business lines that make up the
15 operating reactor fee class.

16 When their presentation is finished we
17 will do a little bit of re-seating -- excuse me,
18 when Mike's done. Mike King is our new director of
19 the Division of Fuel Cycle Safety, Safeguards and
20 Environmental Review in the Office of Nuclear
21 Materials Safety and Safeguards.

22 When he's done we'll do some shifting of
23 the panelists so we'll all be able to see you and at
24 that point we'll hear from Kevin Williams, the
25 deputy director of the Division of Materials,

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1 Safety, Security, State and Tribal Programs in NMSS.

2 John McKirgan will present on the budget
3 for the spent fuels business line and he's the chief
4 of that branch in NMSS.

5 Bo Pham is the deputy director of the
6 Division of Decommissioning, Uranium Recovery and
7 Waste Programs in NMSS.

8 Stephanie Coffin, the budget director
9 here. She will talk about corporate support
10 primarily.

11 Michele Kaplan who is the lead for our
12 license fee policy team will talk about the process
13 for developing fees and our success in fees
14 transformation.

15 All right, so I'm going to talk in
16 general terms about the budget and fees for '19. So
17 let's go to the next slide, please.

18 And honesty compels me to say though
19 most of you probably don't need the basics on fees,
20 but we're going to give you a quick overview anyway.

21 So, the Omnibus Budget Reconciliation
22 Act of 1990, also called OBRA '90 as adjusted
23 requires that we collect approximately 90 percent of
24 our current year's appropriation in that year.

25 As you're well aware we conduct a major

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1 rulemaking throughout the year including data
2 gathering, preparing calculations, updating the rule
3 itself, and responding to public comments.

4 We have two parts of 10 CFR that cover
5 the collection of our fees. Part 170 which is fees
6 for service at an hourly rate and Part 171 which are
7 annual fees.

8 On January 14 of 2019 the President
9 signed the Nuclear Energy Innovation and
10 Modernization Act, or NEIMA. He signed it into law.

11 The act includes provisions affecting
12 budget formulation, creating a revised framework for
13 fee recovery, and requires the agency to conduct a
14 number of reports associated with advanced reactor
15 activities and some others.

16 The act specifies three objectives to
17 its purpose, to provide a revised framework for fee
18 recovery, to ensure the availability of resources to
19 meet industry needs without burdening existing
20 licensees unfairly for an accurate workload
21 projections or premature reactor closures.

22 Number two is to support the development
23 of expertise in regulatory infrastructure necessary
24 to support the development and commercialization of
25 advanced reactors.

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1 And third, to foster a more efficient
2 regulation of uranium recovery. Stephanie will have
3 more on that later.

4 It's important to recognize that while
5 we are reacting to this rule it won't actually
6 become a requirement for us until the FY '21 fee
7 rule. But nonetheless we'll talk about it a little
8 bit later in the program.

9 All right, now my favorite part where I
10 talk to you about out of scope comments. Sometimes
11 we receive comments that are out of scope for the
12 fee rule.

13 Over the last few years we notice and
14 appreciate that there's been a large decrease in the
15 number of out of scope comments. I hope that's
16 because of the outreach and dialogue that we conduct
17 with you over the course of a year and over the
18 years that we've worked on this together.

19 However, just to focus this these
20 comments that are typically ruled to be out of scope
21 are those that are not on the methodology for
22 calculating fees, changes to fee regulation, or the
23 schedules themselves.

24 We typically continue to hear about
25 needed efficiencies to achieve our mission goals,

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1 changes in our overall regulatory practices such as
2 common prioritization of rulemaking, cumulative
3 effects of regulation, and risk-informed
4 performance-based licensing.

5 Even though this meeting on fees is not
6 the proper venue for those questions and concerns we
7 really do want to hear them. And we do urge you to
8 seek out the appropriate venue so that we can
9 address those concerns directly.

10 In closing, I do want just to emphasize
11 that we are continually evaluating how we approach
12 our fee-setting processes. And we are looking for
13 ways that we can enhance transparency, equitability
14 and timeliness.

15 Michele is going to go over our
16 successes in that area to date after the first
17 break.

18 As always we welcome your questions and
19 your formal comments, and we look forward to a
20 continued dialogue with you, our stakeholders.

21 Again, thank you for participating and
22 let's go to the next slide.

23 Our new appropriation. So for the first
24 time since 1997 we have our appropriation before the
25 beginning of the fiscal year.

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1 Our proposed rule is based on the Energy
2 and Water, Legislative Branch, and Military
3 Construction and Veterans Affairs Appropriation Act
4 of 2019 enacted on the 21st of September 2018.

5 Because budgets and fees are linked we
6 will be providing to you an overview of the budget
7 related to that appropriation so that you can
8 further understand the appropriate relationship
9 between the fee schedules and that budget.

10 The act appropriated approximately \$911
11 million to us which is a decrease of approximately
12 \$11 million from 2018.

13 The amount does not include the use of
14 carryover since we don't further charge fees on
15 carryover. Once we've charged you fees we only do
16 it that one time.

17 Let me explain what we mean by
18 carryover. The term "carryover" is used to describe
19 funds that were appropriated but not obligated from
20 a prior fiscal year, or were de-obligated because
21 the funds are no longer needed. Say a contract is
22 closed and the work has all been achieved. If there
23 are resources left on the contract we de-obligate
24 those resources.

25 Sometimes because it takes us usually

1 about a two-year period to formulate, receive an
2 appropriation for and execute our budget there's
3 often a change in the workload between the time that
4 we do that and the time that we actually bill you
5 for fees.

6 So there are often changes, and if we
7 don't need the money we don't spend it and we carry
8 it over and use it in other years.

9 In Fiscal Year '19 our appropriation was
10 reduced by our congressional appropriations
11 subcommittee to use \$20 million in prior year
12 unobligated balances.

13 That follows a pattern that we've seen
14 over the last several years. In 2018 the amount we
15 were directed to use was \$15 million.

16 So, on to how we develop the fee
17 schedule. We begin by excluding certain amounts
18 from fee recovery. And those areas are
19 international activities, advanced reactor
20 technologies, regulatory infrastructure, waste
21 incidental to reprocessing activities, the inspector
22 general's services for the Defense Nuclear
23 Frequencies Safety Board and generic homeland
24 security activities.

25 In Fiscal Year '19 the total for that

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1 group is \$43.4 million, a slight decrease from last
2 year.

3 For 2019 after deducting these excluded
4 items and making some adjustments for when bills
5 which we have issued in previous years will actually
6 be paid we propose to collect approximately \$781.9
7 million in fees, a decrease of \$7.4 million from our
8 2018 collection target. Let's go to the next slide.

9 So we're going to talk a little bit next
10 about the professional hourly rate. And these
11 materials are available both on the web and in the
12 room. So this is a little bit hard to read.

13 So we have table 2 on the screen right
14 now from the fee rule which has the information
15 associated with our professional hourly rate
16 calculation.

17 This is germane specifically to our Part
18 170 fees for service billings.

19 In the table the first three line items
20 are those types of resources that are used to
21 critical that rate. Mission direct program salaries
22 and benefits, mission indirect program support and
23 agency support.

24 Just to refresh you, mission direct
25 program salaries and benefits resources fund the

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1 core work activities committed to fulfilling the
2 agency's mission of protecting the public health,
3 safety and promoting the common defense and security
4 as well as protecting the environment.

5 These resources include the primary work
6 activities associated within the major program
7 business lines, operating reactors, new reactors,
8 fuel facilities, nuclear material users,
9 decommissioning and low level waste, and spent fuel
10 storage and transportation.

11 Mission indirect program resources fund
12 activities that support -- not a great leap -- those
13 activities.

14 These resources include supervisory and
15 non-supervisory support including administrative
16 assistance and mission travel and training.

17 Agency support is the combination of the
18 resources for corporate support and the Office of
19 the Inspector General.

20 These are the types of resources
21 associated with offices such as the chief
22 information officer, financial management under the
23 chief financial officer, human capital services,
24 administrative support. Standard across the
25 government, relatively standard with the private

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1 sector as well.

2 Overall the budgeted resources to be
3 included in the professional hourly rate calculation
4 decreased by \$9 million, or about 1.2 percent.

5 However, the mission direct program
6 salaries and benefits increased this year by \$9
7 million or 2.8. I'll explain why next.

8 The FTE reductions that we took in the
9 2019 congressional budget request in response to the
10 decreased projected workload were not sufficient to
11 overcome the increases in salaries and benefits.

12 As in other federal agencies the NRC's
13 workforce is aging and associate benefit costs have
14 increased accordingly.

15 Primarily those concerns are associated
16 with healthcare costs and pension benefits.

17 This contributes to the rising cost of
18 salaries and benefits that we've experienced in the
19 last several years. Next slide, please.

20 Next I'd like to turn to our Part 171 or
21 annual fee billings generally. Those fees decreased
22 due to decreased budgets based on workload
23 reductions.

24 However, there were increases for some
25 licensees and I'd like to talk about the reasons

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1 associated with those increases.

2 While budgetary resources remained
3 relatively stable from '18 to '19 particularly for
4 operating power reactors the annual fee increased
5 because our estimated Part 170 billings declined
6 from those that we had in 2018. So year over year
7 there was less Part 170 estimated in the proposed
8 fee rule.

9 There are certain obvious drivers
10 associated with that. Specifically the shutdown of
11 the Oyster Creek Nuclear Generating Station at the
12 end of 2018 means that there were no licensing
13 activities included in the budget in '19.

14 Since there is the planned shutdown of
15 both Pilgrim and Three Mile Island we expect that
16 there will be less licensing activity, only the bare
17 minimum for those plants during Fiscal Year '19.

18 Within the new reactors area we have
19 completed the APR-1400 design certification for
20 Korea Hydro and Nuclear Power Company.

21 And then as a part of our fees
22 transformation and as a part of our dialogue with
23 stakeholders we have changed our methodology
24 associated with the overhead associated with program
25 managers and resident inspectors.

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1 Instead of a 6 percent surcharge
2 effectively we have changed to a new methodology
3 where we're going to collect actual hourly costs.

4 Since we have just begun collecting that
5 there is a large delta between what we collected in
6 '19 and the hourly efforts that we've collected so
7 far.

8 What you see in the proposed rule in
9 this area is the maximum that you would see
10 associated with that. And as we move toward the
11 final rule there will be additional adjustments when
12 we get more actual data collected in those areas.

13 And then as is well known to everyone
14 the fee rule now includes 98 reactors instead of 99.
15 So that reduces the number of reactors across which
16 to spread those budgetary resources.

17 Let me just perhaps restate the obvious,
18 but we are an intellectual capital organization. We
19 provide engineering and scientific services through
20 government employees which are characterized in the
21 budget as full-time equivalents.

22 We do use some contract support but that
23 is perhaps one-third of our budget roughly, rather
24 than two-thirds associated with people.

25 So, some changes associated with

1 reductions don't always result in those total costs
2 being reduced as well. But we still need to
3 maintain the number of people with the skills that
4 we require in order to get the work done.

5 We've talked about increasing costs.
6 One of the challenges that we have is that we are
7 not assessing new workers. That has been happening
8 across the other federal agency. But over the last
9 almost five years we've been conducting efficiency
10 seeking associated with our Project Aim activities
11 and as a significant portion of that we have really
12 reduced the number of people that we hire from the
13 outside. So that's having a significant adjustment
14 on our costs associated with operating reactors.

15 For materials users some licensees saw
16 increases due to a realignment of resources. So, in
17 previous years we had certain resources that were
18 associated with the oversight of agreement states
19 that we had in fee relief.

20 We conducted a significant review of
21 that program and we determined that some of the
22 resources that we had in fee relief were more
23 accurately budgeted outside of fee relief. So
24 that's one of the reasons you'll see an adjustment.

25 And then for DOE transportation

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1 licensees the increase is mainly due to an
2 additional certificate of compliance from 21 in 2018
3 to 22 in 2019.

4 You'll hear a little more detail about
5 these changes later on in the presentation. Next
6 slide.

7 Not to belabor the point, but although
8 there isn't a 1 to 1 correspondence between our
9 budget structure and fees there is a very strong
10 correlation.

11 And so rather than cover this
12 information in each section we wanted to start off
13 with a description of how our budget is developed in
14 terms of its structure to be -- as a baseline for
15 all of the presentations you'll hear next.

16 So, this is a very high-level schematic
17 of our budget structure. We have eight business
18 lines. Two of those are within the reactor safety
19 program, operating reactors and new reactors. Five
20 are within the materials and waste safety program,
21 and one is corporate support which includes all of
22 those agency-wide administrative activities.

23 You'll also see that the Office of the
24 Inspector General, the budget for that office is
25 distributed proportionally. We don't treat them as

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1 a separate business line.

2 Also, corporate support is also
3 distributed proportionally across the business lines
4 when we transition to fee classes.

5 The Integrated University Program which
6 is a program that we don't request but we've
7 received for many years now, this program is
8 embedded in our fee relief category and so no fee is
9 charged on that. Next slide, please.

10 Within each of the business lines we
11 have product lines. This slide shows an example of
12 the operating reactors business line.

13 Here, things are grouped under mission
14 direct and mission indirect which I've mentioned
15 previously and is part of how we do the calculation
16 for the hourly rate.

17 We also have resources in product lines
18 for which you do not pay fees. In this instance
19 that would be international activities and generic
20 homeland security activities.

21 Generic homeland security activities are
22 just that. These are activities that we have to
23 conduct as a part of our membership in the federal
24 family, but don't apply to any specific reactor.
25 That's why they are not charged to fees.

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1 The titles are fairly self-explanatory.
2 I don't think that there's anything that's not
3 obvious here.

4 But if you do have questions I'm happy
5 to take them or Stephanie during our first question
6 and answer session. Next slide, please.

7 Okay, so numbers may not add due to
8 rounding which always happens to me when we do these
9 round number percentage charts. But this shows how
10 our business lines contribute to the total budget of
11 the agency. And this excludes the Office of the
12 Inspector General.

13 Operating reactors and corporate support
14 business lines, blue for operating reactors and
15 green for corporate support, are the two largest
16 percentage segments of our budget.

17 You'll be hearing about all of our
18 business lines during our presentation.

19 So let me transition to why we're going
20 through the process of talking about each of the
21 business lines.

22 Our purpose here is twofold. We want to
23 be as transparent as we can in our budget
24 development process so that you'll understand how we
25 go about calculating our budgetary requirements.

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1 And we would like to share where you
2 could help us through greater input into our
3 workload setting process.

4 As I mentioned earlier it takes us about
5 two years to get through the process so recognizing
6 that any information that we collect has some risk
7 associated with it of not being accurate.

8 But we are working across our business
9 lines and within my office to try to continue to
10 enhance our budget estimating capability.

11 It's obvious to us that we need you to
12 be our partner in this regard. And because you have
13 a much better and more direct understanding of where
14 your organization or your companies will be going in
15 the future.

16 All right, with that plea which you will
17 hear echoes of through our presentation I'd like to
18 turn the discussion over to Jane Marshall and
19 Russell Felts who will be discussing the 2019 budget
20 for the operating reactors business line. Jane?
21 Oh, Russell, okay.

22 MR. FELTS: Thanks, Maureen, and good
23 afternoon everyone. I'm Russ Felts and my colleague
24 Jane Marshall and I will be presenting to you a
25 review of the operating reactors business line.

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1 We'll provide information on how the
2 budget changed from Fiscal Year '18 to '19 and how
3 that impacted the reactor fee class.

4 We also want to share with you how we
5 developed our budgets in general and in particular
6 how you can help us improve by providing your plans
7 for specific engagements with us. Next slide,
8 please.

9 MR. MARSHALL: The operating reactors
10 business line encompasses the regulation of
11 operating civilian nuclear power reactors, research
12 and test reactors and other non-power production
13 utilization facilities such as medical isotope
14 production facilities.

15 The table on this slide shows the 10
16 product lines within the operating reactors business
17 line which Maureen described in her introduction.

18 The operating reactors business line is
19 composed of mission direct resources, mission
20 indirect resources and some resources which are
21 excluded from the fee base.

22 We've included the percentages of our
23 business line budget for each of these groupings.
24 As we would expect, the majority of the business
25 line resources are mission direct and they fund the

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1 NRC's core activities including event response,
2 licensing, oversight, rulemaking and research.

3 Mission indirect resources support the
4 execution of our core activities and include things
5 such as supervisors, administrative staff and
6 travel.

7 I would like to note that while generic
8 homeland security and international activities are
9 important to the operating reactors business line
10 these resources are excluded from the fee base which
11 means that these items are not part of the 90
12 percent that the NRC recovers in fees.

13 So we aren't planning on speaking to
14 those particular areas. Next slide.

15 The mission direct product lines. The
16 four shown on this slide received the most
17 resources. Some of the specific activities within
18 each product line are shown.

19 We ensure the safety and security of
20 operating nuclear power reactors and research and
21 test reactors by putting regulatory requirements in
22 place mostly through rulemaking.

23 Licensing facilities to operate in
24 accordance with those regulations and then through
25 inspection overseeing facility operation in

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1 accordance with the requirements.

2 We've seen an increase in applications
3 from licensees to implement risk-informed
4 operational programs which entails some front end
5 costs to make these changes to the licenses but
6 provide licensees increased operational flexibility
7 and should facilitate fewer licensing actions in the
8 future.

9 For example, through implementation of a
10 risk-informed completion time program licensees may
11 risk-inform allowed outage times for some plant
12 equipment, possibly obviating the need to come into
13 the NRC with a one-time emergent license amendment
14 request if they experience an equipment outage that
15 extends past the existing outage time limits in
16 their license.

17 Another area of increasing work is in
18 subsequent license renewal which is the extension of
19 a plant's license to operate.

20 Oversight activities comprise the
21 largest portion of our budget. This includes onsite
22 resident inspectors and safety and security
23 inspections conducted from our four regional offices
24 and a few from headquarters. It also includes
25 allegations and event evaluation. Next slide,

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1 please.

2 MR. MARSHALL: Workload forecasting is
3 our first step when developing the operating
4 reactors business line budget. It's primarily
5 influenced by the number and type of licensing
6 action requests we anticipate which affect both
7 licensing and inspection workload.

8 As an example a subsequent license
9 renewal application requires multiple FTE at the
10 headquarters for review but also some operating
11 reactor resources in the regional offices to perform
12 the inspections that follow the review.

13 Most of our information on these
14 activities comes from the letters of intent sent to
15 us by licensees, but we also adjust our budget
16 forecast downward when we receive notifications of
17 planned plant closures.

18 Finally, we have our project managers
19 for each facility talk with their facility to get an
20 idea of what types and number of amendment requests
21 they plan to submit for the budget year that's
22 currently under development.

23 At the moment we are formulating our FY
24 2021 budget so calls will be made soon to ask for
25 plans for 2021.

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1 The better information we can get during
2 budget development, the closer we can get our budget
3 estimate to actual needs. This keeps our staffing
4 levels on par with the workload and minimizes delays
5 in reviewing license amendment requests.

6 During budget development we also
7 consider the type and complexity of licensing
8 actions we are expecting. For some actions we may
9 need to have an engineering safety review and an
10 environmental review so knowing that action will be
11 requested allows us to ensure that we have adequate
12 resources for both of those activities.

13 The cost of completing our license
14 reviews varies depending on the level of complexity
15 with the licensing action. As an example, a
16 subsequent license renewal application takes
17 considerably more staff effort than a routine
18 license amendment request to make an administrative
19 change to a license.

20 Some other budget drivers that we
21 consider during the budget development include
22 potassium iodide replenishment schedules for
23 emergency preparedness in the states that have
24 requested potassium iodide.

25 New work such as the work in accident-

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1 tolerant fuels. We're currently reviewing technical
2 documents that are needed to support the first
3 planned batch loading and other budget drivers will
4 decrease the budget need such as plant closures and
5 completion of the Fukushima work.

6 We also continuously strive to be more
7 efficient which leads to lower budget needs as well.

8 We do consider historical information
9 when developing our budget and we review the level
10 of resources associated with past similar efforts
11 and past resource utilization. Next slide, please.

12 MR. FELTS: This slide shows how the
13 enacted budget change for the business line for
14 Fiscal Year '18 to '19. This is the starting point
15 for calculating fees.

16 The operating reactors budget decreased
17 by 18 FTE and \$6 million in contract support and
18 travel. The \$4.9 million total increase you see on
19 the slide is due to a \$10.9 million increase in
20 salaries and benefits as Maureen mentioned.

21 A few examples on the slide. Under
22 event response you see an increase which was largely
23 driven by an increase in potassium iodide for nine
24 states, something Jane also touched on.

25 Under licensing you'll see an increase

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1 which is largely driven by a few factors. One was
2 an increase in risk-informed licensing activities
3 and license amendment requests.

4 Another was an increase in budgeting for
5 subsequent license renewal, and also an increase for
6 the development of the ATF licensing process.

7 Also in that line is a pretty
8 substantial decrease for Fukushima work.

9 In oversight there was a pretty
10 substantial increase due to the higher salaries and
11 benefits rate.

12 We also had increases in research
13 largely due to research activities funded through
14 the use of -- for ATF, sorry.

15 Before we talk about how this budget
16 translates into annual fees I'd like to turn the
17 presentation over to Anna Bradford to share similar
18 information for the new reactors business line.
19 Both of these business lines feed into the operating
20 power reactor fee class so it's important to
21 understand how both have changed between Fiscal Year
22 '18 and '19 in order to better understand the change
23 to the annual fee. Next slide, please.

24 MS. BRADFORD: Thanks, Russ. So as
25 Maureen stated my name is Anna Bradford. I'm the

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1 division director of the Division of Licensing,
2 Siting and Environmental Analysis within the Office
3 of New Reactors. We can go to the next slide,
4 please.

5 So within the new reactors business line
6 we budget against these product lines. Obviously
7 this table looks similar to the one that you just
8 saw from NRR with a few changes.

9 Our total budget within the new reactor
10 business line is about \$94 million which equates to
11 386 FTE and about \$21 million in contract resources.

12 You can see the percentage there for
13 mission direct is 68 percent which is about \$64
14 million. Mission indirect is 20 percent and then
15 resources that are excluded from the fee base which
16 is 12 percent for us which is largely comprised of
17 the advanced reactor work that we're doing as well
18 as international activities. So next slide, please.

19 So this slide shows some activities that
20 the business line is working on in FY '19
21 specifically.

22 Under licensing we're working on the
23 NuScale Design Certification Review. We hope to
24 finish phase 2 of that review in April which would
25 mean completion of the -- I'll call it the first

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1 draft of our safety evaluation report.

2 We're also working on the Clinch River
3 Early Site Permit which we hope to complete in FY
4 '19 except for some hearing activities.

5 We're working on the ABWR design
6 certification renewal as well as the APWR design
7 certification which have both been budgeted at a low
8 rate while we worked on those higher priority items.

9 We've also been working on Vogtle
10 license amendments as they are doing construction at
11 their site. They find things that they need to
12 change from the design certification and they submit
13 license amendments and we review and disposition
14 those.

15 In terms of oversight one of our larger
16 activities is construction oversight. Again that's
17 for the Vogtle construction site in Georgia.

18 We have resident inspectors down there
19 as well as some resources in Region 2 that's
20 providing that construction oversight.

21 And then as I mentioned advanced
22 reactors, we're doing a lot of work to prepare and
23 to work with industry specifically for non-light
24 water reactor activities. Next slide, please.

25 So we develop our budget similar to what

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1 you heard from the operating reactor business line.
2 In terms of how we forecast our workload we depend
3 on letters of intent from proposed applicants or
4 potential applicants I should say going out several
5 years. We try to look out five years in advance and
6 we request that applicants let us know what their
7 plans are within that five-year window.

8 We also are in frequent communications
9 with industry and with potential applicants as well
10 as current licensees such as Vogtle to understand
11 what they're planning for the upcoming years that
12 might end up resulting in workload changes for our
13 staff.

14 We also again as the operating reactor
15 business line go back and look at historical data.
16 How long did it typically take us to review a design
17 certification or COL so that we can then use it to
18 plan for future activities?

19 So the previous slide I talked about
20 some specific activities we're doing in FY '19 in
21 the new reactor business line.

22 This shows some generic activities that
23 we look at in general when we're planning our
24 budget. So we plan for design certifications, for
25 combined licenses, early site permits. And this is

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1 for light water reactors, non-light water reactors
2 and small modular reactors.

3 Obviously we looked at the number and
4 the complexity of the licensing actions that the
5 industry tells us they're planning for.

6 We think about whether we need pre-
7 application activities which are basically
8 interactions with the applicant before they even
9 submit the application to help prepare them and us
10 for the work.

11 We also have some rulemaking activities.
12 One of the main ones right now is a revision to Part
13 52 which is really kind of the backbone of the whole
14 new reactor licensing process. We're looking to
15 update it and make some changes based on lessons
16 learned.

17 We also have research needs that we work
18 with the Office of Research on. We develop guidance
19 that supports these licensing activities and then as
20 I mentioned we have construction oversight. So next
21 slide, please.

22 This slide shows how the new reactor
23 business line enacted budget changed from FY '18 to
24 FY 2019.

25 Overall there's a decrease of \$4.5

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1 million in our enacted budget compared with FY '18.
2 The key drivers for these reductions are the
3 completion as Maureen mentioned of the APR-1400
4 design certification which was a large effort for us
5 but which we did complete in FY '18.

6 We also completed a very large revision
7 of Reg Guide 1.206 which provides guidance to
8 applicants. And we've completed that.

9 The increase in the research product
10 line is to support the infrastructure development
11 for the advanced reactors which are again the non-
12 light water reactors.

13 And as I mentioned the primary increases
14 in rulemaking are to support the part 5052 but also
15 we do design certification rulemakings for designs
16 when we've completed the safety review.

17 So right now, for example, we're working
18 on the rulemaking for the APR-1400 design
19 certification.

20 So now Stephanie will discuss how the
21 two business lines translate into fees.

22 MS. COFFIN: Thank you, Anna. So I am
23 jumping in here because there are factors driving
24 the increase in fees that's really beyond the budget
25 and so I wanted to lay those out for you.

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1 Maureen touched on the vast majority of
2 them. Next slide, please, Aracelis.

3 So, the proposed annual fee is
4 increasing by 8.4 percent. So the total budgeted
5 resources essentially stayed flat from '18 to '19.
6 There was an increase in the overall for the
7 operating reactors business line. There was a
8 decrease, an offsetting decrease in the new reactors
9 business line so overall it's flat.

10 So you might ask yourself well, why
11 isn't my fee staying flat and there's a couple of
12 reasons for that.

13 One is that we have fewer number of
14 reactors paying into the fee class because Oyster
15 Creek moved away from this fee class in Fiscal Year
16 '19.

17 The other detail that plays into this is
18 in '18 the low-level waste surcharge and the fee
19 relief which was a credit in '18 turned into a debit
20 in '19. And so you're paying portions of that as
21 well in '19 which is a change in trajectory from
22 '18.

23 But really the biggest factor that's
24 playing into the increase in the annual fees is the
25 Part 170 decrease that Maureen talked about.

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1 The removal of the project manager
2 resident inspector 6 percent surcharge. We did that
3 deliberately and based on feedback from our
4 stakeholders that that practice wasn't as
5 transparent as they would like and we agreed. And
6 we made that change and this is one of the impacts
7 of that change.

8 Oyster Creek in shutdown, now their
9 license amendments aren't being processed through
10 the operating reactors business line.

11 The completion of the APR-1400 design
12 certification. That was a big Part 170 billings
13 operation but that's completed and so that's
14 reduced.

15 And then any plant that we see posting
16 into shutdown, they generally as Maureen alluded to,
17 they start being very selective on the license
18 amendments that they need to pursue and just start
19 paying a lot of attention to that. And so we
20 generally expect reduced licensing actions from
21 those sorts of plants.

22 And then staff efficiencies which
23 generally everybody is very happy about staff
24 efficiencies, but if we get the work done faster,
25 smarter, better that does mean that your 170

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1 billings are decreased and so there's going to be an
2 offset that you're going to see in your annual fees
3 as a result of that.

4 So, I am going to now -- we're going to
5 do a switch and move away from our reactor programs
6 to our materials programs. And I'll give you guys -
7 - you guys want to have a chance. And so we're
8 going to get the whole materials and waste team up
9 here now.

10 And first up is Mike King to my right
11 here.

12 MR. KING: Good afternoon, everyone.
13 I'm Mike King. I'm the new division director,
14 Division of Fuel Cycle Safety, Safeguards and
15 Environmental Review. And I'll be walking you
16 through the Fiscal Year '19 budget and the
17 associated reduction in annual fees and a little bit
18 what's behind all that. Next slide, please.

19 You've seen this table multiple times
20 now so I'll try not to be too repetitive. But this
21 does show the nine product lines within the fuel
22 facilities business line which is composed of
23 mission direct, indirect and resources that are
24 excluded from the fee base.

25 In the '19 budget the majority of the 96

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1 FTE of overall business lines in the fuel facility
2 area fund NRC core activities.

3 The mission indirect resources encompass
4 approximately 22 percent of those activities. And
5 while generic homeland security and international
6 activities are excluded from the fee base. Next
7 slide.

8 The fuel facilities business line is
9 responsible for ensuring the safety and security of
10 fuel cycle facilities and greater than critical mass
11 facilities.

12 The business line leads the licensing
13 and oversight activities for these facilities as
14 well as the NRC's implementation of domestic
15 material control and accounting program and the
16 international safeguards program.

17 The fuel facilities business line also
18 provides licensing and oversight support for a
19 number of additional licensees that possess greater
20 than critical mass quantities of special nuclear
21 material such as universities and research and test
22 facilities.

23 Additional license activities that we
24 conduct includes the review of license amendments,
25 decommissioning funding plans, emergency plans and

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1 security plans.

2 Additional oversight activities that we
3 conduct include inspections, force on force
4 exercises, and readiness reviews and collaborations
5 with headquarters and Region 2 in Atlanta.

6 The fuel facilities business line also
7 conducts rulemaking for fuel facilities. Next
8 slide, please.

9 Workload forecasting is the first thing
10 we do when developing the fuel facilities business
11 line budget. It's primarily influenced by the
12 number and type of facilities we anticipate and
13 their status which affect both licensing and
14 inspection workload.

15 We also factor in any information we
16 have regarding anticipated significant licensing
17 actions. For example, any letters of intent that
18 licensees send us regarding upcoming licensing
19 applications help to improve the quality of our
20 budget forecast.

21 So we maintain communications with our
22 stakeholders and encourage them to keep us informed
23 of any significant future licensing activities as
24 early as possible.

25 In developing our budget we also look at

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1 the type of work that we anticipate will be before
2 us for review. Depending on the type of licensing
3 action we may need to have safety review and an
4 environmental review so we ensure we have the
5 necessary resources to conduct those reviews.

6 The cost of completing our licensing
7 reviews varies depending on the level of complexity
8 and the licensing action that might be before us.

9 For example, a new facility license
10 application or a license renewal are budgeted more
11 resources than a routine license amendment.

12 As far as budgeting for potential
13 hearings associated with licensing actions we budget
14 based on our best estimate of the hearings that we
15 might get based on the nature of the license action
16 we expect.

17 We try to gauge that based on the level
18 of public interest in a particular project.

19 The budgeted resources associated with
20 those hearings are based on a historical review of
21 the level of effort that we've expended supporting
22 similar efforts in the past.

23 The scope and frequency of inspection
24 activity vary by the type of facility. For example,
25 a category 1 facility receives more inspection than

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1 a category 3 facility.

2 Inspection resources are budgeted
3 primarily based on the number and types of operating
4 facilities which we will see during the inspection
5 year. Next slide, please.

6 This slide shows how the enacted budget
7 changed for fuel facilities business line from '18
8 to '19. Overall there's a decrease of \$1.9 million
9 which includes a reduction of 18 FTE in the '19 fuel
10 facilities enacted budget compared to '18. An
11 overall reduction of 7.8 percent.

12 There were significant reductions under
13 licensing and oversight product lines primarily due
14 to aligning resources with a smaller projected
15 workload.

16 Resources decreased primarily as a
17 result of an expected decline in work associated
18 with license renewals, a decrease in the number and
19 complexity of anticipated license amendments, and
20 efficiencies gained as a result of changes to the
21 fuel facilities inspection program and workload
22 projections.

23 In addition, there was a reduction under
24 the rulemaking product line due to anticipated
25 decrease in workload associated with the Part 74

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1 rulemaking and the proposed cybersecurity rule for
2 fuel facilities. Next slide, please.

3 In Fiscal Year '19 if you've read the
4 proposed fuel rule you'll see that the annual fee is
5 anticipated to decrease on average approximately 7.4
6 percent across the fuel facilities fee class for the
7 seven operating facilities which combined reflects a
8 10.5 percent reduction, overall reduction in
9 collected annual fees.

10 The decrease in annual fees is a result
11 of total budgeted fee class resources decreasing by
12 \$5.2 million or 15 percent in comparison to Fiscal
13 Year '18.

14 A total of 18 FTE were cut from the fuel
15 facilities budget overall which translates to 15 FTE
16 decrease within the fee class.

17 The estimate of Part 170 collections
18 declined \$2 million or 21.7 percent as a result of
19 the expected termination of MOX Fuel Fabrication
20 Facility construction authorization and license
21 application and the anticipated completion of
22 Honeywell's license renewal while plant operations
23 are idle.

24 Some of the decrease in Part 170
25 collections is offset by increased work for

1 Westinghouse associated with emergency preparedness
2 exercise, confirmatory order items and its license
3 renewal.

4 As discussed during last year's fee rule
5 public meeting the staff conducted a number of
6 public meetings over the past couple of years where
7 alternative methods for calculating annual fees were
8 explored.

9 The staff received mixed feedback as to
10 whether the NRC should continue working on changes
11 to the methodology for calculating fees.

12 As reflected in the '19 fee rule the --
13 or the proposed '19 fee rule the NRC made the
14 decision to continue the existing methodology for
15 calculating annual fees for fuel facilities and
16 continue ongoing efforts to identify potential
17 reductions of budgeted resources.

18 Going forward we're focusing efforts to
19 align the agency's program of work in the fuel
20 facilities area to projected workloads and continue
21 to risk-inform the regulatory framework for these
22 activities.

23 In the coming months we will be sharing
24 opportunities for the public and industry to engage
25 us on our efforts in this area with a goal of

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1 identifying and realizing additional efficiencies in
2 the licensing and oversight of fuel facilities while
3 maintaining adequate protection consistent with our
4 principles of good regulation.

5 Okay, so now I'll turn over the
6 discussion to nuclear material users business line.

7 MR. WILLIAMS: Thanks, Mike. Good
8 afternoon. My name is Kevin Williams. I'm the
9 deputy director of the Materials Safety, Security,
10 State and Tribal Programs in the Division of -- I
11 said that already, sorry.

12 I will cover the activities and budget
13 in the NMU business line and how these activities
14 impact the fees for materials users fee class.

15 This slide shows the 11 product lines
16 within the NMU business line and which products are
17 mission direct and mission indirect, both of which
18 contribute to the fees that are collected.

19 It is important to note that the nuclear
20 materials users business line is a small portion of
21 the NRC budget, approximately 7 percent.

22 And materials users pay approximately 3
23 percent of the fees recovered by the NRC.

24 As we would expect, excluding the
25 resources that are part of the fee base a large

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1 portion, specifically 50 percent of the business
2 line resources are mission direct and that
3 represents \$30.2 million including 143 FTE and \$3.9
4 million in contract support resources.

5 And they fund the NRC's core activities
6 including licensing, oversight, rulemaking, research
7 activities. The largest portion of these mission
8 direct activities are inspection and licensing.

9 I would like to note that while generic
10 homeland security and international activities which
11 comprise approximately 32 percent of our activities
12 are including 29 FTE and \$13.9 million in contract
13 support resources which are vitally important to the
14 mission of the business line, these resources are
15 excluded from the fee base which means these items
16 are not part of the 90 percent that the NRC recovers
17 in fees.

18 We complete these activities in
19 collaboration with a broad range of partners which
20 are the four NRC regions, the Office of Nuclear
21 Security and Incident Response, the Office of the
22 General Counsel, the Office of Enforcement and the
23 Office of International Programs.

24 Nuclear material users business line
25 activities include licensing, oversight including

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1 inspection and enforcement, security activities
2 including oversight of source security through
3 inspection and licensing activities such as pre-
4 licensing inspections to ensure sources are used for
5 their intended purpose and operation of the
6 integrated source management portfolio which
7 includes the national registry to track radioactive
8 sources of concern.

9 Rulemaking and implementation of state,
10 tribal and federal liaison programs which includes
11 oversight of agreement states and a government
12 communication and coordination and implementation of
13 the tribal policy statement.

14 It is also important to note that
15 agreement state activities are in the fee relief
16 category which means while they are part of our
17 budget the resources associated with oversight of
18 agreement states is not collected through fees.

19 Agreement states are those states which
20 have signed an agreement with the NRC in accordance
21 with Section 274(b) of the Atomic Energy Act of 1954
22 as amended which authorizes the NRC to discontinue
23 and the state to assume regulatory authority over
24 certain materials cited in the Atomic Energy Act.

25 The most recent agreement is with the

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1 state of Wyoming which was signed on September 25,
2 2018 and became effective on September 30, 2018.

3 The state of Vermont has indicated
4 interest in becoming an agreement state and is
5 undergoing the process of submitting an application
6 to become an agreement state.

7 If the Commission approves this
8 agreement the total number of agreement states would
9 be 39 by Fiscal Year 2020.

10 Some of the major activities in the
11 nuclear materials users business line for Fiscal
12 Year '19 and the changes in our budget in this area
13 include the support and completion of approximately
14 2,000 material licensing actions which include new
15 applications, amendments, renewals of applications
16 and license terminations.

17 While the number of licensing actions
18 has declined slightly over the last few years there
19 was a slight increase in the budget of Fiscal Year
20 '19 to support guidance on emerging medical
21 technologies.

22 We also talk about the completion of
23 approximately 900 routine health and safety and
24 security inspections as well as reciprocity and
25 reactor inspections, inspections for certain general

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1 licenses.

2 The number of inspections has remained
3 fairly stable. However, there was a slight decrease
4 in budgeted resources in Fiscal Year '19 to adjust
5 for historical utilization.

6 We also talk about support and
7 coordination for liaison for homeland security
8 regulatory initiatives and the development and
9 implementation of the integrated source management
10 portfolio. And this area remains stable for Fiscal
11 Year '19.

12 We talk about rulemaking activities in
13 Fiscal Year '19 such as Part 34 on radiographic
14 operations, Part 30 to address products that contain
15 radioactive material incident to production, and an
16 integrated source security rule or changes to Part
17 37.

18 Resources in this area increase in
19 Fiscal Year '19 due to an expected increase in
20 workload associated with the integrated source
21 security rule.

22 We also oversee and support the
23 agreement states' regulation of approximately 17,000
24 specific and 150,000 general licensees, and conduct
25 9 integrated materials performance and evaluation

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1 program reviews.

2 We also plan to review an agreement
3 state application for the state of Vermont in Fiscal
4 Year '19.

5 Resources in this area declined in
6 Fiscal Year '19 due to historical utilization and
7 the completion of the Wyoming agreement state
8 application at the year end of Fiscal Year '18.

9 We're also working to implement the
10 agency's tribal policy statement including outreach,
11 guidance development, staff training on tribal
12 issues and resources in this area are expected to
13 decline in Fiscal Year '19.

14 We talk about how the budget is
15 developed and we look at our workload forecasting.
16 And when we do this in development with the business
17 line itself it is based on the number of materials
18 licensees expected -- we look at the expected number
19 of licensing actions and inspections, taking into
20 account the number of agreement states and any new
21 regulations that may require licensees or
22 inspection.

23 And we communicate with our stakeholders
24 and we look at an analysis of historical data based
25 on utilization and expenditures such as reviewing

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1 the level of resources associated with past efforts
2 and reviewing historical resource utilization.

3 We also evaluate the complexity and type
4 of work we expect to be working on and any trends we
5 anticipate that will increase or decrease the
6 workload and accomplishing our safety, security and
7 outreach goals.

8 While the number of licensees has
9 remained fairly stable with a slight measured
10 decrease over time the area where we need additional
11 information from our stakeholders is in the area of
12 new technologies, specifically medical or industrial
13 type technologies.

14 So this slide shows how the enacted
15 budget changed for nuclear materials from Fiscal
16 Year 2018 to 2019.

17 Overall in Fiscal Year 2019 there is a
18 decrease of approximately \$1.3 million including a
19 reduction of eight FTE in our enacted budget
20 compared with Fiscal Year 2018.

21 Resources decrease within international
22 activities, state and tribal and federal programs
23 product lines to align with historical resource
24 utilization.

25 Resources in the rulemaking product line

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1 increased as a result of increase support for the
2 integrated source security rulemaking. Resources
3 decreased within the oversight and mission support
4 product lines largely as a result as Maureen talked,
5 re-basing the line of agency resources to align with
6 utilization.

7 Resources associated with licensing
8 increased slightly based on a realignment of
9 resources and to support guidance development for
10 emerging medical technologies.

11 In the proposed Fiscal Year 2019 fee
12 rule you will see that compared to Fiscal Year 2018
13 the Fiscal Year 2019 annual fees has decreased for
14 some and increased for others.

15 Annual fees are assessed from all
16 licensees. The cost which comprise of budget not
17 collected through hourly or the flat fees is divided
18 by all of the fee categories. A matrix is used to
19 assign portions of annual fees fairly and equitably
20 through the vastly different fee categories based on
21 the level of effort needed for licensing and
22 oversight of a particular category.

23 The NRC proposed to both increase and
24 decrease annual fees for licensees in this fee class
25 in Fiscal Year 2019 due to the results of the

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1 biennial review of fees and a reallocation of budget
2 resources from the fee relief category to the fee
3 class.

4 The majority of this reallocation was
5 from agreement states which is a fee relief category
6 to licensing which is a product for which we do
7 collect fees.

8 In taking this action we are ensuring
9 that fees are fair and equitable amongst all of our
10 stakeholders.

11 There are a number of increases and
12 decreases in this area, most notably in the fee
13 class as we talked about, as well as the
14 introduction of two new subcategories and a new
15 category.

16 These changes are a result of the
17 reallocation of budgetary resources and a biennial
18 review of the level of effort required to oversee
19 different fee categories.

20 The Part 170 fees are the standard
21 applications fee paid by new material licensee's
22 application review and flat fees.

23 The fees are based on the average time
24 spent on new application reviews for material
25 licensees.

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1 I'll now turn it over to John McKirgan.

2 MR. MCKIRGAN: Great. Thank you, Kevin.

3 Good afternoon, everyone. I'm John McKirgan. I'm
4 chief of the Spent Fuel Licensing Branch in the
5 Division of Spent Fuel Management in the Office of
6 Nuclear Materials Safety and Safeguards. Good to
7 see you all.

8 The table on this slide shows the
9 product lines within the business line which is
10 composed of mission direct resources and mission
11 indirect resources and some resources which are
12 excluded from the fee base.

13 The majority of the business line
14 resources are mission direct which are approximately
15 82 percent of the spent fuel storage and
16 transportation business line budget including 83 FTE
17 and \$2.7 million in contract support dollars.

18 These resources fund the NRC's core
19 activities including licensing, oversight,
20 rulemaking and research.

21 Mission indirect resources make up about
22 15 percent of the business line budget including 15
23 FTE and approximately \$600,000 in contract support
24 and travel costs.

25 These resources support the execution of

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1 activities such as supervisory, non-supervisory
2 staff and travel. They include such staff as
3 supervisors and administrative assistants.

4 I would like to note that while
5 international activities are important to the spent
6 fuel storage and transportation business line these
7 resources make up only 3 percent of the business
8 line budget and are excluded from the fee base which
9 means they are not items that we collected under the
10 90 percent fees that NRC is required to collect.
11 Next slide.

12 The spent fuel storage and
13 transportation business line is responsible for
14 ensuring the safe and secure storage of spent
15 nuclear fuel and the safe transport of radioactive
16 materials.

17 This slide lists some of the key
18 activities in the business line. Processing
19 licensing applications is a significant part of the
20 work carried out.

21 Licensing activities include conducting
22 safety, security and environmental reviews of spent
23 nuclear fuel storage casks and independent spent
24 fuel storage installation license applications as
25 well as performing safety and security reviews of

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1 radioactive material transportation packages.

2 This licensing work also includes
3 reviewing renewal applications for storage and
4 transportation certificates and facility license
5 renewal applications.

6 A significant effort is underway in the
7 business line is to review two consolidated interim
8 storage facility license applications. They're
9 listed separately there in the bullet.

10 In FY '19 both of these applications
11 reviews are proceeding full bore.

12 The business line also leads oversight
13 activities with safety and security inspection
14 efforts conducted by regional and headquarters
15 staff.

16 Rulemaking is another important part of
17 the business line. The storage cask certificates
18 are completed through a rulemaking process so this
19 is a critical step in that process. And then there
20 are also rulemaking efforts in transportation
21 including revisions to the regulations under 10 CFR
22 Part 71 to harmonize with the standards of the
23 International Atomic Energy Agency.

24 And finally we have a few research
25 activities underway as well. Next slide, please.

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1 So our first step in developing the
2 spent fuel storage and transportation business line
3 budget is to forecast the workload. This is based
4 on the number of facilities and certificates we have
5 under our purview, also letters of intent that we
6 might receive from upcoming license applications,
7 and we do this through continuous communication with
8 our licensees and our vendors.

9 In developing our budget we look at the
10 type of work that would be before us to review.
11 Referring back to the previous slide where I spoke
12 about licensing where we have a safety review and an
13 environmental review for many of the licensing
14 actions. So we ensure that we have adequate
15 resources to support these activities.

16 Some of the applications also have a
17 security component that we factor into our
18 forecasting.

19 The cost of completing our licensing
20 reviews varies depending on the level of complexity
21 that might be before us, whether it is for a new
22 facility or for a license renewal which require
23 different levels of effort and different resources.

24 In addition, we consider the potential
25 need for hearing related resources based on our best

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1 estimate of the hearing requests that we may get
2 based on the licensing actions before us.

3 We try to gauge that based on the level
4 of public interest of a particular project. The
5 resources associated with those hearings are
6 budgeted based on historical figures and what it has
7 cost to support hearings in the past.

8 And the way we estimate our resources is
9 also based on historical information such as
10 reviewing the level of resources associated with
11 past efforts and reviewing historical resource
12 utilization.

13 The resulting information functions as a
14 benchmark from which resources would change. Next
15 slide, please.

16 So this slide shows how the enacted
17 budget changed for the spent fuel storage and
18 transportation business line from Fiscal Year 2018
19 to Fiscal Year 2019.

20 Overall there was a decrease of \$1.8
21 million including a reduction of three FTE in our
22 enacted budget as compared to 2018. Next slide,
23 please.

24 The spent fuel storage and
25 transportation business line budget feeds into two

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1 fee classes, the spent fuel storage reactor
2 decommissioning fee class which the decommissioning
3 and low-level waste business line also shares, and
4 you'll hear more about that in a moment, and then
5 the transportation fee class.

6 So the question is where are the vectors
7 for our budget and why are the annual fees changing.

8 Compared to FY 2018 the FY 2019 budgeted
9 resources for spent fuel storage and reactor
10 decommissioning increased due to an increase in the
11 number of licensing actions associated with
12 operating reactors undergoing decommissioning, the
13 ongoing licensing reviews for the two consolidated
14 interim storage facility license applications
15 including the development of environmental impact
16 statements, and the independent spent fuel storage
17 installation license renewals for Three Mile Island
18 2, Trojan and Rancho Seco, and the associated
19 environmental assessments.

20 In the Fiscal Year 2019 if you've read
21 the proposed fee rule you'll see that the annual
22 fees are anticipated to decrease approximately 17.7
23 percent across the spent fuel storage reactor
24 decommissioning fee class for the 122 licensees.

25 The required annual fee recovery amount

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1 is divided equally among the 122 licensees we have.

2 The 10 CFR Part 170 estimated billings
3 for FY 2019 are increasing due to increased
4 requested licensing actions and reactor
5 decommissioning, a resumption of the licensing work
6 on the Interim Storage Partners consolidated interim
7 storage facility, increasing work on Holtec
8 International's consolidated interim storage
9 facility, and the continued activities on the
10 storage license renewals. Next slide, please.

11 So next I'll discuss the change to the
12 transportation fees. In FY 2019 the total budgeted
13 resources for generic transportation activities
14 increased slightly.

15 Now in this case the Department of
16 Energy is the only transportation licensee that's
17 subject to an annual fee.

18 Consistent with the policy established
19 in the NRC's FY 2006 final fee rule the NRC recovers
20 generic transportation costs unrelated to DOE by
21 including those costs in the annual fees for
22 licensees in the fee classes which use those
23 transportation packages.

24 The NRC continues to assess a separate
25 annual fee under 171.16 the fee category 18(a) for

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1 DOE transportation activities.

2 The NRC assesses an annual fee to DOE
3 based on the 10 CFR Part 71 certificates of
4 compliance it holds.

5 As Maureen mentioned, at the time of the
6 proposed fee rule that number was projected to go
7 up. Since that time one of those certificates of
8 compliance has expired. DOE chose not to renew it
9 and we'll make those reflection on those changes as
10 we go to the final fee rule.

11 So with respect to the 10 CFR Part 170
12 estimated billings we're anticipated an increase to
13 the expected -- I'm sorry. We are anticipating an
14 increase due to the expected increase in case work
15 on transportation packages including the review of
16 new applications.

17 So next I'll turn it over to Bo Pham and
18 he'll be discussing the decommissioning and low-
19 level waste business line.

20 MR. PHAM: Thank you. Bear with me.
21 We're almost there.

22 So good afternoon. My name is Bo Pham
23 and I'm the deputy director for the Division of
24 Decommissioning, Uranium Recovery and Waste Programs
25 in the Office of Nuclear Materials, Safety and

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1 Safeguards. Next slide, please.

2 The table in this slide shows the
3 product lines within decommissioning and low-level
4 waste business line which is composed of mission
5 direct resources, mission indirect resources and
6 some resources which are excluded from the fee base.

7 As you would expect most of the business
8 line resources are mission direct and they fund the
9 NRC's core activities including licensing,
10 oversight, training, rulemaking and research.

11 Mission indirect resources support the
12 execution of activities such as supervisory and non-
13 supervisory staff and travel.

14 I note that while international
15 activities are important to the business line these
16 resources are excluded from the fee base which means
17 that these are not part of the 90 percent that the
18 NRC recovers in fees.

19 In addition, waste incidental to
20 reprocessing is a DOE funded activity and is also
21 excluded from the fee base. Next slide, please.

22 The business line provides licensing and
23 oversight for the decommissioning of complex
24 materials facilities, fuel cycle facilities, uranium
25 recovery facilities, decommissioning power reactors

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1 and research and test reactors with the ultimate
2 goal of license termination for each of these.

3 In addition, the business line provides
4 licensing and oversight for uranium recovery
5 facilities that are licensed to operate, the
6 national low-level waste program and the military
7 and non-military radium programs.

8 These programmatic areas drive the
9 budgetary resources necessary to implement the NRC's
10 strategic goals, objectives and strategies.

11 Some of the major activities that the
12 business conducts includes the following -
13 decommissioning of 3 research reactors, licensing
14 reviews and decommissioning activities for 21 power
15 reactors with Humboldt Bay, Zion 1 and 2, and La
16 Crosse nearing license termination, oversight of the
17 military and non-military radium program, licensing
18 and oversight of 12 complex materials sites
19 undergoing decommissioning and depleted uranium
20 sites, licensing and oversight of 5 private uranium
21 mill sites undergoing decommissioning and 36
22 decommissioned uranium mill disposal and processing
23 facilities under long-term care with DOE, supporting
24 the national low-level waste program including
25 developing guidance and providing support for the

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1 integrated materials performance evaluation program
2 evaluations in the low-level waste area.

3 We also support the rulemaking center of
4 expertise to coordinate rulemaking activities
5 related to the business line including rule
6 development and associated guidance development.

7 And we also conduct research activities
8 to support the application of new technologies at
9 complex sites and analytical tools used in
10 decommissioning reviews. Next slide, please.

11 Workload forecasting is the first thing
12 we do when developing the business line budget. It
13 is based on continuous communications with our
14 licensees and potential applicants, and based on
15 letters of intent for the upcoming license
16 applications.

17 In developing our budget we estimate the
18 necessary resources needed to complete licensing
19 activities such as safety and environmental reviews
20 as well as oversight through inspection activities
21 based on where in the licensing or decommissioning
22 process each facility currently stands.

23 The cost of completing our licensing
24 reviews and oversight activities varies depending on
25 the level of complexity that might be before us.

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1 Whether it is for a power reactor in active
2 decommissioning or safe storage each one requires a
3 different level of effort and resources.

4 We also exemption our resources based on
5 historical information by reviewing the level of
6 resource budgeted and utilized for similar past
7 efforts.

8 The resulting information functions as a
9 benchmark during budget development. And in
10 addition we also budget for hearings associated with
11 licensing actions that we expect. Next slide,
12 please.

13 This slide shows how the enacted budget
14 changed for the business line from Fiscal Year 2018
15 to 2019.

16 In 2019 overall resources decreased by
17 \$2.7 million including a reduction of 12 FTE
18 compared to 2018.

19 The decreases were primarily in the
20 licensing product line to reflect the expected
21 decline in workload stemming from Wyoming's
22 anticipated transition to an agreement state status
23 during the late Fiscal Year 2018 time frame as well
24 as decreases in non-military radium program.

25 The agreement with the state of Wyoming

1 was signed on September 25, 2018 and became
2 effective September 30. I note that approximately
3 70 percent of NRC licensed uranium recovery
4 facilities are located in the state of Wyoming.

5 These decreases are partially offset by
6 increases in international activities and support
7 for various rulemaking activities including the
8 greater-than-Class-C and transuranic waste
9 rulemaking. Next slide, please.

10 This slide summarizes the changes to the
11 uranium recovery fee annual class fees. As a result
12 of Wyoming becoming an agreement state there remain
13 only one NRC licensee in the uranium recovery fee
14 class.

15 In order to stabilize the annual fees
16 that would impact this sole licensee the Commission
17 approved expanding the fee relief category to
18 include this fee class.

19 And in addition for Part 170 there's an
20 estimated increase in billings due to the UMTRCA
21 sites for DOE. And with that I'll turn it over to
22 Stephanie.

23 MS. COFFIN: Thank you, Bo. So I just
24 want to take a moment to pause so you heard from all
25 of our programmatic business lines and you heard

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1 maybe a repetitive theme about how we do our
2 workload forecasting and how critical it is to
3 realistic budget formulation. They all do it,
4 approach it in the same manner.

5 Your input particularly in the product
6 lines of licensing and oversight are critical to us.
7 And that dialogue should be continuous. It's not
8 one and done, but continuous throughout the two
9 years we're in the formulation cycle. Please,
10 please talk to us when you have especially major
11 changes that have resource implications. That
12 really helps us do our job better.

13 All right, so I want to talk about the
14 corporate support. We treat this as a business
15 line. It is a little bit different in that it's
16 driven by federal law and executive orders and that
17 sort of thing and it's kind of secondary to being
18 driven by what we just heard from the program
19 business lines.

20 So up there are the product lines and
21 they of course are very different too. So corporate
22 support just to get us all on the same page, these
23 are centrally managed activities that support the
24 programs.

25 Maureen mentioned them briefly. I'll

1 run through them.

2 Acquisitions. This is our contract
3 operations. Administrative services. So this is
4 where our rent, our utilities, our building
5 maintenance is captured.

6 Financial management. Obviously we have
7 financial systems and expertise to maintain them and
8 use them.

9 Human resource management. Those are
10 our people who hire people and work out benefits.
11 Personnel changes.

12 Information technology and information
13 management. So this is our folks that have our
14 ADAMS and our websites and do our cybersecurity and
15 provide our computers and our phones and all the
16 wonderful infrastructure that you see in today's
17 meeting.

18 We have outreach, policy support and
19 training product lines too. This is where you're
20 going to find our Commission operations, our Office
21 of Congressional Affairs, our Office of Public
22 Affairs are embedded in those product lines.

23 On average since 1995 corporate support
24 has made up about 32 percent of our budget. Next
25 slide, please.

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1 So similar to what you heard from the
2 previous business lines this is our table showing
3 you the changes from '19 from '18. And the other
4 thing I want to point out on this table is you can
5 see the vast majority of our resources are in
6 administrative services. That's our rent and
7 utilities and building maintenance and information
8 technology and information management. That's
9 probably pretty intuitive to many of you to see it
10 that way.

11 We did have an overall decrease from '18
12 to '19 of \$3.4 million. That is mostly driven by
13 the reductions that we've been working on in terms
14 of reducing our real estate footprint. But it also
15 reflects a lot of investment in more efficient
16 building maintenance technologies to make us run a
17 little bit -- have our bills a little bit smaller.
18 Next slide, please.

19 So the impact on fees. So corporate
20 support is embedded in all of your fees, both in
21 Part 170 and 171 and it's done through fully costing
22 out the FTE rates.

23 We're very mindful of our overhead costs
24 and so we're always pressing for efficiencies in
25 this area.

1 Our near term focus does continue to be
2 on our real estate footprint and making smart
3 investments in IT and IM that we hope will pay off
4 in efficiencies in the future.

5 And so I'm going to close there and
6 we're going to move to Q&A which is going to be
7 facilitated by Richard, right?

8 FACILITATOR RIVERA-LUGO: Yes, that is
9 correct. So thank you to all the panelists for
10 covering the first topics and the bulk of the
11 meeting.

12 With this we're going to initiate our
13 Q&A session. We have allotted 15 minutes for the
14 Q&As.

15 We're going to start with the folks in
16 the room. Any questions in here. In the meantime
17 if the participants on the phone have any questions
18 please dial *1 and record your name and Sandy will
19 take care of the queue from those questions on the
20 line.

21 While that is happening in the
22 background are there any questions in the room?
23 Please approach the microphones on either side of
24 the conference room and remember to state your name
25 and affiliation clearly so we can capture that on

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1 the record.

2 MR. BUTLER: My name is John Butler with
3 NEI and I'd like to start off first by thanking
4 Maureen once again for conducting this meeting.
5 This is always very informative to me and I think
6 very welcomed by everyone.

7 MS. WYLIE: Thanks very much.

8 MR. BUTLER: I am going to start off
9 with like a personal request if I could. And if I
10 could get you to go to slide -- I apologize. Slide
11 15.

12 I have been looking at budgets and
13 looking at the proposed fee rules and the work
14 papers for a number of years and I am slowly getting
15 to understand it a little bit more, but I still am
16 challenged. This is the one, yes.

17 So I'm challenged in getting out the
18 information that I need from the work papers. One
19 of the things that I think that would help me is if
20 we could add -- not change what's there now, but add
21 something that provided a little bit more detail for
22 the different business lines on what the budget is
23 going to cover and specifically what has changed
24 from the prior year along the business line
25 activities shown on this slide.

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1 So that it would identify similar to
2 what is done in the CBJ to identify what specific
3 activities the budget is intended to cover. And
4 these may be specific license applications, or
5 whatever the activity is. But give a little bit
6 more detail than the current breakdown that's in the
7 work papers.

8 MS. WYLIE: So I think you will see in
9 the FY '20 congressional budget justification when
10 it rolls out that we are trying to give some
11 additional information.

12 And we'll make every effort to make that
13 change narrative also available in the work papers.

14 MR. BUTLER: That would be excellent.

15 MS. WYLIE: I can't guarantee we'll make
16 you happy, but we hear your message and we'll try to
17 include that.

18 MR. BUTLER: Well, transparency is like
19 perfection, you always try to achieve it but you
20 never quite reach it.

21 MS. WYLIE: Or you can go too far and
22 what looks like transparency is just a large data
23 dump that's meaningless. So it's all in the point
24 of view.

25 MR. BUTLER: May I continue?

1 MS. WYLIE: Sure, please.

2 MR. BUTLER: I ask you to go to slide
3 23.

4 MS. WYLIE: Oh, this is my favorite one.

5 MR. BUTLER: My favorite too. Probably
6 not too surprising there's some interest in the
7 increase in the annual fee for operating plants.

8 So we want to make sure that we
9 understand that as well as we can.

10 The reasons for the increase here I
11 think kind of -- I think it was mentioned in the
12 discussion. I'm not sure if it was Russell or Jane
13 that the main reason here appears to be that there's
14 been a significant drop in the Part 170 collections.

15 So I want to understand a little bit
16 better the budget formulation process. I mean,
17 there obviously have to be some projections of the
18 Part 170 collections going forward.

19 There's been a decrease in Part 170
20 collections for the last several years. This year
21 we saw a 10 percent decrease. Last previous year
22 was like a 6 percent decrease and prior to that like
23 an 11 percent decrease. So that is a continuing
24 trend.

25 We already know that there's like a

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1 dozen plants that have already stated their
2 intentions to close down in the next seven years.
3 So we can anticipate there's going to be a
4 continuing reduction in the Part 170 collections.

5 I'd like to understand better how that
6 is factored into the overall budget formulation
7 process.

8 MS. WYLIE: So, we recognize very
9 significantly that the number of reactors that are
10 going to be closing in the future needs to have a
11 significant material impact on our budget.

12 So we have been working very hard to
13 understand what the difference would be not just for
14 the direct resources, say the four and a half FTE
15 associated with inspection for each plant, but what
16 the larger impact to both the mission direct and
17 mission indirect components of operating reactors in
18 that business line.

19 When the FY '20 budget rolls out you'll
20 see in that that we've taken our first steps in that
21 area. And we continue to affect budget formulation
22 going forward to continually refine that
23 information.

24 So, one of the things that we struggle
25 with is the cost associated with FTE. And so we are

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1 effectively trying to be more risk-informed in how
2 we actually do the budget projection.

3 If you look solely at historical
4 information some activity might take you 10 FTE.
5 Well, can we assume there will be additional
6 efficiencies and perhaps budget nine FTE for that.

7 So there's that effort. There's do we
8 need to have a construct that says whenever we
9 eliminate a plant there's some -- at least at a
10 starting point a consistent projection of what the
11 mission indirect reduction would be. We're getting
12 to some of that.

13 And then as we go through the final
14 stages of planning for the NRR-NRO merger we're also
15 going to take some efficiencies during that.

16 So you should continue to see not just a
17 decline in Part 170 but a significant effort on our
18 part to reduce our programmatic overhead. So also a
19 reduction in mission indirect.

20 And that should help with -- it doesn't
21 just flow from Part 170 to Part 171, but that the
22 entire budget shrinks. And we continue to work on
23 that.

24 MR. BUTLER: Thank you.

25 FACILITATOR RIVERA-LUGO: With that let

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1 me proceed to see if there are any questions from
2 the phone lines.

3 OPERATOR: Yes, we have a question from
4 Eric Jebesen. Your line is open.

5 MR. JEBSEN: Thank you for taking my
6 question. Related to the question just asked about
7 the estimated decreases or the reasons for the
8 increases in the Part 170 decreases -- or in 171
9 decreases and 170, could you explain a little bit
10 more, try to tie the 6 percent PMRI, the surcharge
11 for lack of a better term. What fraction that might
12 have been in 170? Is that 1 to 1 to 171? Just
13 address how that 6 percent factors in. Thank you.

14 MS. WYLIE: All right. While Stephanie
15 is looking up the exact number because I know we
16 have that in the folder -- the exact estimate.

17 So, let me talk for a minute about how -
18 - so the total amount reduced is \$9 million. Why is
19 that important? Because it also reflects how over
20 the last couple of cycles we've changed how we do
21 our estimating for the proposed fee rule.

22 Until two years ago we were on a very
23 different cycle in timing for the proposed fee rule.
24 We were waiting not just for an appropriation, but
25 in order to have a larger number of quarters of

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1 actual data from our workforce that charges to Part
2 170 CACs and so that was delaying when we could get
3 the proposed fee rule out.

4 So when we determined that in order to
5 meet industry's desires we would need to come out
6 more quickly that meant that the estimations in the
7 proposed fee rule would be less precise.

8 So we use one quarter of actual data,
9 the very first quarter, and three quarters of
10 estimated data.

11 So the very first quarter of 2019 shows
12 a very radical change from just a straight 6 percent
13 which we could calculate to just those hours that
14 project managers and resident inspectors charged to
15 overhead in the first quarter.

16 So the \$9 million that we've estimated
17 as the change is actually the absolute high water
18 mark.

19 We believe that as we progress toward
20 the final fee rule we will get more quarters of
21 actual data. So how many overhead hours those
22 people actually charge.

23 So \$9 million is the largest amount that
24 could be foregone. We think that the total will be
25 less than that.

1 So it's a challenge for us. In order to
2 come out more quickly we have to do -- we have to
3 take more risk in estimating.

4 We think that you would rather know the
5 largest amount you could be charged and so we've
6 skewed our estimating in that direction.

7 We would be happy to take feedback on
8 that during public comment. But that is a
9 consequence of moving our proposed fee rule so early
10 in the fiscal year.

11 For us we think it's worthwhile because
12 again we give you a worst case scenario, your annual
13 fee will be no greater than this, but we believe
14 that by the time we get the final fee rule out the
15 annual fee will go down slightly because we'll have
16 better data on the PM resident inspector overhead
17 specifically.

18 So it will be less than \$9 million
19 reduction. We just don't know what the number will
20 be.

21 FACILITATOR RIVERA-LUGO: Are there any
22 other questions from the phone lines?

23 OPERATOR: Not at this time, sir.

24 FACILITATOR RIVERA-LUGO: Any other
25 questions from the participants in the room?

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1 MR. MAUER: Hi, Andrew Mauer with NEI.
2 Again I wanted to appreciate the meeting and the
3 good discussion here.

4 To follow up on John Butler's remarks
5 around transparency there were -- as we go through
6 the work papers it would be nice if we had a key for
7 some of the things in here as far as what they
8 meant.

9 But maybe a couple of specific questions
10 if we have the right folks here today, and if we
11 don't that's fine.

12 Within the products for the new reactors
13 we see something called Part 50 which it says was
14 not there in '18. It's there in '19 both in
15 licensing and oversight. And I was wondering if
16 someone can share what that is.

17 MS. WYLIE: I think we're going to need
18 to provide that to you in the meeting summary
19 afterward. I don't think we have somebody here that
20 can answer that.

21 MR. MAUER: Okay.

22 MS. WYLIE: Do I? I don't think so.
23 No. So we commit to putting that out to you as a
24 part of the meeting summary.

25 MR. MAUER: Okay. In the context of the

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1 different presentations that were up, the event
2 response, can someone elaborate on event response
3 and sort of how that relates. What's included in
4 event response is the broader question?

5 MS. COFFIN: So that's largely like our
6 operations center here. So we run a 24/7 operations
7 center here to monitor activities across the world
8 and be ready to respond to an event. And all of the
9 regions have smaller event response capabilities too
10 so that the agency is prepared to respond to any
11 kind of event.

12 MR. MAUER: So all of the event response
13 in the budget is associated with that?

14 MS. COFFIN: There's probably other
15 aspects to it, but I would think that's the largest
16 portion of it. As we follow up the meeting summary
17 if there's more to put in there we can add it.

18 Actually, we have -- other people have
19 worked in that area.

20 MR. MARSHALL: Sorry, Jane Marshall,
21 NRC. There is more in the event response than just
22 the headquarters operations officers and operation
23 centers. I don't know what it is offhand. There is
24 a piece of materials as well, there's operating
25 reactors in there.

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1 MS. COFFIN: But that's in event
2 response.

3 MR. MARSHALL: Yes, it's event response.

4 MS. WYLIE: So, but there is a very
5 specific bifurcation -- I'll let you in just a
6 minute -- between what we do that's funded by
7 generic homeland security and what is funded by fee
8 dollars, fee-based resources.

9 And so better to give you an answer that
10 sort of charts that out by business line. Kevin,
11 did you want to add something?

12 MR. WILLIAMS: So the piece I wanted to
13 add is that we also have on the materials side if
14 there was something in regards to a source, if there
15 was something that was related to fuel facility type
16 response effort we do provide that for our regions
17 in order to be able to respond to those type of
18 activities.

19 MS. WYLIE: But it includes things like
20 time spent planning on site-specific events. So let
21 us get you a specific definition.

22 MR. MAUER: All right, that would be
23 good. Thanks.

24 FACILITATOR RIVERA-LUGO: Any other
25 questions from participants in the phone line?

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1 OPERATOR: No, sir.

2 FACILITATOR RIVERA-LUGO: Are there any
3 other questions from the participants in the room at
4 this point? With no questions at this point we're
5 going to take a quick 10-minute break.

6 So it's now 2:30 -- let's round it up to
7 2:35. Let's please be back in the room at 2:45.

8 (Whereupon, the above-entitled matter
9 went off the record at 2:37 p.m. and resumed at 2:46
10 p.m.)

11 MS. WYLIE: All right, if everybody on
12 the phone is ready to go we're going to get started
13 with the second half of our program.

14 Michele Kaplan who will be -- who is for
15 the next month or so our head, the team lead of our
16 license fee policy team. We want to thank Michele
17 for all of her work on fees. All of this progress
18 we contribute to you and your team. It's been a
19 great experience.

20 Michele is going to transition to be our
21 funds control team leader by mid-March. So this is
22 your last chance to be a star.

23 MS. KAPLAN: Thank you, Maureen.

24 MS. WYLIE: In this area. Absolutely.

25 MS. KAPLAN: All right. Well, good

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1 afternoon, everyone. I'm Michele Kaplan, license
2 fee policy team leader.

3 And I wanted to start out -- next slide
4 -- with our statutory and regulatory framework.
5 Maureen pretty much covered this during her
6 presentation so I don't think I'm going to go over
7 this particular slide.

8 The next slide though is kind of our
9 timeline for producing the fee rule. And so as
10 Maureen said we are appropriation early this year.
11 We got it before the actual year started.

12 So at the top where you see the Capitol
13 we have our -- it says congressional budget
14 justification or appropriations. So this year we
15 did get it in September.

16 And then if you move right we do our
17 budgetary analysis and the allocation of the budget
18 to the fee classes between August and November.

19 And then December and January if you
20 move down we prepare the Federal Register notice.

21 And then this year thankfully we were
22 able to publish by the end of January with only two
23 days later than our actual schedule. So we were
24 very happy about that because we want to be as
25 timely as we can in producing the fee rule for

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1 everyone, for our licensees and stakeholders so that
2 they can use the information to plan their year.

3 And then we have our 90-day comment
4 period. We have our public meeting today.

5 And then we start on the Federal
6 Register notice for our final fee rule. And we hope
7 to publish at the end of May.

8 And then 60 days later it becomes
9 effective in July and it gives us enough time to be
10 able to collect all the fees that we need to by the
11 end of the year. All right, next slide.

12 So this is just kind of an overarching
13 view of our calculation to get down to Part 171 fees
14 and Part 170 fees to be collected.

15 So at the top in the top circle you can
16 see that we have our total budget authority as
17 Maureen stated of \$911 million. And then we exclude
18 certain amounts for advanced reactors, the
19 international activities, generic homeland security,
20 and then the IG services for the Defense Nuclear
21 Facilities Safety Board.

22 And that totaled \$43.4 million. So we
23 deduct that from the total. And that's our fee
24 recovery rate -- our balance, I'm sorry, that's the
25 balance.

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1 And then we apply the fee recovery rate
2 of 90 percent. And that's the total amount to be
3 recovered for 2019 is \$780.8 million.

4 And then from there we have little
5 timing adjustments for our billing. And this year
6 we added in \$1.1 million to get our adjusted
7 recovery amount of \$781.9 million.

8 And then we calculate how much we
9 estimate to collect in Part 170 billings and that
10 was \$246.7 million. So we arrive at our total
11 collections for Part 171 of the \$535.2 million. So
12 next slide.

13 All right, so this pie chart shows in
14 total the amount to be -- the light green amount is
15 the amount to be recovered, 90 percent before
16 adjustments. That's the \$780.8 million.

17 And then we have our fee relief of 10
18 percent. That's the \$86.8 million. And then we
19 have that little beige pie piece is our non-fee
20 recoverable items which was the \$43.4. Next slide.

21 So, fee relief. So what is fee relief?
22 That is 10 percent of the fee recoverable budget.
23 So it's two types of activities.

24 One would be activities not attributable
25 to an existing NRC license or class of licensee. So

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1 things like agreement state oversight, scholarships
2 and fellowships, medical isotope production
3 infrastructure.

4 And then the other category is
5 activities not assessed under Part 170 licensing and
6 inspection fees, or Part 171 annual fees. And
7 that's based on existing law or Commission policy.

8 So that would be things like fee
9 exemption for non-profit educational institutions,
10 small entity costs not recovered, agreement state
11 regulatory support, generic decommissioning
12 reclamation, uranium recovery program and
13 unregistered general licenses, and then the
14 Department of Defense remediation program.

15 So at the bottom you see a little
16 calculation for total fee relief activities. From
17 the '19 proposed fee rule it was \$86.6 million.

18 And then 10 percent of total NRC budget
19 less non fee items is \$86.8. So we arrive at a fee
20 relief adjustment. So this year it was a credit of
21 \$0.2 million. And that gets allocated to all of the
22 licensees' annual fees proportionally. Next slide.

23 So here you can kind of see our license
24 fee classes and their percentage, the overall
25 percentage of budget resources. Of course operating

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1 power reactors is our largest fee class and that one
2 is \$86.6 million.

3 And then we have our smaller ones. I'm
4 sorry, percent. Sorry, 86.6 percent.

5 And then we have spent fuel storage of
6 4.7 percent, test and research reactors 0.2, fuel
7 facilities, that one is 4 percent. I'm sorry, 4.7.
8 Materials, 3.8, transportation is 0.6 and uranium
9 recovery.

10 Now, the uranium recovery slice is very
11 small and it's actually just a line and that's why
12 it looks like there's two lines going to that one
13 little piece for transportation but there's actually
14 another one right next to it and that's uranium
15 recovery. And it's very small, it's 0.1 percent.
16 Sorry if I couldn't separate them out a little bit.
17 Okay, next slide.

18 So as Maureen presented before our
19 professional hourly rate methodology, we had three
20 different buckets of resources that we add together
21 to get the total amount for our numerator. And I'll
22 show you that calculation in just a second in the
23 next slide.

24 You have mission direct program salaries
25 and benefits, mission indirect and then agency

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1 support.

2 And then we deduct offsetting receipts
3 and -- offsetting receipts, our indemnity fees and
4 FOIA fees that we collect which shouldn't be
5 included in this calculation.

6 And another bucket of resources that's
7 not included in this calculation are direct
8 contracts that we bill to our licensees separately.

9 And then that would be our numerator,
10 that \$759.8 million.

11 And then we have in our denominator
12 mission direct FTEs, that's the 1,810 times the
13 mission direct FTE productive hours which is the
14 15.10. And then we get our professional hourly rate
15 of 278.

16 So if you go to the next slide you can
17 see the actual calculation. So the budget resources
18 which is the \$759.8 and then mission direct FTE
19 converted to hours which is our 1,851 direct FTE
20 times each FTE's productive hours which is 15.10.
21 And so then you get the \$278 hourly rate. It's a \$3
22 increase from the previous year. Next slide.

23 So, for our Part 170 fees the
24 professional hourly rate for full cost services,
25 that's reactors and other major licensees are billed

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1 for staff hours and specific contract costs incurred
2 for licensing and oversight services.

3 And then we have a flat rate for
4 licensing fees. So material users pay new license
5 application fees based on the average time to
6 process each type of license application times the
7 effective professional hourly rate.

8 And we look at the flat application fees
9 every other year. So we do a biennial review. We
10 did one in the odd years. So in 2019. We'll do
11 another one in 2021.

12 And we look at the amount of time it
13 takes to perform these services and then we times it
14 by the new hourly rate to get to a new flat rate.

15 Okay, so developing our Part 1 fee
16 estimate. So, as Maureen said before she said that
17 we use one quarter of actual data and three quarters
18 of projected data.

19 And what I have here in the slide is
20 that we use the billing data for four quarters. So
21 that's billed Part 170 fees and contract work. And
22 then we adjust for changes in the workload
23 projections and we adjust for changes in the
24 professional hourly rate.

25 And so in the slide it says we have the

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1 proposed rule estimates four quarters of fees
2 collected and then the invoice data four quarters of
3 the prior year.

4 And what happens is we ask for this
5 information in estimate of our partners in the
6 offices and then we validate it as the actual
7 information comes in. During this process of
8 developing the estimate we validate it with the
9 actual data.

10 And so for the final rule we're going to
11 estimate two quarters and we have two quarters of
12 actual data. So next slide.

13 So for our annual fees we first
14 determine the budget resources by fee class and then
15 we deduct our Part 170 receipts. And then we add
16 allocated generic transportation costs.

17 And then as Stephanie was talking about
18 this net fee relief credit or surcharge and low-
19 level waste surcharge.

20 And so then we allocate our billing
21 adjustments, very small billing adjustments, and
22 then the balance is the required Part 171 fee. Next
23 slide.

24 So this table is just a representation
25 over the past eight years of the operating power

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1 reactors calculation for annual fees.

2 And as you can see starting in 2012 we
3 had 104 reactors and now this year we're down to 98.
4 And so there was a slight uptick in the fee this
5 year as Maureen mentioned before and the reasons for
6 it.

7 So the budgeted resources were \$670.2
8 million and then we had Part 170 estimated billings
9 that we deducted of the \$213.8. And then our
10 adjustments that I just mentioned, \$3.9 million to
11 arrive at Part 171 annual fees of the \$460.3
12 million.

13 And then we divide that by the number of
14 reactors in the fleet and that came out to be the
15 4,697. So next slide.

16 So we have some policy changes this
17 year. So this will affect our Part 170 fees and
18 then our Part 171.

19 So we added subcategories to materials
20 user fees for locations of use for medical licenses.
21 So that's fee category 7C. So we added some
22 subcategories under that based on how many locations
23 that that particular category had.

24 And then we eliminated a fee category 2-
25 A-5 and those were licenses that authorized the

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1 possession of source material related to the removal
2 of contaminants from drinking water. And that
3 related to the petition for rulemaking that was also
4 included.

5 And then our fees transformation
6 initiative. So this was actually started under
7 Project Aim and the goal was to increase
8 transparency, timeliness and equitability to the
9 fee-setting process.

10 And originally we developed over 40
11 process and policy improvement options approved by
12 the Commission to be completed between 2017 and
13 2020.

14 And for 2017, 2018 and 2019 100 percent
15 of the improvements were completed.

16 So for 2020 we have six that remain.
17 And two of them have been completed.

18 So the first one was institute two
19 different hourly rates for flat application fees for
20 applicants to provide funds for infrastructure work.
21 That one was closed with no additional change but we
22 will revisit this if new applications surge.

23 And then the NRC has developed guidance
24 on the disclosure of information related to
25 contractor charges associated Part 170 invoices.

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1 So, the notification was sent out to
2 licensees in January of 2019. So we are closing
3 this one.

4 And then we have the remaining four that
5 are on track to complete for 2020. So the first
6 one, flat fees pilot for uranium recovery
7 activities, that one is on track to be completed by
8 the summer. And that one Stephanie will go over
9 when she talks about NEIMA and that we have a
10 reporting responsibility to Congress by the end of
11 the year to let the Congress know how that one was
12 completed.

13 And then electronic invoicing, that's e-
14 billing. That one is also on track to be completed.

15 The third one, the analysis of a
16 proposal to issue one license for each uranium
17 recovery site instead of one license for multiple
18 sites, the analysis has been completed and it's
19 highly likely that that one will be closed with no
20 further action. But we need approval for that one
21 and then that one will be closed.

22 And then small entity size standard
23 rulemaking. So we are on track with that one.

24 And I think that's it. And so this
25 slide just has information resources, the regs for

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1 Part 170 and 171 and then the fee rule.

2 And then also if you want to take a look
3 at our fee transformation accomplishments there's a
4 link there that you can go straight to that table.

5 So with that I'm going to turn things
6 over to Stephanie and she can go over NEIMA.

7 MS. COFFIN: So, I wanted -- this seemed
8 like the proper forum to preview the budget related
9 provisions that are in NEIMA. I want to reemphasize
10 that they're not in effect until Fiscal Year '21 but
11 we have work to do now in order to prepare and
12 implement the requirements that are in this act.

13 The big one of course is the first
14 bullet on there where we eliminate -- we essentially
15 go to 100 percent fee recovery. It's either
16 excluded, off the fee base, or it's on and we're
17 going to do some sort of recovery.

18 The law lists a number of excluded
19 activities and these are your usual suspects.
20 Nuclear waste fund, WIR, generic homeland security,
21 the integrated university program, advanced
22 reactors.

23 The act also gives us the latitude to
24 propose additional activities to be placed in this
25 category.

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1 The third bullet on there caps the
2 annual fee per operating reactor licensee to the
3 Fiscal Year 2015 fee rule. We are allowed to adjust
4 that for inflation.

5 The fourth bullet talks about capping
6 corporate support at 30 percent beginning in Fiscal
7 Year '21 and stepping down to 28 in Fiscal Years '25
8 and beyond.

9 And you might recall from my
10 presentation we're hovering around 31-32 percent.
11 So this is going to be an area of focus for us in
12 the upcoming years to do our best to meet the
13 requirements in that law.

14 Bullets five and six on there are
15 related to invoicing. And this is work actually
16 that's been underway for a number of years already,
17 got codified in this act but we're progressing
18 nicely in this area and don't really see any --
19 don't see any impediments to achieving the
20 requirements of the act.

21 The second to last bullet, Michele
22 mentioned this about our voluntary pilot about a
23 flat fee structure for our remaining licensee in
24 uranium recovery fee class. And we're progressing
25 nicely on that. And don't see any impediment to

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1 achieving the request and the requirements in the
2 act.

3 And then the last one does give us an
4 opportunity to report back to Congress at the end of
5 the fiscal year on how all of this worked out in '21
6 and give them feedback on how this progressed and
7 what were some of the lessons learned and challenges
8 at the end of the implementation of the first year.

9 And next slide. So now I am again going
10 to turn it over to Richard to facilitate a second
11 Q&A session.

12 FACILITATOR RIVERA-LUGO: So with that
13 last portion of the presentation we would like to
14 open the floor for questions and comments from the
15 public or participants.

16 Again for those participating on the
17 phone lines dial *1 and record your name. And while
18 the operator takes a queue for any questions on the
19 lines we're going to start with the folks in the
20 room. Please approach the microphones and remember
21 to state your name and affiliation clearly.

22 MR. BUTLER: John Butler, NEI.
23 Stephanie, I wanted to kind of follow up with NEIMA.
24 I'm sure you've looked at it in a lot more detail
25 than I have.

1 In what you've seen of NEIMA so far and
2 your evaluation what's your expectation of what the
3 impact will be say on the exclusions versus 90
4 percent under OBRA '90? Would the exclusions in
5 NEIMA approach 10 percent of the budget?

6 MS. COFFIN: I don't know that we've --
7 I've done the actual calculation, but all of those
8 categories are what we've been doing for the past,
9 you know, 10 years so none of that was a particular
10 surprise to us.

11 So some of the items that are currently
12 in our fee relief Congress captured them as an
13 excluded activity. And again we need to make a
14 proposal to the Commission about what may be
15 additional activities to propose to Congress to our
16 appropriators.

17 One example might be international
18 activities. So our appropriators over the last two
19 years have asked us to treat international
20 activities off the fee base. That particular item
21 wasn't included in this act. So it might be
22 something the staff would propose to the Commission
23 to continue that practice and make that proposal to
24 Congress to continue to include international
25 activities. Does that make sense?

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1 MR. BUTLER: It does. Thanks.

2 FACILITATOR RIVERA-LUGO: Let's go on to
3 the phone lines. Are there any questions from
4 participants on the phone?

5 OPERATOR: The first question comes from
6 Eric Jebesen. You may go ahead.

7 MR. JEBSEN: Thanks for taking my
8 question. And I apologize if I just missed this in
9 the presentation. It goes back to some extent to
10 what was presented before and I missed whether or
11 not the university support program was or was not
12 included in the fee recovery portion, especially for
13 operating reactors. Thank you.

14 MS. WYLIE: So the integrated university
15 program is not included. It is a part of -- it is
16 in the fee relief category.

17 So those who pay the operating reactor
18 annual fee do not pay for the integrated university
19 program.

20 FACILITATOR RIVERA-LUGO: Next question
21 from the phone lines if there are any?

22 OPERATOR: There are no further
23 questions at this time.

24 FACILITATOR RIVERA-LUGO: Any other
25 questions from the participants in the room? With

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1 no questions in the room so far I leave it to
2 Maureen to proceed with the meeting.

3 MS. WYLIE: So I think this might be our
4 shortest question and answer session. I see that as
5 a sign that the work paper transparency is improving
6 so that's a good thing.

7 We take to heart the feedback that you
8 gave us earlier about increasing that transparency
9 and will continue to work on that.

10 One of the things that we need to
11 consider is perhaps taking the workload tables that
12 are in the CBJ of the appropriate year and including
13 them in the work papers so that people can see them
14 close to one another.

15 So that would give people an opportunity
16 to see an increase in a certain type of licensing
17 activity like subsequent license renewal, or a
18 decrease in some sort of consolidated interim
19 storage as an example.

20 Well, in summary we look forward to your
21 comments. Your comments are due for this rulemaking
22 on March 4 which is just around the corner.

23 And this is laid out fairly directly,
24 but we are particularly interested in your feedback
25 so please, please subject to the out of scope

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1 comment from earlier in the presentation
2 notwithstanding we really do want to hear from you
3 about how we can make the fee rule more transparent
4 and our fee process greater, more fair.

5 Let's go to the last slide. Okay. As I
6 said, Michele Kaplan is ending her tenure with us in
7 this area. So her name is in the fee rule. You can
8 send requests for further information to her, or you
9 can send them to Stephanie Coffin who's the director
10 of budget.

11 So in summary I'd just like to say we do
12 understand that this is a collaborative effort. So
13 in particular if there are things that can make this
14 simpler and easier including around invoices I'm
15 very open to suggestions.

16 I would like to take this opportunity to
17 thank NEI and the nine licensees who are
18 participating in our e-billing project. This has
19 been a different process for us, but e-billing is
20 really for them.

21 So we want to make sure that their
22 requirements are heard throughout our process. And
23 we are on schedule to complete that and roll out our
24 first phase by October 1.

25 So, would anybody like to add anything?

1 Then I think we're adjourned. Thank you all very
2 much.

3 FACILITATOR RIVERA-LUGO: Thank you very
4 much for everyone participating on the phone lines.
5 As a reminder please refer to the presentation for
6 information on submitting comments to the proposed
7 fee rule. They are due on March 4, 2019.

8 And the contact information for the
9 people responsible for this proposed fee rule are
10 also included in that slide. With that, thank you
11 very much for participating and have a good day.

12 (Whereupon, the above-entitled matter
13 went off the record at 3:12 p.m.)

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