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UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

MAY 31 1983

Mr. Howard M. Messner
Controller
U. S. Department of Energy
Washington, DC 20585

Dear Mr. Messner:

Recently I sent your predecessor, Mr. Ryan, a standardized format for use by DOE laboratories on NRC fee-recoverable projects. These projects are the technical support efforts that are subject to 10 CFR Part 170 and on which NRC must keep records of the actual costs of evaluating and issuing licenses, license amendments, inspections, and similar activities in order to recover such costs from the licensees. In the past, the contractual costs have not been significant; but with a soon-to-be implemented change to the regulation, the actual contractual costs will be significant -- and will require our specific knowledge and action.

We estimate that about 120 of our 1900 projects fall into the fee-recoverable category. These projects include one or more individual "tasks," each with its own type of work effort to be performed for various similar facilities. As noted earlier, costs must be reported and recovered at the smallest unit, e.g., the individual docket number under each task.

Based on the experience of the Office of Nuclear Materials Safety and Safeguards (NMSS) with many of your laboratories, as well as our recent license amendment contracts with the Franklin Research Institute, we have devised an overall procedure to handle this requirement. I have enclosed this procedure for your review, comment, and use at the laboratories. Please provide me with your comments as soon as possible as we now expect approval of the revised 10 CFR Part 170 during July 1983 and must be in a position to immediately support the regulation. Over the past year we have provided additional funding whenever needed to insure flexibility of the various laboratory reporting systems to meet our needs.

We will implement this procedure on a case-by-case basis as soon as the various NRC Program Offices can revise and issue their work orders. We believe many of the laboratories are already identifying and apportioning their costs on this basis, and in fact, have helped us work out these procedures. The very latest date we foresee for compliance with this procedure is the publication date which we expect will occur in July 1983.

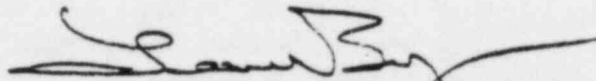
Mr. Howard M. Messner

2

MAY 31 1983

Ms. Mary Lee Mason of your Accounting Policy Division has been working with Mr. C. A. Beckwith of my staff to finalize and implement this procedure. I hope their close coordination can continue, and I appreciate your support in this requirement.

Sincerely,

A handwritten signature in dark ink, appearing to read "Learned W. Barry", with a long horizontal flourish extending to the right.

Learned W. Barry, Director
Office of Resource Management

Enclosure:
As stated

License Fee Recovery Procedures

Background:

For several years NRC has charged the costs of licensing activities to our licensees. This is required by 10 CFR Part 170. A conservative ceiling on license fees has been used, which generally made it unnecessary to consider the majority of the contractual costs. The ceilings were usually reached before average contract costs were factored into the totals. Recently however, this has changed. A revision to 10 CFR Part 170 is expected to become effective sometime during July 1983 which removes the ceilings and will require actual, full-cost recovery. The purpose of this document is to describe a system whereby NRC can meet this new need.

Summary of Procedure:

The following procedure will be used on DOE Work Orders, Interagency Agreements and commercial contracts.

1. NRC will identify projects and specific license amendments, license reviews, inspections, topical report reviews and special reviews which are fee-recoverable.
2. The various contractors will report all actual costs generated against these actions on a monthly basis to the respective NRC project managers.
3. The costs will be collected, verified by the project managers, and summarized in an NRC developed automated data base.
4. On a periodic basis, the NRC will total the contractor incurred costs, add other costs such as staff manpower, and bill the respective licensees for the services performed.

Applicability:

This procedure will be applicable to all license fee recoverable projects issued by NRC program offices and regions. It is expected that the procedure will be incorporated into the formal NRC Management Directive System at an early date.

Description of Work:

All technical assistance (versus research) projects are classified as either (1) fee-recoverable or (2) non-fee-recoverable. Existing projects which have tasks in both categories, will be rewritten for FY 84 to "decouple" such work. This will simplify later decisions by the contractors.

Each project will continue to be identified by its unique Financial Identification Number (FIN) and title (and contract number for NRC commercial contracts). Each project will be funded separately with its own limitations, etc. The first tier of breakout under the FIN will be unique "tasks." Each task will cover an area of homogeneous work effort. Similar efforts within a task may be required at several specific reactors, sites, or fuel cycle facilities. These second tier "cases" will be identified by a unique docket number or other identifier.

DOE laboratories and commercial contractors will, therefore, be issued specific projects divided into one or more tasks, each of which may have a large number of similar actions. The issuing NRC office will identify these tasks and the specific case/license actions involved. This information will be provided the contractor or laboratory in the format of Enclosure 1, along with the Statement of work.

Each month the laboratory or contractor will identify the costs down to the lowest reportable tier, to each of the specific cases, and report this information to the NRC in the same format as initially provided to them. Both monthly costs and cumulative costs since project inception should be provided. The vehicle for this report will be the regular, monthly letter status report which is required for all NRC projects. This is an addition to the existing reporting requirements for other contractual efforts. The monthly letter status report will be used so as to (1) not affect the regular NRC-DOE billing system, and (2) not create a new report.

All fee-recoverable contractual costs will be identified as being either (1) case specific, or (2) common to more than one licensee/applicant under a single task.

Common Costs Definition

Common costs include major fee-recoverable costs for services which are necessary for overall task performance and benefit all similar licensee/applicant cases within a single task. Such costs are not attributable to any single licensee/applicant. All costs which are not "common" are, by definition, "case specific."

Examples of common costs include efforts associated with the "lead plant" concept; startup efforts; or training and meetings held to provide background knowledge or guidance needed to perform the task. Task management and support are to be treated as case-specific, not common costs.

Disposition of Common Costs

Common costs must be identified, as they occur, on an actual cost basis. They should be reported to NRC as a single line item for each task and accrued on a monthly basis. At task completion or the end of each fiscal year, whichever occurs first, such cumulative common costs attributable to each task will be apportioned by the contractor to the individual affected licensee-actions in

accordance with the NRC direction in the statement of work. Subsequently, the NRC will add such common cost apportionments to the case-specific costs in calculating the total licensee/applicant bills.

Additional Procedures and Policies

1. Common costs for each task will be identified by the NRC in the work statement to the extent that they are identifiable in advance.
2. Common costs will be apportioned among participating licensees/applicants in either of two methods: (a) equally among all participants, or (b) in proportion to case-specific costs incurred during the apportioning period. The most appropriate of these two methods will be specified in the work statement for each task. The same method will be used for all common costs associated with any given task.

Problems identified by supporting DOE laboratories or commercial contractors should be immediately discussed with the NRC point of contact.

Contractors and laboratories must retain sufficient supporting evidence to maintain an audit trail of reported costs for at least three additional years after the fiscal year in which the costs are incurred and expensed, and after final payment for commercial contracts.

Processing Reports:

As monthly letter status reports are received, the NRC issuing office will enter the contractor prepared individual monthly and cumulative costs into either the Technical Assistance Program Support System (TAPSS) or an equivalent automated system. The assigned NRC Project Manager must then verify the amounts as being reasonable and appropriate and advise the office level program support staff, which will note this fact in the automated system.

Program office costs, such as manpower expense will also be collected by the issuing offices, and may be accounted for in the same ADP system.

The final step in the process will be the accumulation of costs by the License Fee Management Branch who will periodically direct bills be issued to our licensees/applicants. It is currently expected the LFMB will bill all users on a staggered semiannual basis.

Reconciliation:

At each task completion, or the end of each fiscal year, whichever occurs first, the DOE laboratories and commercial contractors must reconcile any prior-reported amounts to the actual expenses, i.e., billed amounts that NRC will receive. This will insure the NRC data base (input by monthly

letter reports) is in absolute agreement with the official, billed amounts for each fiscal year. This final period report should also identify the apportionment of common costs to each of the cases, as noted above.

Future Developments:

After experience is gained under this new fee-recovery procedure, NRC will be able to consolidate and standardize all internal ADP support systems, simplifying the reporting procedure as much as possible. Electronic transfer of the cost information also is a future goal.

FEE RECOVERY COST STATUS SECTION

Pursuant to the provisions of NRC Regulation 10 CFR 170, provide the total amount of funds expended (costed) during the period and cumulative to date for each task, e.g., by facility or report, and report them on a separate page as part of this report in the following format:

FIN:

TITLE:

PERIOD:

<u>Facility Name/ Report Number</u>	<u>Facility Docket Number</u>	<u>Identi- fication Number 1/</u>	<u>\$ Period</u>	<u>\$ Cumulative Since Inception</u>
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Task 1

Task X

NOTE: If there exists a task under this project that is relevant and common to several other tasks and the effort is required in order to perform the reviews, the costs for the common effort must be prorated to each review to which it applies.

1/ Insert as applicable. The identification number may have different labels such as TAC or Case Control Number.