FY 2020 Proposed Fee Rule Public Meeting

March 5, 2020 2:00 p.m. – 4:00 p.m.



Ground Rules

Facilitator



FY 2020 Proposed Fee Rule

Cherish Johnson Chief Financial Officer



PUBLIC MEETING AGENDA

Notice of Meeting on the FY 2020 Proposed Fee Rule

March 5, 2020, 2:00 P.M. to 4:00 P.M.

NRC One White Flint North

Commissioners' Hearing Room

11555 Rockville Pike, Rockville, MD

Time	Торіс	Speaker
2:00 P.M.	Establish Ground Rules for Meeting	Facilitator
2:05 P.M.	Opening Remarks	Cherish Johnson
2:15 P.M.	FY 2020 Budgetary Considerations	Jason Shay
	License Fee Overview	Christine Galster
	 Operating and New Reactors 	Russell Felts
	Fuel Facilities	Andrea Kock
2:55 P.M.	Break	
3:05 P.M.	Fees Transformation	Anthony Rossi
3:10 P.M.	Proposed Policy Changes	Anthony Rossi and
		Mike King
3:25 P.M.	Nuclear Energy Innovation and Modernization Act (NEIMA)	Jason Shay
3:35 P.M.	Q&A	Facilitator
3:50 P.M.	Public Comments Submission	Facilitator
3:55 P.M.	CFO Closing Remarks	Cherish Johnson
4:00 P.M.	Meeting Adjourned	

Fee Rule Comments

In scope comments:

- Focused on methodology for calculating fees
- Changes to fee regulations
- Fee schedules

Out of scope comments:

- General comments on agency efficiencies
- Changes to regulatory process
- Public participation in budget formulation
- Use the appropriate venue



FY 2020 Budgetary Considerations

Jason Shay, Director Office of the Chief Financial Officer Division of Budget

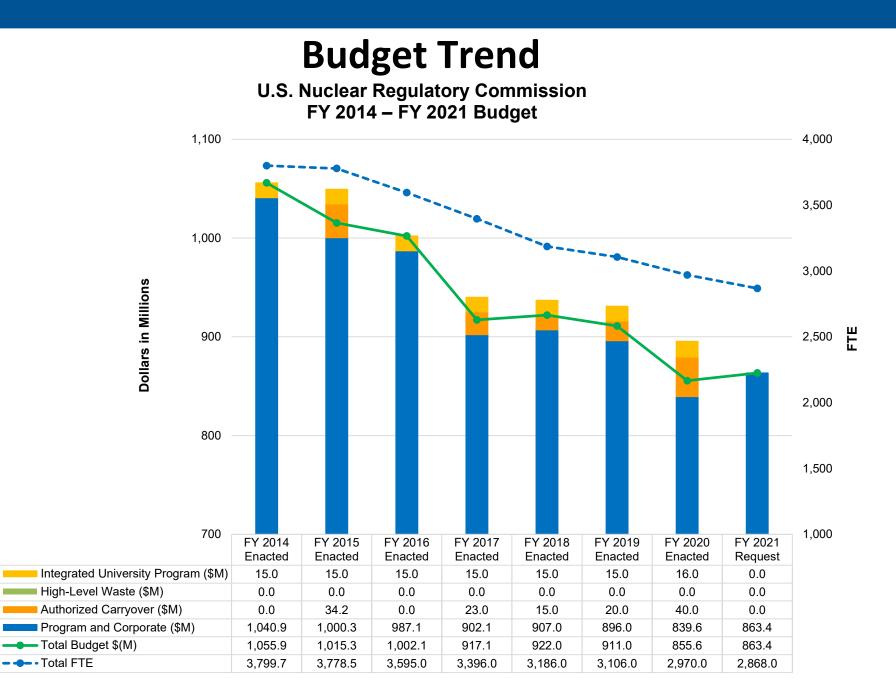


FY 2020 Budgetary Considerations

Major Program	FY 2019 Enacted		FY 20 Enac		FY 2020 Total Authority		
	\$M*	FTE	\$M*	FTE	\$M*	FTE	
Nuclear Reactor Safety	\$459.4	1919.0	\$426.7	1815.0	\$447.6	1815.0	
Nuclear Materials and Waste Safety	\$131.0	515.0	\$120.2	481.0	\$126.1	481.0	
Corporate Support	\$292.9	609.0	\$279.4	611.0	\$292.6	611.0	
Integrated University Program	\$15.0	0.0	\$16.0	0.0	\$16.0	0.0	
Subtotal	\$898.3	3043.0	\$842.3	2907.0	\$882.3	2907.0	
Office of the Inspector General	\$12.6	63.0	\$13.3	63.0	\$13.3	63.0	
Total*	\$911.0	3106.0	\$855.6	2970.0	\$895.6	2970.0	

*\$M includes FTE costs as well as contract support and travel. Numbers may not add due to rounding.

- The FY 2020 Enacted Budget is based on Public Law 116-93—Further Consolidated Appropriations Act, 2020, enacted on December 20, 2019.
- The FY 2020 Enacted budget is \$855.6 million, which includes 2,970 FTE. This represents a decrease of \$55.4 million when compared to the FY 2019 Enacted Budget. In the appropriation, the NRC was directed to use \$40 million in authorized prior-year carryover in FY 2020.



FY 2020 Fee Overview

Christine Galster, Senior Accountant Office of the Chief Financial Officer Division of Budget License Fee Policy Team



Statutory and Regulatory Framework

- Independent Offices Appropriation Act (IOAA) of 1952:
 - Regulations promulgated under 10 CFR Part 170
 - \circ Implementing guidance OMB Circular A-25
 - $\circ~$ Fees for direct services to licensees
 - $\circ~$ Billed as hours expended at the NRC professional hourly rate
- Omnibus Budget Reconciliation Act of 1990 (OBRA-90), as amended:
 - $\,\circ\,$ Regulations promulgated under 10 CFR Part 171
 - Recover through annual fees other budgetary resources not recovered under IOAA
 - Recover approximately 90% of annual budget authority LESS excluded activities and fee relief activities limited to 10%



Statutory and Regulatory Framework (Cont.)

• Annual Appropriation:

- Provides appropriated amount; approximates amount for fee recovery; and approximates the "Net Appropriation" amount not recovered through fees.
- Specifically excludes certain activities from fee recovery.
- Authorizes an amount of carryover funds from prior year for current year use.

• Nuclear Energy Innovation & Modernization Act (NEIMA) of 2018:

- Effective FY 2021 and thereafter; repeals OBRA-90.
- Regulations promulgated under 10 CFR Part 171.
- Limits power reactor annual fees at the FY 2015 annual fee amount as adjusted each year thereafter for inflation.
- Recover, to the maximum extent practicable, 100% of budget authority:
 - LESS activities NEIMA designated as excluded from recovery.
 - LESS any fee-relief activities identified by the Commission.

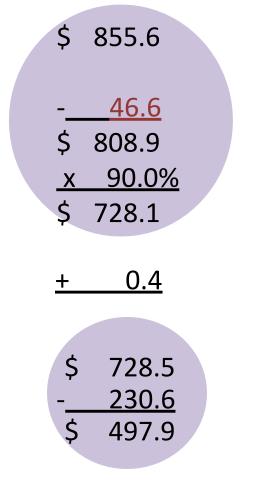


Budget and Fee Recovery Amounts for FY 2020 Proposed Rule [Dollars in Millions]

Total Budget Authority Less *IG-DNFSB, WIR, GHLS, Int'l, and ARI (Excluded Items)* Balance Fee Recovery Rate for FY 2020 Total Amount to be Recovered For FY 2020

Adjustments (Part 171 Collections)

Adjusted Recovery Amount Less Estimated Part 170 Billings Part 171 Fee Collections Required



Total Fee-Relief Activities (FY 2020 proposed fee rule):	\$ 79.2M
Less 10% of the total NRC FY 2020 budget (less non-fee items):	<u>- 80.9M</u>
Fee-relief adjustment (credit) to be allocated to all licensees' annual fees	<u>\$- 1.7M</u>

Hourly Rate Methodology

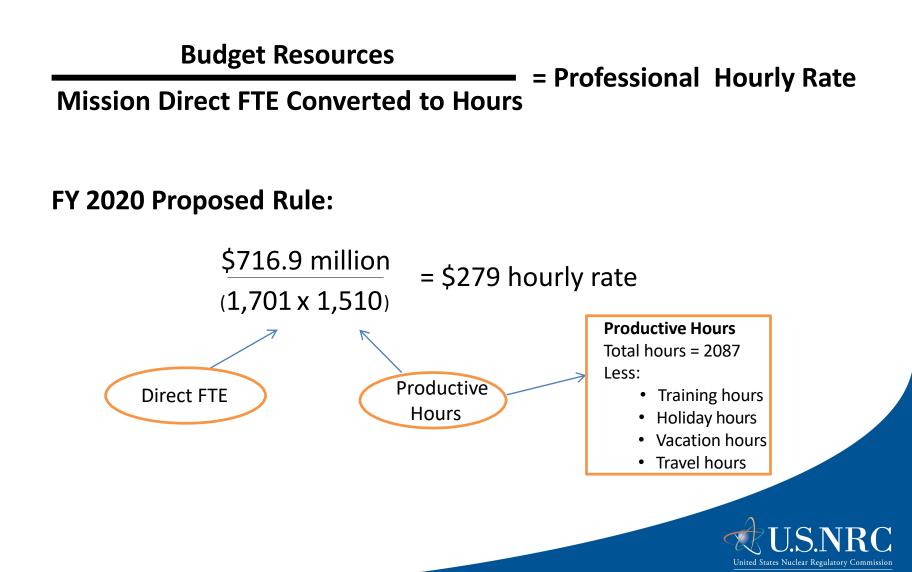
Mission Direct Program Salaries and Benefits Mission Indirect Program Support Agency Support: Corporate Support and IG	5	\$314.6M 110.8M <u>291.5M</u>
Subtotal: Less: Offsetting Receipts Total Budgeted Resources Included in		\$716.9M <u>- 0.0</u>
Professional Hourly Rate		\$716.9M
Mission Direct FTEs: Mission Direct FTEs Productive Hours: Professional Hourly Rate	1,701 FTEs 1,510 Hours	\$279

Full Cost FTE Rate = Subtotal divided by Mission Direct FTE \$ 421,471

* Methodology based on OMB circular A-25 "User Charges" ** Budget included in Hourly Rate calculation excludes Direct Program Contract Costs generally billed to licensees separately.



10 CFR Part 170 Professional Hourly Rate Calculation



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Budget Allocation For Fees

CROSSWALK OF BUSINESS LINES' ALLOCATION TO FEE CLASSES*

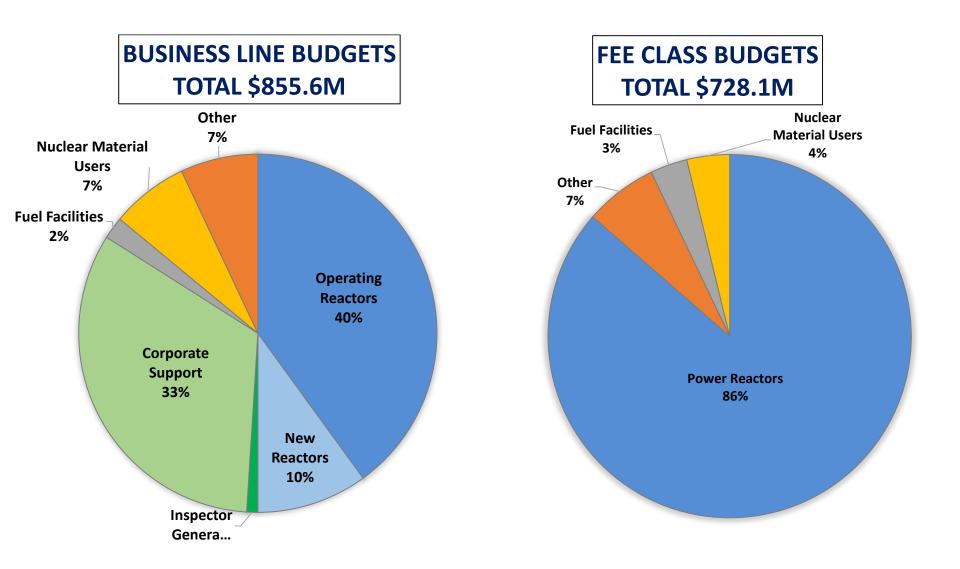
Business Line	License Fee Class
Operating Reactors	Power Reactors, Test and Research Reactors,
	Import/Export
New Reactors	Power Reactors
Fuel Facilities	Fuel Facilities
Nuclear Materials Users	Materials Users, Import/Export
Spent Fuel Storage and Transportation	Spent Fuel Storage/Reactor
	Decommissioning, Transportation
Decommissioning and Low-level Waste	Spent Fuel Storage/Reactor
	Decommissioning, Uranium Recovery

Reconciling Items

- Budget resources excluded from fee calculations (non-fee)
- Mission Indirect Program Support resources
- Business Line resources allocated to other fee classes/fee relief categories
- Budget resources allocated from other Business Lines
- Utilization of a full costed FTE rate
- Appropriation revisions

Delineates where the majority portion of a Business Line's direct resources are allocated for a fee class.

Business Lines vs. Fee Classes Percentage of Budgeted Resources for FY 2020



Reconciliation: Operating and New Reactors Business Lines vs. Fee Class Budget

FY2020 Congressional Budget Justification (Requested) (Dollars in thousands)	Operating and New Reactor Business Lines		
	Contract (\$,K)	FTE	
Product Lines			
Event Response	8,645	45.0	
Generic Homeland Security	100	8.0	
International Activities	120	22.0	
Licensing	18,604	505.0	
Oversight	20,373	586.0	
Rulemaking	525	47.0	
Mission Support/Supervisors	3,420	401.0	
Research	40,173	175.0	
Training	4,994	35.0	
Travel	15,548	0.0	
	\$ 112,502	1,824.0	

FTE rate \$184,000 times 1,485 FTEs & \$188,000 times 339 FTEs (includes Salaries and Benefits only)

\$336,972

Total Business Line Budget

Reconciliation: Reactor Business Lines vs. Fee Class Budget

FY 2020 Proposed Fee Rule (Dollars in Thousands)

Power Reactor Fee Class (Proposed Fee Rule)

Deductions from BL resources	Contract (\$,K)	FTE
Event Response⁵	(2,756.0)	0.0
Generic Homeland Security ¹	(100.0)	(8.0)
International Activities ¹	(120.0)	(22.0)
Licensing ^{3,5}	(6,911.0)	(29.0)
Oversight ^{3,5}	(5,997.6)	(9.5)
Research ^{1,5}	(13,438.0)	(37.0)
Rulemaking ³	-	(1.3)
Mission Support/Supervisors ^{2,5}	(3,420.0)	(390.0)
Training ^{3,5}	(86.0)	(0.6)
Travel ²	(15,548.0)	0.0
	(\$48,376.6)	(497.4)
Increases from Other resources		
Dversight⁴	5.7	0.0
Rulemaking⁴	0.0	0.4
State/Tribal/Federal Programs ⁴	0.0	0.8
Fraining⁴	102.0	0.2
	\$107.7	1.4
3L resources w/ fee rule allocations	\$ 64,233.1	1,328.0
FTE fully costed rate \$421,471 times 1,328 FTEs (includes Salaries, Benefits, indirect resources		
and agency support)		

Reconciling Items

- Exclusion/Non-Fee Items¹
- Indirect resources²
- Resources allocated to other fee classes/fee relief categories³
- Resources allocated from other Business Lines⁴
- Carryover/Appropriation Reductions⁵

Reconciliation: Reactor Business Lines vs. Fee Class Budget

Reconciliation Summary

(Dollars in thousands)

	Contract (\$,K)		FTE FTE (\$)			Total
Total Business Line Budget (CBJ) Includes S&B only	\$	112,502	1,824.0	\$ 336,972.0	=	\$ 449,474.0
Total Fee Class Budget Includes S&B, Indirect and Agency support (Full cost)	\$	64,233.1	1,328.0	\$ 559,713.5	_ =	\$ 623,946.6
Adjustments*	\$	(48,268.9)	(496.0)	\$ 222,741.5		\$ 174,472.6

* Allocation Adjustments

10 CFR Part 171 Annual Fee Calculation: Power Reactor Fee Class

[Dollars in Millions]

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020P
Budgeted Resources	\$750.4	\$670.3	\$669.9	\$670.2	\$623.9
Part 170 Estimated Billings	(287.8)	(256.3)	(239.6)	(217.7)	(194.8)
Adjustments	3.3	12.5	-1.4	5.1	1.6
Part 171 Annual Fees	465.9	426.5	428.9	457.6	430.7

Operating Reactors	100	99	99	98	95*
Annual Fee per Reactor	\$4,659,000	\$4,308,000	\$4,333,000	\$4,669,000	\$4,534,000

*Termination of Three Mile Island, Pilgrim and Indian Point Unit 2 by Final Fee Rule publication.

10 CFR Part 171 Annual Fee Calculation: Fuel Facilities Fee Class

[Dollars in Millions]

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020P
Budgeted Resources	\$40.5	\$33.9	\$35.2	\$30.0	\$23.2
Part 170 Estimated Billings	(11.7)	(9.6)	(9.2)	(7.3)	(6.8)
Adjustments	2.8	4.1	1.7	1.8	1.7
Part 171 Annual Fees	31.6	28.4	27.7	24.5	18.1
Number of Licensees	9	9	7*	7	7
Average Annual Fee Change	-6.1%	-6.9%	1.3%	-12.4%	-26.0%

* Centrus Energy Lead Cascade decommissioned and GE Vallecitos reclassified.

Utilization of Carryover Funds

Budget Business Line / Fee Rule Allocation	FY2019 Carryover Funding \$20M		FY20 Carryover \$40	Funding	Carryover Change (+/-)
Operating/New Reactor BL	10,401,000		20,921,000		10,520,000
Power Reactor Fee Class		10,401,000		20,361,000	9,960,000
Indirect — Hourly Rate		0		560,000	560,000
Spent Fuel Storage/Transportation BL	2,383,000		1,466,000		-917,000
Spent Fuel Storage/RD Fee Class		1,583,000		422,000	-1,161,000
Transportation Fee Class		800,000		1,044,000	244,000
Nuclear Materials User BL	0		2,918,000		2,918,000
Nuclear Materials User Fee Class				340,000	340,000
Fee Relief				2,101,000	2,101,000
Indirect → Hourly Rate				477,000	477,000
Decommissioning/Low Level Waste BL	562,000		1,070,000		508,000
Spent Fuel Storage/RD Fee Class		500,000		522,000	22,000
Fee Relief		62,000		548,000	486,000
Fuel Facilities BL	22,000		440,000		418,000
Corporate BL	6,632,000		13,185,000		6,553,000

Budget Overview: Operating and New Reactors Business Lines

Russell Felts, Deputy Director Office of Nuclear Reactor Regulation Division of Reactor Oversight



Product Lines within the Operating and New Reactors Business Lines

Mission Direct Resources (74%)	Mission Indirect Resources (21%)	Resources Excluded from the Fee Base (5%)
Licensing	 Mission Support and Supervisors 	Generic Homeland Security
Oversight	Travel	International Activities
Research		 Advanced Reactor Regulatory Infrastructure
Event Response		
Rulemaking		
Training		

Operating and New Reactors Business Lines Activities

Licensing	Oversight
 License Amendments (including risk-informed) 	 Inspections
 License Renewals and Subsequent License Renewals 	Security
Design Certifications	Allegations & Investigations
Combined Operating Licenses	Event Evaluation
Environmental Reviews	Construction Oversight
Topical Reports	Vendor Oversight
Digital I&C Modifications	 Vogtle Units 3 and 4 ITAAC closeout
 Vogtle Units 3 and 4 License Amendments 	

How are the Budgets Developed?

- Workload Forecasting:
 - \odot Identification of significant workload drivers
 - \odot Analysis of historical data and trending
 - Communications with stakeholders
- Estimate Level of Effort:
 - Estimate level of effort for major projects
 - \circ Yearly recurring activities



Operating Reactors Business Line – Changing Workload

• Decreases:

- Plant closures
- Fukushima Near Term Task Force activities
- Decommissioning Transition Rulemaking
- Efficiencies gained from the merger of the Office of Nuclear Reactor Regulation and the Office of New Reactors

Increases:

Accident Tolerant Fuels



New Reactors Business Line – Changing Workload

• Decreases:

- Delayed application submittals
- Near completion of the NuScale DC review and Clinch River early site permit
- Licensing activity for Vogtle Units 3 and 4
- Efficiencies gained from the merger of the Office of Nuclear Reactor Regulation and the Office of New Reactors

Increases:

 Advanced reactor regulatory infrastructure (excluded)



Budget Overview: Fuel Facilities Business Line

Andrea Kock, Director Division of Fuel Management Office of Nuclear Material Safety and Safeguards



Fuel Facilities Business Line: Product Lines

Mission Direct Resources (57%)	Mission Indirect Resources (24%)	Resources Excluded from the Fee Base (19%)
Licensing	 Mission Support and Supervisors 	 Generic Homeland Security
Oversight	• Travel	International Activities
Event Response		
Rulemaking		
Training		

Fuel Facilities Business Line Activities

Licensing:	Oversight:	Rulemaking:
 Development and maintenance of the Program 	 Development and maintenance of the Oversight Program 	 Rulemaking activities and associated guidance development
 License Amendments 	Inspections	
 Decommissioning funding Plans 	Security	
Emergency Plans		
Security Plans		
License Renewals		
 Environmental Reviews 		

How is the Fuel Facilities Business Line Budget Developed?

1. Workload Forecast:

- Number of licensed facilities, letters of intent, communications with stakeholders and external awareness
- Analysis of historical data

2. Type of Work:

- Security, Environmental and Safety
- Type of Licensing Action
- Complexity

3. Inspection Work:

- Scope of frequency of inspections
- Number and type of operating facilities

4. Historical Resource Utilization



Fuel Facilities Business Line – Changing Workload

Decreases:

- Decline in workload associated with submissions of license amendment and renewals.
- Efficiencies gained due to enhancements made to the Fuel Facilities licensing and inspection programs
- Rulemaking activities
- Termination of the construction for Mixed-Oxide Fuel Fabrication Facility



Fees Transformation

Anthony Rossi, Team Lead

Office of the Chief Financial Officer Division of Budget License Fee Policy Team



Fees Transformation Initiative

- Follow on from Project AIM recommendations
- Goal: increase transparency, timeliness and equity in the fee setting and billing process
- Developed over 40 process and policy improvement options
- Fees Transformation Accomplishments: <u>https://www.nrc.gov/about-nrc/regulatory/licensing/fees-</u> <u>transformation-accomplishments.html</u>



Fees Transformation Initiative (Cont.)

FY 2020 Initiatives:

- Uranium recovery flat fee pilot initiative:
 - **Complete:** Maintaining the current fee billing structure.
 - Congressional Report: January 9, 2020 (ADAMS Accession No. ML20010D684).
- Transition to an electronic billing system (eBilling):
 - In process: Went live on October 1, 2019
 - Full implementation: October 2020
 - Sign-up: <u>https://www.nrc.gov/docs/ML1926/ML19269B690.pdf</u>
- Process Improvement: Small business size standards rulemaking:
 - In process: Survey underway, with a requested due date of April 30, 2020 (85 FR 6225).
 - Survey can be completed electronically (NRC.gov) or via postal mail.
 - What will the NRC do with the survey results?



Policy Changes

Anthony Rossi, Team Lead Office of the Chief Financial Officer Division of Budget License Fee Policy Team

Mike King, Director

Office of Nuclear Reactor Regulation Vogtle Project Office



Proposed Policy Changes for FY 2020

Remove the fee exceptions in § 170.21, footnote 1 and § 170.31, footnote 2:

- Fairness and equity in the NRC's fee rules
- Ensures licensees pay for services consistent with IOAA, OBRA-90, and OMB Circular A-25



Proposed Policy Changes for FY 2020 (Cont.)

Amending § 171.15 regarding the assessment of annual fees for 10 CFR Part 52 combined license holders and future 10 CFR Part 50 power reactor licensees:

- Petition for Rulemaking (PRM): PRM-171-1 was received from the Southern Nuclear Operating Company on February 28, 2019.
- PRM-171-1 Request: NRC revise its regulations in 10 CFR Part 171 related to the start of the assessment of annual fees for combined license (COL) holders licensed under 10 CFR Part 52.



Proposed Policy Changes for FY 2020 (Cont.)

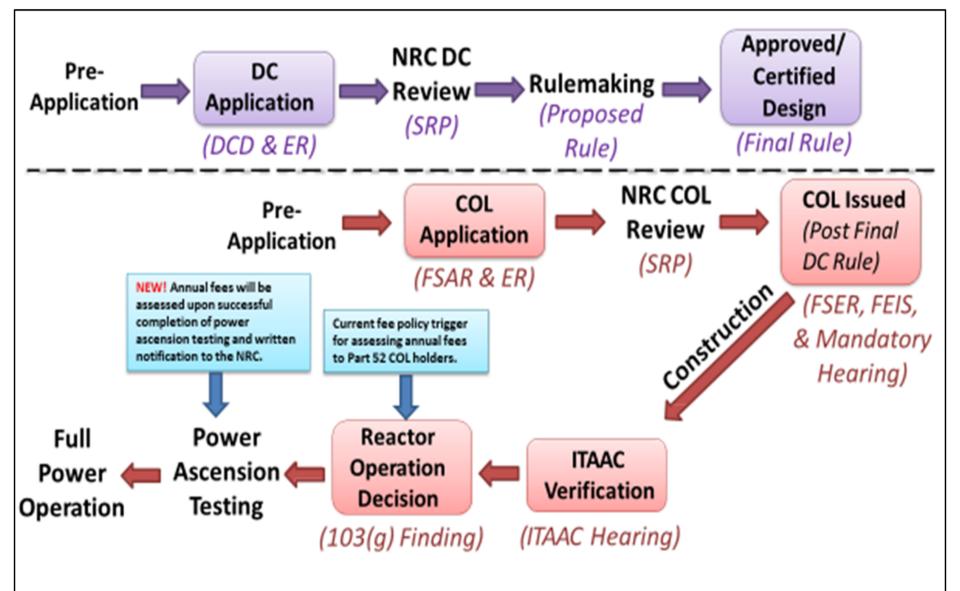
- **Stakeholder Comments:** five public comments received all in support of the proposed change.
- **Partial Consideration Granted:** *Federal Register notice* (84 FR 65032)

 Modify the timing regarding the assessment of annual fees - 10 CFR Part 52 COL holders and future 10 CFR Part 50 power reactor licensees.

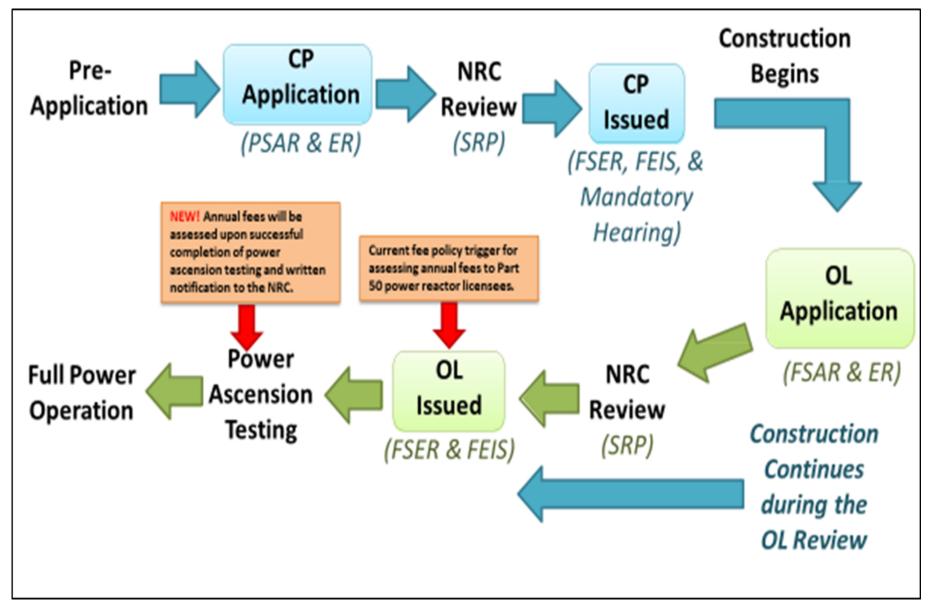
• Future Effort: Consider expanding the scope of this approach to apply to other 10 CFR Part 50 licensees, beyond power reactor licensees.



10 CFR Part 52 Power Reactor Licensees Proposed Policy Change (Cont.)



10 CFR Part 50 Power Reactor Licensees Proposed Policy Change (Cont.)



Nuclear Energy Innovation and Modernization Act (NEIMA)

Jason Shay, Director Office of the Chief Financial Officer Division of Budget



NEIMA

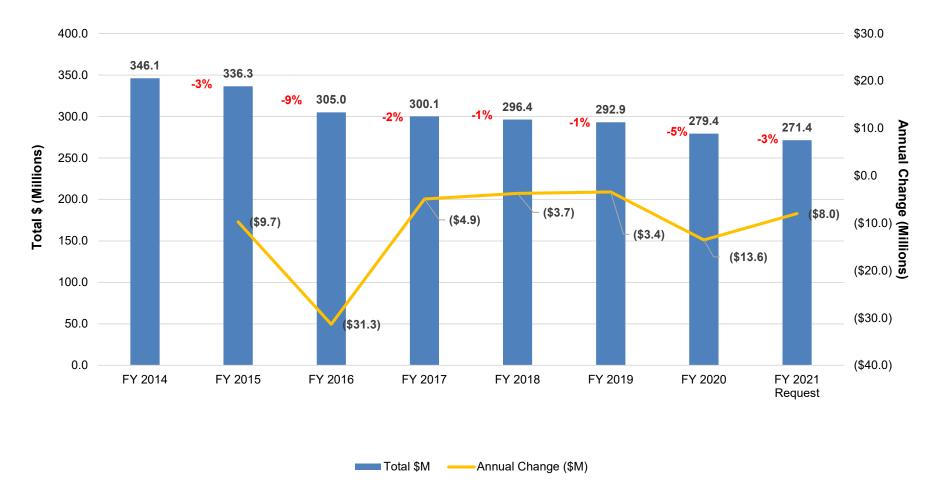
On January 14, 2019, the Nuclear Energy Innovation and Modernization Act or NEIMA was signed into law. NEIMA impacts the following areas in the NRC's Congressional Budget Justification (**effective FY 2021**):

- Corporate Support NEIMA caps the NRC's corporate support costs at 30 percent of the annual budget request for FY 2021, stepping down to 28 percent in FY 2025 and beyond, to the maximum extent practicable.
- **Operating Power Reactors Annual Fee** NEIMA caps the operating power reactor licensee annual fee to the amount established in the FY 2015 final fee rule, adjusted for inflation, to the maximum extent practicable.
- Requested Activities NEIMA requires anticipated expenditures for "requested activities of the Commission" to be identified in the annual budget justification.
- Accurate Invoicing NEIMA requires the appropriate review and approval prior to issuance of invoices; the development and implementation of processes to audit invoices to ensure accuracy, transparency, and fairness, and the modification of regulations to ensure fair and appropriate processes to provide licensees and applicants an opportunity to efficiently dispute or otherwise seek correction of errors in invoices for those fees.



Corporate Support

Corporate Support Budget FY 2014 - FY 2021



• Since FY 2014, the Corporate Support budget has decreased by approximately \$74.7 million, or approximately 22 percent.

Estimated FY 2021 Operating Power Reactor Annual Fee

Estimated FY 2021 Operating Power Reactors Annual Fee	
	\$M*
FY 2021 Operating Power Reactors Allocation	628.0
Estimated Part 170 Fee Collections	188.3
Estimated Part 171 Allocations	439.7
Generic Transportation Resources Allocated	0.5
Adjusted Part 171 Allocations ¹	440.2
Generic Low-Level Waste Surcharge	3.9
Part 171 Billing Adjustments	1.5
Total FY 2021 Annual Fee ²	\$445.5
FY 2021 Annual Fee per Operating Power Reactor ³	\$4.8
FY 2015 Annual Fee per Operating Power Reactor Adjusted for Inflation ⁴	\$5.4
Delta: FY 2021 Annual Fee - FY 2015 Annual Fee Adjusted for Inflation	(\$0.6)

*Numbers may not add due to rounding.

¹Adjusted amount after generic transportation resources allocation.

²Sum of Adjusted Part 171 Allocations, Generic Low-Level Waste Surcharge, and Part 171 Billing Adjustments.

³Assumes 93 operating power reactors

⁴Based on 1.5 percent Consumer Price Index increase per fiscal year.

Requested Activities

- NEIMA requires NRC to identify anticipated expenditures for "requested activities" in its annual budget justification
- NEIMA defines "requested activities" as the processing of applications for:
 - Design certifications or approvals
 - \circ Licenses
 - o Permits
 - License amendments
 - License renewals
 - $\circ~$ Certificates of compliance
 - Power uprates
 - $\,\circ\,$ Any other activity requested by a licensee or applicant
- NEIMA limits movement of resources for requested activities during the year of execution, to the maximum extent practicable



NEIMA: Accurate Invoicing

- Ensure appropriate review and approval prior to the issuance of invoices
- Develop and implement processes to audit invoices to ensure accuracy, transparency, and fairness
- Modify regulations to ensure fair and appropriate processes to provide licensees and applicants an opportunity to efficiently dispute or otherwise seek review and correction of errors in invoices for those fees



Q&A



Public Comments Submission

The deadline for submitting comments for this rulemaking is March 19, 2020.

ADDRESSES: You may submit comments by any of the following methods (unless this document describes a different method for submitting comments on a specific subject):

Federal Rulemaking Website: Go to <u>https://www.regulations.gov</u> and search for Docket ID NRC-2017-0228. Address questions about NRC dockets to Carol Gallagher; telephone: 301-415-3463; e-mail: <u>Carol.Gallagher@nrc.gov</u>. For technical questions contact the individual listed in the FOR FURTHER INFORMATION CONTACT section of this document.

E-mail comments to: Rulemaking.Comments@nrc.gov. If you do not receive an automatic e-mail reply confirming receipt, then contact us at 301-415-1677.

Fax comments to: Secretary, U.S. Nuclear Regulatory Commission at 301-415-1101.



Public Comments Submission (Cont.)

Mail comments to: Secretary, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001, ATTN: Rulemakings and Adjudications Staff.

Hand deliver comments to: 11555 Rockville Pike, Rockville, Maryland 20852, between 7:30 a.m. and 4:15 p.m. (Eastern Time) Federal workdays; telephone: 301-415-1677.

For additional direction on obtaining information and submitting comments, see "Obtaining Information and Submitting Comments" in the **SUPPLEMENTARY INFORMATION** section of this document.

FOR FURTHER INFORMATION CONTACT: Anthony Rossi, License Fee Policy Team Lead, Office of the Chief Financial Officer, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001, telephone: 301-415-7341, e-mail: <u>Anthony.Rossi@nrc.gov</u>.



CFO Closing Remarks

