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UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

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PUBLIC MEETING ON FEES

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MONDAY

APRIL 20, 2015

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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 11:30 a.m.,
Lance Rakovan, Facilitator, presiding.

NRC STAFF PRESENT:

LANCE RAKOVAN, Facilitator

MARISSA BAILEY, NMSS

DAVID CURTIS, NRO

DAVID D'ABATE, OCFO

MARV ELLIS, OCFO

MICHELE EVANS, NRR

CHRISTINE GALSTER, OCFO

TERESA GRANCORVITZ, OCFO

ARLETTE HOWARD, OCFO

ROBERT JOHNSON, NMSS

JOHN MONNINGER, NRO

DREW PERSINKO, NMSS

MAUREEN E. WYLIE, NRC Chief Financial Officer

ALSO PRESENT:

JOHN BUTLER, NEI

STEVEN DOLLEY, Platts *

ERIC JEPSEN *

ROBERT LINK, AREVA *

JOHN RUND, NEI

*Present via telephone

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P R O C E E D I N G S

11:30 a.m.

MR. RAKOVAN: Thank you. As you can tell, this is Charles. He's going to be our moderator for the phone lines today. I'm Lance Rakovan. I'm going to be the facilitator, but to kick things off, we're going to have Maureen give us some opening comments, and I'll be right back.

MS. WYLIE: Good morning. I'm Maureen Wylie, and I'm the CFO of the Nuclear Regulatory Commission. I'd like to thank you all for coming either here physically in Rockville, Maryland or on the phone. As we noted, this meeting is being recorded.

So, our intent is to try to enhance our dialogue with our stakeholders about fees. We also had an outstanding commitment to make sure that we talk to our stakeholders about why many of last year's comments were deemed to be out of scope for the 2014 Fee Rule, so I'll be covering that in a little bit of detail.

We're also going to give you a perspective on the FY '15 budget. That's why you see my partners here today with us. I'd like to introduce Michele Evans. She'll be talking about the Operating Reactor Program. John Monninger, he'll be handling new reactors. Marissa Bailey, who will be handling fuel facilities, and Drew

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1 Persinko, I hope I got that right. Close enough, who will
2 be handling decommissioning and low-level waste.

3 Since there is a relationship between our
4 budget and our fees, as I'll be talking about later, we
5 thought it was important that people understand how our
6 budget for '15 reflects our activities.

7 We are also going to talk specifically
8 about how fees are calculated. That will be done in the
9 second half of the meeting, or after 2:00. We will also
10 give you an overview of the 2015 Fee Rule process, and
11 our next steps.

12 So, there are some overarching items I'd
13 like to cover here in my opening remarks. One of special
14 importance is our Project AIM 2020. If you're an NRC
15 follower, you're well aware that the previous CFO and
16 the current EDO chartered a working group to determine
17 what our Agency might look like in the future. The
18 Commission approved that charter and the team worked for
19 well over six months trying to develop a somewhat
20 detailed view of the future, and how we might approach
21 ourselves.

22 We are going to be talking about
23 efficiencies today. Many of the out of scope comments
24 that we've received in the past have been related to
25 efficiencies. And if you are at all interested, you

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1 should go to public ADAMS and look for that report.
2 The Commission is currently deliberating about what
3 parts of that report will be approved for
4 implementation. And then, of course, we'll talk a little
5 bit about OBRA-90, which is the statutory basis for our
6 fee collection.

7 I'd like to open a dialogue with Lance, if
8 he would give us some feedback about how he wants to
9 handle the ground rules for the meeting at large today.

10 MR. RAKOVAN: Sure. Thanks, Maureen.

11 For those of you who don't know me, I'm
12 Lance Rakovan. I'm a Communication Specialist here at
13 the Nuclear Regulatory Commission, and I'm going to
14 facilitate today's meeting, and try to help it be more
15 productive for everyone involved.

16 The purpose of our meeting is to discuss key
17 features of the NRC's fiscal year or FY 2015 budget,
18 NRC's fees and billing process, including fee and
19 billing program improvements, the Fiscal Year 2015
20 Proposed Rule and Next Steps.

21 This is a Category 2 public meeting by NRC's
22 definition. That means there is going to be designated
23 times on the agenda for NRC to interact with certain
24 stakeholders, and then certain times where we will open
25 it up for open discussion and comments.

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1 If you look at the agenda today, again,
2 you'll notice that there is a lot of presentations and
3 discussion by NRC Staff. Again, this is because we're
4 here to try to inform you, and try to give you some
5 information on our fees and our budgeting processes.

6 In terms of ground rules, really what I'm
7 looking today is to make sure that we get a clean
8 transcript, and to make sure that no matter how you're
9 participating in today's meeting you can follow the
10 discussions. That means either by telephone bridgeline,
11 by webinar, et cetera, so I'd ask that if you're going
12 to make a comment or make a statement, unless you're like
13 me and you're going to be talking all the time, you'll
14 identify yourselves and let us know who you are, and if
15 there's any particular group or association that you're
16 with. For those of you in the room, if you could silence
17 your cellular devices, Smartphones, et cetera, at least
18 put them on vibrate so we can minimize disruptions. And,
19 again, trying to keep one conversation going on at a time
20 so we can get a clean transcript, and so folks can
21 follow. I would appreciate that greatly.

22 We do have an operator assisting our
23 telephone bridgeline today, so he will go through the
24 details on how those of you on the phone lines can make
25 a comment, or ask a question when we get to those parts

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1 of the agenda.

2 I just wanted to say that, you know, even
3 though we are transcribing today's meeting, we do ask
4 that folks, if you're going to make a comment on our 2015
5 Proposed Fee Rule, that you do that officially through
6 regulations.gov. We do have some information on how to
7 do that on a slide. We'll be putting that up, and we'll
8 be talking about that through the meeting.

9 Questions unaddressed and outside the
10 scope of the Fee Rule and discussions today will be
11 referred to the appropriate office for their action.

12 For those of you who aren't familiar with
13 this facility, in case there's an emergency there's
14 exits on all four corners of the room. Restrooms are out
15 this door to the left, and we do have public meeting
16 feedback forms at both of the entrances. If you could
17 take a moment to fill those out, either drop it in the
18 mail, leave it here. You can also scan the QR Code or
19 do it electronically and provide your feedback on the
20 meeting. We do pay attention to the feedback forms. It
21 does give us an idea of how we can improve our meetings,
22 so we appreciate if you could take a moment or two to
23 do that.

24 Maureen, anything else that you wanted to
25 discuss in terms of ground rules?

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1 MS. WYLIE: No, I think we're good.

2 MR. RAKOVAN: Okay. Right back at you. Thank
3 you.

4 MS. WYLIE: Alrighty. So, the basics.
5 OBRA-90 ties our fees to the current year's
6 appropriation, and it requires us as an Agency to
7 collect approximately 90 percent of those fees in the
8 year. So, part of NRC's challenge related to fees is to
9 conduct what is, in fact, a major rulemaking according
10 to OMB in the course of one fiscal year that gives us
11 enough time to do both the required calculations and
12 data gathering, and the appropriate public comment
13 periods, and then actually collect the fees. So, it's
14 a fairly compressed process. If we were doing a major
15 rule of this type in other federal agencies, it might
16 take 18 months to two years, so we are doing something
17 that's a little bit unique to the NRC. We conduct that
18 rulemaking to set and collect fees for our direct work
19 under Part 170, and annual fees for Part 171.

20 As you're all aware this, in fact, results
21 in a collection of well over the \$100 million that sets
22 whether or not a rule is major or not. In this, for 2015,
23 we will be collecting approximately \$886 million in
24 fees.

25 So, with that as a backdrop and a promise

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1 of more, much more on fees later in the day, why are some
2 of the comments that we receive considered to be out of
3 scope of the Fee Rule? I suspect that many people think
4 that well, if it has to do with how much money you have;
5 therefore, it absolutely should be germane to the Fee
6 Rule.

7 So, broadly, there are several categories.
8 They're not actually focused on the methodology, the fee
9 schedules, or the specific changes to fee regulations.
10 So, if it's a general discussion about efficiencies, it
11 doesn't actually apply for the Fee Rule.

12 There is another much larger category
13 which, essentially, falls under -- these comments
14 suggest changes to our regulatory processes outside of
15 fee setting, such as common prioritization at
16 rulemaking, cumulative effects of regulation,
17 risk-informed performance-based licensing and
18 regulatory processes, and increasing the efficiency of
19 certain environmental reviews. Those are examples that
20 come up year after year. And, in general, because of
21 their importance as issues, there are other venues that
22 make much better opportunities for commentors to put in
23 comments. So, while I expect we will continue to receive
24 some out of scope comments for the Fee Rule, I encourage
25 you to continue to submit those comments in other more

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1 appropriate venues so that your issues can be dealt with
2 directly.

3 And then as I spoke to a little bit in my
4 opening remarks with Project AIM, they often ask for
5 some general or specific Agency efficiency, or some
6 effort to reduce our costs. So, because the Fee Rule is
7 about the year that we're actually executing, by the
8 time we receive either your comments on the proposed
9 rule, we're often at midyear, as we are, in fact, now.
10 So, even if you had an efficiency which we accepted and
11 we implemented, that would not actually have an
12 appreciable impact on our activity in this fiscal year.
13 So, we're always looking for ways to be more efficient
14 about our business, and we want your feedback about
15 that, but it's an iterative process over time. So, even
16 though we don't specifically address an efficiency
17 because the comment is out of scope, certainly, we are
18 looking for more and more opportunities to be efficient.

19 So, it's based on the appropriation, which
20 in large measure is based upon the budget that we submit
21 to Congress as a part of the President's budget request
22 process. So, even though we are an independent Agency
23 for technical and policy matters, we comply with OMB
24 guidance related to our financial and administrative
25 activities. That means the budgets all comply in

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specific detail with OMB Circular A-11, and the development of the 2015 budget followed that guidance.

If you are interested, that document is available on OMB's website. It is quite voluminous, 900 pages or so, and have at it. It's an incredibly complex document, and it gives us very specific guidance on how to build budgets.

Of course, the final appropriation is based upon deliberation at the subcommittee and committee level, and final vote of the Congress. And as we will discuss later today, there were changes to our budget this year, but the fundamental allocation of how we do our work is based in large measure on the President's budget that we submit. So, it's important for you to understand that relationship.

So, as I mentioned earlier, we are going to spend some time today going over the business line components of our FY '15 budget. And I would note that it is a performance budget. It includes a large number of performance metrics, timelines, milestones to indicate not just what resources we need, but how we intend to expend them, and how we will check ourselves to see if that is, in fact, taking place. A-11 also governs that requirement, so if you are interested in performance measurement, a look at that will also be,

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1 I think, helpful to you.

2 So, I'm looking for my first budget slide.
3 Budget formulation begins almost two years before we
4 actually begin executing the appropriation, and that
5 varies from year to year depending upon how the
6 appropriations process works. Within the NRC budget, we
7 have a basic budget structure. Budget structure varies
8 across the federal government. This is, of course,
9 appropriate to our Agency, and it is the structure
10 within our single appropriation, which is the salaries
11 and expenses appropriation. So, in general, we'll be
12 talking today about budgets that include these
13 categories.

14 I learned very late today that there is no
15 art to the colors but, in general, there are some very
16 basic business processes on the right-hand side, and
17 some overarching activities on the left. So, if you
18 would go to the next slide, please.

19 To show you what this looks like in reality,
20 I'm also going to give a brief view of the new reactors
21 business line. And I know that John is going to speak
22 to that, but there's a reason I showed you the simple
23 budget structure first. That's because in its actual
24 implementation the budget structure can be fairly
25 complex. This is important because it governs how we

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1 allocate our resources in the year of execution, so you
2 can turn that off, please.

3 So, we're currently working on the FY '17
4 budget and have been for a couple of months. So, it's
5 important that we articulate that timeline because a lot
6 changes in the external environment generally and
7 specifically to industry over that two-year period. And
8 that also reflects what information we use as we
9 actually implement the Fee Rule.

10 So, for example, we look at productive
11 hours from 2010 through 2012. Why would you do that?
12 Well, the FY '15 budget was built during FY '13, and
13 that's the first --- the last years of information that
14 are available. So, because of the federal budget process
15 there are long-term timelines that you have to
16 understand as we build our budgets.

17 I'm going to speak a little bit later about
18 the specific transmission --- translation, excuse me,
19 from budget formulation to budget execution, but I think
20 I want to stay in the budget formulation space here. So,
21 I would like to transition now from a general discussion
22 over to Michele, who's going to start with a brief
23 description of operating reactors.

24 MS. EVANS: Good morning, it's still
25 morning. Hopefully, I'm done before it's afternoon. I'm

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1 Michele Evans. I'm one of the Deputy Office Directors
2 in the Office of Nuclear Reactor Regulation. I'd like
3 to thank you for coming to the meeting today.

4 The NRC's Nuclear Reactor Safety Program
5 encompasses efforts to insure civilian nuclear power
6 plants and research and test reactors are licensed and
7 operated in a manner that adequately protects the health
8 and safety of the public, protects the environment, and
9 provides high assurance of the physical security of the
10 facilities.

11 So, the Safety Program contributes to the
12 NRC's safety and security goals through activities of
13 the operating reactor business line, as well as the new
14 reactor business line. So, my focus today is to discuss
15 the Fiscal Year 2015 operating reactor business line
16 while John Monninger will follow me afterwards from NRO,
17 and he'll talk about the new reactor business line.

18 NRR has the lead role in developing the
19 operating reactor business line budget. We work with our
20 partner offices in the Office of Nuclear Security
21 Incident Response, the Office of Research, and the
22 Regional offices to develop our budget. Currently, the
23 business line encompasses the regulation of 99
24 operating reactors, and 31 research and test reactors.

25 The major changes from the Fiscal Year 2014

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1 enacted budget include resource increases to support
2 intergovernmental and international activities related
3 to cyber security, review of submittals related to
4 mitigating strategies and other Fukushima Tier 1 and 2
5 recommendations. Also, anticipated Generic Safety
6 Issue GSI-191 work, work on two medical isotope
7 production facility applications, and also development
8 and deployment of the new reactor program system and
9 decommissioning of the legacy system.

10 There are also resource decreases to
11 reflect the conclusion of Kewaunee, Crystal River 3, and
12 SONGS Unit 1 and 2 operating reactor decommissioning
13 responsibilities.

14 The proposed operating reactor business
15 line budget request for Fiscal Year '15 is about \$577
16 million, and about 2,100 staff. The budget includes
17 funding for seven major product lines, plus corporate
18 support. And the largest of the product lines are
19 oversight at 25 percent of the funding, and 40 percent
20 of the FTE or staffing, licensing encompasses 20 percent
21 of the funding and 25 percent of the staffing, and
22 research is at 15 percent of the funding and 10 percent
23 of the staffing.

24 Specifically, for the oversight product
25 line the budget includes funding for the NRC to perform

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1 continuous oversight of plants through the Reactor
2 Oversight Process, the ROP, and the ROP uses both NRC
3 inspection findings and performance indicators to
4 assess the safety performance of each plant.

5 Inspections include baseline and
6 plant-specific inspections. For example, baseline
7 inspections include 21 fire protection and 21 component
8 design basis inspections per year. Through oversight,
9 the NRC oversees the safe and secure operation of the
10 reactors, identifies performance issues, and insures
11 licensees take appropriate actions to maintain
12 acceptable performance.

13 The product line also supports event
14 evaluation, generic communications, and the review of
15 industry operating experience. About 3,000 national and
16 international operational events are screened each
17 year.

18 For the licensing product line, the budget
19 includes funding for various licensing activities,
20 including about 900 license amendment reviews, 500
21 other licensing tasks, six power uprate reviews, about
22 15 National Fire Protection Association, NFPA 805
23 reviews, the Fukushima Lessons Learned activities, such
24 as mitigating strategies and spent fuel pool
25 instrumentation action or orders, and the seismic and

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1 flooding hazard reevaluation reviews.

2 Also, there's license renewals for 11
3 applications, operator licensing examinations,
4 including 55 exams and 4 generic tests, licensing
5 activities for the 31 research and test reactors, and
6 review of applications for the two medical isotope
7 production facilities.

8 For the research product line, the budget
9 includes funding of a research program that evaluates
10 and resolves safety issues for nuclear power plants and
11 other facilities, and materials that the Agency
12 regulates, supplies independent expertise,
13 information, and technical judgment to support
14 regulatory decisions, reduces uncertainties in risk
15 assessments, and develops technical regulations and
16 standards.

17 Some of the research topics include
18 research to address the Lessons Learned of the Fukushima
19 accident, fire safety, PRA, digital and electrical
20 systems, and also evaluation of hazards from natural
21 events.

22 Highlights of the remaining product lines
23 in the operating reactor business line budget include
24 for rulemaking there's funding provided for development
25 and update of rules and regulatory guidance, the FY 2015

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workload includes 18 high-priority and 3 medium-priority rulemakings. For international activities, funding includes analysis of international operating experience, development and evaluation of international standards, licensing the import and export of nuclear materials.

In the area of generic homeland security, funding is provided for threat assessment activities, intergovernmental coordination on National Homeland Security priorities, and integrated response planning and coordination. And in the area of event response, there's funding for incident response and emergency preparedness activities.

Now, I'll turn the discussion over to John Monninger for Office of New Reactors.

MS. WYLIE: Thank you, Michele.

MR. MONNINGER: Good morning. I'm John Monninger. I'm the acting Deputy Office Director. Our current Deputy Office Director is on travel, but my permanent position within NRO is I'm the Director of Safety Systems and Risk Analysis, so I'm pleased to be here today to chat with you regarding the new reactors business line.

A lot of my discussion will feed off of what Michele talked about. For example, she talked about the

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1 role of our research, or the work that our Office of
2 Nuclear Regulatory Research does. It's essentially the
3 same role; however, the actual technical issues are a
4 little bit different within new reactors than the
5 operating reactor business lines. In a similar manner,
6 the notion of rulemaking, guidance development, et
7 cetera, you know, it feeds off of Michele's discussion
8 of that.

9 So, one thing to start off with, one thing
10 that I think is interesting with regards to new reactors
11 is our mission. And within that Mission Statement, we
12 have a phrase in there, "To enable the safe use and
13 secure use of nuclear materials." And we do that through
14 the licensing and --- the potential licensing and
15 oversight of new reactors.

16 At the table in front of me is a copy of
17 NUREG/BR-0476, Volume 4 which we just issued last month
18 in March. It is available on line, but it provides an
19 annual programmatic overview of the new reactor
20 business line, our accomplishments last year, and also
21 what we look to do in the forthcoming year. So, feel free
22 during the break, the lunch recess, if you want to grab
23 a copy. Also, it is available on line. Once again, that's
24 NUREG/BR-0476.

25 In addition to that, there's the very good

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1 discussion of the new reactor business line from the
2 Commission briefing last November. The slides, the
3 transcripts, all that information is out there and is
4 available to you.

5 One of the things I would like to just start
6 off with is to talk about the environment, the
7 environment within the new reactor business line. Back
8 in the 2000 time frame there was a lot of talk about the
9 renaissance of nuclear power. Today it's actually a very
10 dynamic environment. Decisions are changing by
11 applicants out there, and it requires agility by our
12 office and the rest of the Agency.

13 We have a focus on having a proactive
14 posture and vigilance in overseeing the business line.
15 There's volatility in the budget out there, but there's
16 also volatility in the fluidness of applicant's
17 decisions as to whether they want to proceed with the
18 new reactors, so we continue to assess new information
19 and prioritize our workload.

20 With that said, though, we do have six areas
21 that we call our program goals within the new reactor
22 business line. First and foremost is construction and
23 oversight of construction at the Vogtle, Summer, and
24 Watts Bar site. Both Vogtle and Summer, the COLs,
25 Combined Licenses were issued under Part 52, and Watts

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1 Bar is one of the only remaining plants to --- within
2 the queue to be licensed in accordance with Part 50. So,
3 all three of those are within our business line, Vogtle,
4 Summer, and Watts Bar Unit 2.

5 In addition to that, we have the Agency's
6 lead for vendor oversight for both the operating reactor
7 and the new reactor business line, so that Center of
8 Expertise is within NRO.

9 Our third priority, then, is the potential
10 transition to operations for Vogtle and Summer.
11 Eventually, those sites would transition from the new
12 reactor business line to the operating reactor business
13 line, so we have a program in place to make sure that
14 the Agency is well positioned to effect that transition.

15 Our fourth program priority, then, is the
16 support for licensing, whether support for licensing of
17 the combined applications in front of us, or to be
18 submitted, or whether it's the Design Certification
19 Applications that will come in.

20 Our fifth priority, then, is associated
21 with --- our fifth program goal is, then, associated
22 with the Small Modular Reactors and the potential
23 licensing of those in the future. And then following
24 that we have the preparations for advanced reactors. So,
25 that generally covers our program goals for the office.

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1 As Michele mentioned, you know, we're the
2 new reactors program --- we're the new reactors
3 business line and we have various product lines under
4 that, including the rulemaking, oversight, research and
5 international activities. And I'll briefly try to cover
6 some of the planned activities within there.

7 Overall, our FY '15 budget is approximately
8 \$238 million, and includes funding for about 840 FTE.
9 This is all provided within the FY '15 CBJ,
10 Congressional Budget Justification, which is also
11 available out there on the web.

12 Within the licensing product line, it
13 includes the reviews of Combined license Applications
14 for amendments to them. For example, amendments to the
15 Vogtle and Summer sites down south. There's been several
16 handfuls of --- or several dozens of amendments that
17 have come in for those sites, and NRC approval is
18 required of those amendments such that construction can
19 proceed smoothly.

20 In addition to that, the licensing business
21 line covers our engagement with the ACRS, and it also
22 covers hearing support. For example, the mandatory
23 hearing that was conducted earlier this year for the
24 potential Fermi Combined License back in February.

25 In addition to the Combined License

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1 Application, it includes the review of Design
2 Certification Applications. As an example, that would
3 be the recently submitted application from Korea Hydro
4 for the APR-1400. Additional examples out there are the
5 AREVA EPR design and the US-APWR design.

6 In addition to those Design Certification
7 Applications, we're trying to prepare ourselves for
8 potential application for Design Certifications from
9 Small Modular Reactors, such as the NuScale design. In
10 support of those activities, we're trying to identify
11 and resolve policy issues in advance, and make sure we
12 have the appropriate staff guidance out there.

13 I also mentioned the oversight, which is
14 our next business line, or next product line which
15 includes Vogtle, Summer, and Watts Bar, and including
16 a follow-up of investigations, and allegations, and
17 enforcement-related activities. That program also
18 includes the Agency's vendor inspection program.

19 It also includes the development of the
20 NRC's reactor simulator at our Technical Training
21 Center down in Chattanooga, Tennessee that we use to
22 train our staff, and that we use to train both our
23 licensing staff, but also our staff that go out to do
24 the license exam for the operators at those sites.

25 We also have rulemakings that we do within

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1 the office. The majority of those rulemakings are
2 associated with the Design Certification Applications.
3 For example, last year proceeded with the rulemaking for
4 the GE-Hitachi ESBWR design. There's also a current
5 rulemaking underway within our office to update Part 21,
6 so they're some examples of rulemakings being
7 undertaken by the new reactor business line.

8 International activities, a lot of the new
9 developments within reactors are international, so the
10 designs are being used in various or multiple countries,
11 and you have different regulatory authorities out there
12 reviewing these designs, so we do benefit from the
13 insights and the safety reviews from other countries.
14 So, we do have international agreements, programs such
15 as the MDEP, the Multi-Design Evaluation Program that
16 our staff participates in.

17 In addition to that, we conduct research or
18 we --- the program line conducts research by our Office
19 of Nuclear Regulatory Research. Some examples there
20 would be the plant risk models for the new reactors. For
21 example, you have Vogtle and Summer out there that rely
22 upon the AP-1000 design. Assuming one day they're
23 operational, those PRAs will be used in the Reactor
24 Oversight Program for Vogtle and Summer.

25 We also have the Office of Research develop

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1 our models for independent confirmatory analysis for
2 the new reactor designs.

3 So, you know, broadly that's an overview of
4 the work in the new reactor business line, and at the
5 appropriate time we'll look forward to comments. But
6 with that, I'll turn it over to Marissa Bailey for a
7 discussion of fuel facilities.

8 MS. BAILEY: Thanks, John. Good morning.
9 Good afternoon. It's not afternoon. My name is Marissa
10 Bailey. I'm the Director for the Division of Fuel Cycle
11 Safety, Safeguards and Environmental Review in the
12 Office of Nuclear Material Safety and Safeguards, and
13 I'm the lead for the fuel facilities business line.

14 The fuel facilities business line has the
15 resources for regulating fuel cycle facilities, and
16 those are facilities that convert and enrich uranium,
17 fabricate fuel for nuclear power reactors, and we also
18 regulate a number of smaller licensees that use and
19 possess special nuclear material for research and
20 development, testing, and also Homeland Security
21 applications.

22 The other activity that the fuel facility
23 business line covers is efforts to insure that the
24 nuclear material is secure, protected from theft and
25 diversion, and also protected from proliferation.

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1 Compared to the reactor business line and
2 the new reactor business line, we're pretty small. We
3 have about 13 fuel facility licensees, and then another
4 about half a dozen special nuclear material licensees,
5 so overall about 25, 24 licensees.

6 Our business line --- our FY '15 budget
7 request basically has \$61 million, and about 288 FTE,
8 that includes corporate support. That request is
9 actually a fair --- is a significant increase from our
10 FY '14 budget because of the workload that we were
11 anticipating, and I'll get to that in a little bit. But
12 30 percent of our budget is towards licensing
13 activities; that's the license --- that's the safety
14 review, security review, and environmental review of
15 fuel cycle facilities, and project management of those
16 facilities for the most part. And then the 50 percent
17 is towards oversight; that's for inspecting fuel cycle
18 facilities, enforcement --- taking enforcement
19 actions when necessary, managing allegations, and then
20 also maintaining and enhancing our oversight
21 infrastructure. That's things like making sure that our
22 procedures, our inspection procedures, our manual
23 chapters are adequate for our facilities.

24 I mentioned that we had a fairly
25 significant increase from FY '14 to FY '15 because of

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1 anticipated workload, just talk a little bit about the
2 drivers for that. And I want to point out that these
3 drivers are based on the feedback that we were getting
4 from our licensees based on what their plans were for
5 FY '15, as we understood it at the time. And, also, some
6 of the work that the Commission had directed us to do.

7 One of the drivers was construction
8 oversight. We were anticipating that we would have a few
9 facilities under construction in the FY '15 time frame,
10 and that would require oversight, so that was one of the
11 drivers.

12 With construction usually comes an
13 increase in license amendments as facilities put what's
14 on paper into reality. Usually, historically, we found
15 that that leads to a number of license amendments, and
16 so we were anticipating an uptick in license amendments
17 during FY '15.

18 We were also anticipating some complex
19 amendments from existing facilities as they either
20 expanded their operations, or added new significant
21 processes to their facilities. We were anticipating one
22 new application for an enrichment facility, and then we
23 were also anticipating continuing our post-Fukushima
24 activities, so those were the drivers for the FY '15
25 budget. And, again, those were based on feedback that

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1 we were getting from our licensees, and also from
2 Commission-directed work, and other external factors
3 that directed our workload, such as Fukushima.

4 Moving into FY '15, we found that the
5 workload didn't materialize. And as John mentioned, you
6 know, the fluidity of licensee decisions; well, we were
7 also getting that in the fuel facilities business line.
8 So, as we moved into '15, the workload that we had
9 anticipated didn't materialize. So, as we began to
10 execute the FY '15 budget, we did make adjustments to
11 our FY '15 budget, and subsequently reduced the
12 resources for the FY '15 budget.

13 I think that's pretty much all I've got to
14 cover for our budget, so I'll turn it over to Drew
15 Persinko.

16 MR. PERSINKO: Good afternoon. My name is
17 Drew Persinko. I'm the Deputy Director of the Division
18 of Decommissioning, Uranium Recovery, and Waste
19 Programs in the Office of Nuclear Material Safety and
20 Safeguards.

21 Earlier this morning, Maureen presented
22 the product lines that are common to all business lines.
23 I want to delve one level deeper and show you the
24 products that are in the decommissioning and low-level
25 waste business lines. Decommissioning, low-level waste

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1 business line covers a broad range of activities, as
2 well as a broad range of types of sites.

3 I'm also going to talk briefly about some
4 of the drivers that we anticipated when we formulated
5 the FY '15 budget back in FY '13. So, as far as the
6 licensing product line, the products in the licensing
7 product lines in our business line are decommissioning
8 licensing actions for power reactors, research and test
9 reactors, material sites, and uranium recovery sites.
10 For example, such things as post-shutdown
11 decommissioning activity report and license
12 termination plan reviews, decommissioning plan
13 reviews, license amendment reviews and termination of
14 licenses, as well as development of guidance.

15 Another product in the licensing product
16 line is UR licensing actions for licensed sites both
17 operating and under construction, as well as new
18 applications. And in that product such things as our
19 reviews and issuances of license amendments, and the
20 issuance of new licenses.

21 Also in the licensing product line, we have
22 a product environmental reviews that support
23 decommissioning and uranium recovery, and the products
24 would be the Environmental Assessments, and the
25 Environmental Impact Statements that are performed.

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1 In the oversight product line, our
2 oversight products include inspections for reactors,
3 materials, and uranium decommissioning sites, and
4 inspections for licensed uranium sites operating or
5 under construction.

6 Also in the oversight product line, we have
7 low-level waste activities. The low-level waste
8 activities include development of guidance, and
9 low-level waste policy work, as well as working with the
10 Agreement States.

11 Another product in the oversight product
12 line is waste incidental to reprocessing, the acronym
13 being WIR, commonly referred to as WIR. This is --- WIR
14 is Congressionally mandated under the Ronald Reagan
15 National Defense Authorization Act for 2005, whereby
16 the NRC performs consulting and monitoring activities
17 at certain Department of Energy sites.

18 In the rulemaking product line, our
19 rulemaking products are the various rules that we work
20 on. For example, the Part 61 Low-Level Waste Rule, as
21 well as a revision to Part 40, 10 CFR Part 40 to conform
22 with the EPA's In situ Recovery Rule.

23 Our international product line, the
24 products in our international product line include
25 conventions and treaties, such as the Joint Convention

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1 on the Safety of Spent Fuel Management, and the Safety
2 of Rad Waste Management, commonly referred to as the
3 Joint Convention.

4 Also in the international product line, we
5 perform multilateral and bilateral assistance. Our
6 multilateral assistance is mostly toward --- is with
7 the International Atomic Energy Agency on various IAEA
8 documents in the decommissioning and low-level waste
9 topics. Our bilateral assistance, we provide support to
10 specific countries when requested. For example, Taiwan,
11 and Korea in the area of decommissioning.

12 In the research product line is waste
13 research. For example, Research performs research for
14 us in the design of --- the cover design of mill tailings
15 piles.

16 So, back in FY '13 when we were formulating
17 the FY '15 budget, we anticipated the following drivers.
18 In the licensing area, we anticipated that power reactor
19 decommissioning would increase in our business line as
20 sites were transferred from NRR to NMSS. And the two
21 sites we anticipated were Kewaunee and Crystal River.
22 Kewaunee did transfer to our business line about a month
23 ago, and Crystal River will be transferred to us this
24 fiscal year.

25 We also anticipated that uranium recovery

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1 new licensing applications would increase based on
2 industry Letters of Intent. What this means, though,
3 this increase means that we also have an increase in the
4 safety reviews, in the environmental reviews, and the
5 National Historic Preservation Act Section 106 reviews.

6 We expected to have 16 applications
7 in-house in FY '15 to work on based on the Letters of
8 Intent. The 16 did not materialize. In some ways that
9 may be fortunate for us, because we received a budget
10 to work on 8-10 applications FY '15, and we are currently
11 working on nine major applications, which is the
12 capacity of our existing staff. And I will note that none
13 were deferred for more than a few months.

14 We anticipated hearings to go up due to
15 completion of staff reviews and the issuance of
16 licenses. And, currently, we have five hearings in
17 progress in different stages of progress. And I'll
18 remind you that the contested hearing cost is not
19 fee-recoverable under Part 170.

20 We also anticipated that in the uranium
21 recovery area that we would be transitioning to provide
22 more attention to the licensing needs of licensed and
23 operating sites, which is in accordance with our
24 priorities as more uranium sites became licensed. The
25 actual number right now of our licensed sites is 10. We

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1 have five operating, and five that are licensed but not
2 operating.

3 We anticipated the materials
4 decommissioning to increase due to licensing work
5 associated with depleted uranium and radium.

6 In the oversight product line we
7 anticipated that inspections would increase at West
8 Valley due to design and construction of the new
9 High-Level Waste Canister Relocation and Interim
10 Storage Facility. And we also anticipated that
11 inspections in the uranium recovery area would
12 increase, which affects both Regional and Headquarters
13 personnel as more uranium sites were licensed.

14 Internationally, I mentioned the Joint
15 Convention. The Joint Convention is, basically, on a
16 three-year cycle. It has a baseload of work, and then
17 every three years there's a meeting in Vienna, whereby
18 the signatories to the National Reports meet and discuss
19 the various National Reports. This year is the third
20 year of the cycle, so next month everybody --- a number
21 of staff will be going to Vienna for that meeting, so
22 there's a lot of activity in the third year of the Joint
23 Convention.

24 In rulemaking, we anticipated the Part 61
25 Low-Level Waste Rule, as well as the 10 CFR Part 40 ISR

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1 Rule which we would modify our rule to conform with the
2 EPA rule. The Part 61 Rule is progressing. The Part 40
3 Rule, however, has been delayed because the EPA delayed
4 the issuance of their rule. They just recently issued
5 their Proposed Rule.

6 So, I talked about what we anticipated back
7 in FY '13 when we were preparing the budget. I just want
8 to mention a little bit briefly about unanticipated
9 events that come up. So, for example, some unanticipated
10 events came up at operating uranium recovery
11 facilities. There were a couple of drum
12 over-pressurization events, as well as a dryer
13 malfunction. Two of these occurred in late FY '14, but
14 they had a ripple effect in that they did affect the FY
15 '15 work by diverting staff from our licensing work to
16 assisting the Region in reviewing the events, and the
17 development of Regulatory Information Summary.

18 So, that in a summary is the
19 decommissioning and low-level waste product line.

20 MS. WYLIE: Thank you, Drew. So, I'm going
21 to cover corporate support.

22 All organizations, public and private,
23 have some entities within them that provide this type
24 of activity. Financial management, my personal
25 favorite, office space, information technology, human

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1 capital management, acquisition services; that's the
2 majority of this type of activity.

3 In 2015 there were reductions year over
4 year from 2014, so overall budget reductions can have
5 the effect of making corporate support larger. But it's
6 important to remember that many of the things that are
7 included in this budget area are fixed costs. We are
8 working on our fixed costs. We have reduced the amount
9 of office space that we'll be leasing as we consolidate
10 people from Church Street into Building Two, as an
11 example, and as we reduce our footprint in Building
12 Three. So, there's a specific example where we've tried
13 to gain efficiencies associated with a major fixed cost
14 of our business.

15 We've also made some investments within our
16 Information Technology area in order to improve our
17 efficiency and to better enable our work products going
18 forward, so it's a dynamic tension. Certain things you
19 really want funded centrally so that you can do them in
20 the most efficient and effective manner; Information
21 Technology, in specific, is one that you want to do. If
22 that is spread out into your business lines, that can
23 end up with greater fragmentation and less efficient
24 execution going forward. So, if you're at all interested
25 in that, there's a great deal of information on OMB's

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1 website about Information Technology Portfolio
2 Management, the trends associated with consolidation of
3 buying in a strategic sourcing environment specific for
4 IT commodities, in particular.

5 We've also made some improvements in our
6 acquisition processes through consolidation as part of
7 the implementation of our Transitioning Assets for
8 Business Solutions, or TABS, now called Centralization
9 because even the eight-month CFO can't always remember
10 how to say that acronym. We are progressively working
11 through corporate functions, consolidating them where
12 they make sense, and then taking those opportunities to
13 gain increased efficiencies in how we execute that. As
14 an example, within the Office of the Chief Financial
15 Officer, we've now had the second year of consolidation
16 of budget formulation. So, we will continue to work on
17 certain activities going forward, but we're always
18 looking for additional opportunities to gain
19 efficiencies through both our own analysis, and through
20 benchmarking with other federal agencies, because many
21 of the complexities associated with corporate support
22 in the federal space have to do with operating in the
23 federal space; regulations around acquisitions and
24 financial management being two obvious examples. So,
25 that concludes our brief summary of the activities that

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1 are associated with the 2015 budget.

2 I'm going to make a few brief remarks on how
3 we transition from that higher level of formulation into
4 implementation, and then Lance is going to open the
5 floor and the phones for questions or comments.

6 So, the bottom line up front is the bottom
7 line here. The final appropriation is the basis upon
8 which we calculate and collect fees. In 2015, we did
9 receive two separate reductions to our appropriation.
10 The first, essentially, allows us to access our
11 carryover funds from 2014, so that the appropriators cut
12 our budget \$34.2 million, and then at the same time made
13 carryover from 2014 and other years available to us for
14 our operations.

15 Industry has already paid fee on carryover
16 funds, so that has the effect of allowing us to do \$34.2
17 million worth of work without charging additional fee
18 in 2015.

19 The other reduction is associated with
20 under-utilization of our Full-Time Equivalents, or
21 salaries and benefits, and that's a \$10 million
22 reduction. The Nuclear Regulatory Commission worked
23 with our Appropriations Committees during the
24 development of their final appropriations bill because
25 the combination of the late arrival of the FY '14 budget

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1 and the uncertainty associated with potential
2 sequestration and the shutdown of the federal
3 government caused us to under-execute our FTEs. So, that
4 \$10 million cut also had the effect of reducing our
5 budget, and thereby reducing the amount of fee that we
6 charge.

7 We've also heard a couple of instances in
8 our discussion today of at the beginning of the fiscal
9 year noting that workload was changing. We do an
10 analysis at the time that we receive our appropriation
11 to be sure that we actually have the work that we're
12 intending to do. And in addition to the reductions that
13 we took in our budgets, as you've heard today, there were
14 some places where anticipated work was not going to
15 arrive.

16 We reallocated those resources through the
17 Commission's Implementation Plan Process to put those
18 on areas where there would be workloads; so, in general,
19 movement to other parts of our activity where a
20 projected workload is here, or is coming in at a greater
21 rate. That is the only checkpoint that allows us to make
22 that adjustment. That is approved by the Commission, and
23 will be how we implement the reductions to our budget
24 as provided to us by the appropriations, and will be
25 implemented in our final Fee Rule. So, Teresa

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1 Grancorvitz is going to talk a little bit more about that
2 this afternoon in our fee section.

3 So, a couple of minutes early, I think we're
4 ready to take questions and comments. Thanks, Lance.

5 MR. RAKOVAN: Okay, thank you very much.

6 At this point, we would like to open the
7 floor specifically to clarifying questions or comments
8 on the materials or topics that we've discussed so far.
9 We're going to be taking a break, obviously, and coming
10 back and having some more discussion on fees, and
11 billing, and such. But while we have our experts, if you
12 will, from our lines at the table we wanted to allow some
13 questioning for them.

14 Specifically, we'd like to start if we have
15 any questions from those who we charge fees to, I guess
16 is the best way to put it, would be a great way to do
17 it. For those of you here in the room, we do have two
18 microphones next to the pillars in the large room; if
19 you could approach and just identify yourselves, what
20 company or organization you're with. And go ahead and
21 I'll --- you know, we'll go ahead and take you in turn.

22 Charles, if you want to go ahead and see if
23 anyone on the phone lines has any questions. Let's start
24 a queue and I'll rotate to you, as well.

25 OPERATOR: No problem. If you do have a

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1 question on the phone today and you would like to ask
2 that, please press *1. Please make sure you unmute your
3 phone and record your first and last name. Again, press
4 *1 to ask a question, and one moment, please, for our
5 first phone question.

6 MR. RAKOVAN: All right, Charles. I'm going
7 to see if anybody here in the room has any questions
8 before we go to the phone lines, if at all possible.

9 OPERATOR: Okay.

10 MR. RAKOVAN: Anyone have a question? Okay,
11 pretty quiet here at the moment. Charles, do we have
12 anyone on the phone lines with a question?

13 OPERATOR: No one has queued up yet for
14 questions, but as a reminder, press *1 to ask a question.

15 MR. RAKOVAN: Okay. And I'll also check in
16 with Marv to see if anyone on the webinar has a question.
17 That's another way that folks can send in their
18 questions, if they have one. Just type it out and send
19 it through the electronic instant message feature on the
20 webinar, and we'll go ahead and read those.

21 We do have a question here in the room. Sir,
22 if you could introduce yourself, please?

23 MR. BUTLER: I'm John Butler with NEI.
24 Lance, first off, I want to express my appreciation for
25 the NRC having the public meeting. And I guess one of

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1 the questions that I could reserve for later, but I'll
2 go ahead and ask it now is, is this kind of a one-time
3 thing where you're having this meeting as part of the
4 proposed Fee Rule process, or is this something we can
5 expect in the future?

6 MS. WYLIE: Well, it's my first Fee Rule, so
7 it is at least the first time. Frankly, we want to make
8 sure that it's useful to the participants, as well as
9 to ourselves. I'm generally very committed to
10 increasing transparency around fee, so if the feeling
11 is that this is a useful event, we'll be doing it again.

12 MR. BUTLER: Good. I have a number of
13 comments but I'm a little unsure whether or not they're
14 appropriate for now, or for discussion a little bit
15 later. Again, I wanted to express my appreciation for
16 this, and I'll hold off some of my comments for this
17 afternoon. But one of the things that you mentioned
18 earlier was that in prior years comments on the Fee Rule
19 that the staff responded that they're out of scope.
20 Could you kind of let us know how you intend to address
21 those, if at all, outside of the Fee Rule process? I
22 mean, I assume they're out of scope, but not out of mind.

23 MS. WYLIE: They definitely are not out of
24 mind, but we are a government agency, and we have
25 processes that are pretty rigid. So, my suggestion is

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1 that you follow the opportunity to request hearings
2 about particular items. There's a --- that's explained
3 in the Fee Rule, both the proposed and the final.

4 When we hold public meetings around those
5 particular items, we strongly encourage you to
6 participate. We recognize that the annual nature of the
7 Fee Rule gives you an opportunity at least to bring those
8 issues to our attention. I think one of the more
9 important aspects that I would articulate is that as I
10 read through the out of scope comments from the 2014
11 rule, they did seem to me to be items that are front of
12 mind for us as an Agency. So, there are a wide variety
13 of channels for you to input, to have us actually respond
14 directly to those comments. You can continue to provide
15 them to the Fee Rule if you want, but we would not
16 organize to give you specific answers to those
17 questions.

18 MR. BUTLER: I understand that, you know,
19 with OBRA-90 you're kind of constrained in how you can
20 address, you know, the fees for the year in which, you
21 know, you're proposing the Fee Rule, but industry is
22 also constrained in that, you know, we have to address
23 process and efficiency, concerns with the overall
24 process. And I see the Fee Rule rulemaking as an
25 appropriate vehicle to raise those concerns on process

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1 and efficiency, so I would encourage you in some fashion
2 to try to at least identify how those process and
3 efficiency comments can be addressed and not --- you
4 know, we'll take every opportunity we have to provide
5 those comments, but I don't want to lose the work that's
6 been done in past years and the current year in providing
7 those comments.

8 MS. WYLIE: I commit to do that. We are
9 particularly interested in comments about efficiency.
10 We did note that there were quite a number of industry
11 participants in our Project AIM stakeholder outreach.
12 We really appreciate the feedback that we got from NEI,
13 in particular, through that mechanism. So I, in
14 particular, am focused on efficiencies, and so through
15 whatever venue we are treating your input seriously.

16 MR. BUTLER: Thank you.

17 MR. RAKOVAN: Okay. It looks like we have a
18 question or comment from the webinar. I'm going to hand
19 the microphone over to Marv Ellis, who's going to read
20 it.

21 MR. ELLIS: The question is, could Michele
22 Evans expand on the fees associated with rulemaking
23 given the maturity of the operating fleet, the large
24 amount of rulemaking does not seem to be justified.

25 MS. EVANS: So, I guess for rulemaking, I

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1 don't have specific information for the fees other than
2 in our business line, rulemaking only accounts for 2
3 percent of the dollar amount, and only 3 percent of the
4 staffing, so it is a very small part of the operating
5 reactor business line.

6 MR. RAKOVAN: Charles, do we happen to have
7 any questions or comments on the phone lines at this
8 time?

9 OPERATOR: Yes, sir, we do have two
10 questions. The first question comes from Robert Link.
11 Your line is now open, sir.

12 MR. LINK: Thank you for taking my question.
13 And this one is, I guess, directed primarily towards
14 Marissa, as I represent AREVA fuel facility in Richland.
15 And if I understand it right because I'm still trying
16 to get my arms around kind of the process, so part of
17 it is maybe a process question. But Marissa gave us a
18 good overview of their anticipation of some noteworthy
19 increases due to construction, and complexity,
20 amendments, and what have you, even a new facility in
21 Fukushima, and I presume that added up to the increase
22 of 30 percent year over year in the first estimate. And
23 then when the recognition, as represented again by
24 Marissa, that some of that work was not going to
25 materialize, I presume that was maybe the primary cause,

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1 or at least part of the --- a good share of the cause
2 for the now predicted increase of 14 percent year over
3 year, or thereabouts, as I recall.

4 I guess I'm still struggling to understand
5 the basis, though, of even a 14 percent year over year
6 increase. That may come out later on in today's
7 discussions, but I guess I wanted to represent that
8 concern.

9 MS. WYLIE: So, let me start, and then maybe
10 Marissa can upgrade my answer. So, I actually think your
11 question might be better answered in the afternoon
12 discussion about fees. But one of the challenges is the
13 small number of participants in the class. So, this
14 afternoon both as we describe how we did the fee process
15 in '14, and then projecting that going forward in '15,
16 we will hit your question in specific at that time. And
17 I'm looking at the two briefers, so we'll come back to
18 that. Did you want to add anything, Marissa?

19 MS. BAILEY: First of all, Bob, you hit the
20 nail on the head in terms of what drove the increase in
21 fees to about 30 percent, and then subsequently what
22 drove it down to an increase of 14 percent.

23 The only thing that I want to add to what
24 Maureen has to say is, you know, she mentioned that it's
25 a small number of licensees within that class, but it's

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1 also a decreasing number of licensees within the class
2 that also will drive the fees up because you're
3 spreading it among a smaller group of licensees.

4 MR. RAKOVAN: Okay. Charles, if we could
5 take the other question or comment, please.

6 OPERATOR: Okay, thank you. Our next
7 question comes from Steven Dolley. Your line is now
8 open, sir.

9 MR. DOLLEY: Yes, good morning. This is
10 Steven Dolley with Platts. Hello?

11 MR. RAKOVAN: Go ahead, please.

12 MR. DOLLEY: Thank you. I'm sorry, this is
13 just a quick procedural thing. The public meeting
14 announcement that I was sent did not include a link or
15 any information on the webinar. Could somebody either
16 --- I know sometimes those are a little long to say out
17 loud. Would it be possible for someone to send that to
18 me by email?

19 MR. RAKOVAN: I have a lot of people
20 scribbling here, so I'm going to guess that's a yes.

21 MR. DOLLEY: Okay, should I just give my
22 email?

23 MR. RAKOVAN: Please.

24 MR. DOLLEY: Okay. (Redacted).

25 MR. RAKOVAN: And just to let you know, we

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1 have not had a whole lot in terms of PowerPoint or
2 presentation slides, so you really haven't missed much
3 by missing the webinar. We'll be having a lot more
4 presentations and such after we come back from the
5 break.

6 MR. DOLLEY: Okay, thanks for that. But I
7 would say that when the bridgeline is changed at the last
8 minute, it's very important that everybody who's
9 expressed interest in attending the meeting get the
10 updated bridge number. Fortunately, there was someone
11 in the office, but I had the wrong bridge number this
12 morning that I was sent by staff.

13 MS. WYLIE: My apologies.

14 MR. DOLLEY: Thank you.

15 MR. RAKOVAN: Please, go ahead.

16 MR. BUTLER: This is John Butler of NEI,
17 again. I thought I'd make the most use of the morning
18 question and answer period.

19 I know that, I think it was last year, there
20 was a combination of the FSME and NMSS offices. That's
21 probably somehow reflected in the --- maybe not the '15
22 budget, but upcoming budgets. Can you give us any
23 indication of what level of efficiencies, or what
24 efficiencies you've seen from the combination? And I
25 know that one of the organizational changes that's being

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1 considered as part of Project AIM is to eventually
2 transition to a combination of NRO and NRR, so I'm very
3 curious as to what efficiencies the Agency is seeing.

4 MS. WYLIE: So, we did as a part of the
5 Implementation Plan process take some efficiencies and
6 reallocate them based on the merger. There are also
7 additional efficiencies taken in the 2016 Congressional
8 Budget Justification, so as we implemented we did
9 anticipate there would be savings. And the amounts
10 that we anticipated did arise, and so we took them early
11 in 2015. So, anything about specific process changes or
12 efficiencies?

13 MS. BAILEY: I can't really get too much
14 into specific processes, but I think where we saw the
15 most --- where we got the most savings with the NMSS and
16 FSME merge was in corporate support. We were able to find
17 efficiencies there. I can't give you the exact number
18 of how many FTEs we saved by the merge, but it was a
19 handful of FTEs. Maybe, Maureen, you know better, but
20 it was really in the corporate support area. It didn't
21 really affect the business lines too much in terms of
22 direct resources because the work was still --- you
23 know, the direct work was still the direct work that we
24 needed to do.

25 MS. WYLIE: So, you have fewer

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1 administrative staff, as an example, a few fewer
2 supervisors because you don't need a PMDA organization
3 for each entity, you have one.

4 MR. RAKOVAN: I'm sorry, PMDA?

5 MS. WYLIE: Program Manager ---

6 MR. RAKOVAN: You're trying to --- I don't
7 know what it means, either. Basically, support staff
8 shall we say.

9 MR. PERSINKO: I was in the FSME part in the
10 merge. You know, I'll second what Marissa said. I think
11 it was in the corporate support area. And the business
12 lines were significantly different enough that --- you
13 know, what I describe as significantly different enough
14 than what Marissa described, but in the corporate
15 support, and contract support, travel, training, I
16 guess, but contract support. Also, I think the --- I got
17 the feeling --- I don't have numbers to justify --- to
18 back it up, but I think we also became more efficient
19 in the way we do our international activities, too. I
20 think there was --- there's a more centralized
21 situation there now, so I think that is being done more
22 efficiently than two separate offices.

23 MR. BUTLER: Thank you. One final question,
24 if I could. I'm prompted by something that was said
25 earlier. I know that in the FSME area you have --- it

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1 was pointed out that the relatively few licensees. I'm
2 --- this is a question of curiosity, but has there ever
3 been an evaluation of the number of FTE per licensee for
4 the various business lines? And I don't know what you
5 would take from that, but if there's stark differences,
6 I would hope that there be some investigation as to why
7 those differences are so much.

8 MS. WYLIE: So, I don't think we've actually
9 done that work. Of course, my tenure is short, but a lot
10 of it has to do with skill differences, and those skills
11 are different from licensee type to licensee type. But
12 anybody on the panel know of any FTEs specific to
13 licensing? So, no, we have not looked at that, so I'll
14 take that under advisement.

15 MR. BUTLER: Thank you.

16 MS. BAILEY: I just kind of want to make a
17 minor correction in your statement. It's the fuel cycle
18 area that has a small number of licensees. The materials
19 area actually has thousands of licensees which is the
20 old FSME, but fuel cycle it is about two dozen licensees
21 that we have.

22 MR. BUTLER: Yes, but with, you know, 25
23 total licensees and ---

24 MS. BAILEY: Yes.

25 MR. BUTLER: You know, that's a lot

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1 different than the materials area. So, just a comparison
2 of the FTE support per licensee may be very instructive
3 in terms of some areas to look at.

4 MS. WYLIE: Thank you.

5 MR. PERSINKO: I'll just note, also. I think
6 the same situation exists in the uranium recovery area
7 in the new licensing area. When the fees are assessed,
8 the annual fee is assessed, it's over a relatively small
9 number of licensees, as well, because the licensed sites
10 I mentioned right now are 10. But I think the difference
11 between maybe the uranium recovery area and Marissa's
12 area is the licensed sites have actually increased in
13 the uranium recovery area over the last few years. I
14 think it's gone from about five to about 10, I believe.
15 So, they have been increasing, but I think generally
16 speaking that it's the same idea, that it's not as large
17 a number of licensed sites as in other business lines.

18 MR. MONNINGER: This is John Monninger from
19 the Office of New Reactors. So, I think you could go
20 through that exercise, but I'm not quite sure really
21 what it would tell you. I mean, I would expect that there
22 would be differences. And if there wasn't differences,
23 I would be actually quite surprised. I mean, the notion
24 of overseeing an operating nuclear power plant, the
25 level of FTE given the complexity of the sites versus,

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1 you know, a small materials licensee, I would hope
2 that's not the same level of FTE.

3 And then I think you would also have to
4 think about --- even when you think about reactors, the
5 difference between the operating reactor business line
6 and the new reactor business line. If you were just to
7 go into terms of oversight, the reactor oversight
8 process versus the construction reactor oversight
9 process, there would also be a significant difference.
10 There's a significant difference between overseeing the
11 daily operations of an operating plant that has been in
12 operations for 30-plus years versus a new plant
13 potentially coming on line. So, you know, personally,
14 I would expect to see quite significant differences in
15 the FTE per program line regulated.

16 MR. BUTLER: John Butler, again. No, I
17 appreciate that there will be differences, and I know
18 there are differences. My point in asking the question
19 is really to kind of prompt that investigation. Those
20 differences will be a combination of differences that
21 are explained and appropriate, and those that are maybe
22 not explained and could be improved. So, the exercise
23 --- this is to prompt that exercise to identify and see
24 what improvements can be made.

25 MS. WYLIE: And I do appreciate that. And

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1 there was one last bit of your question, which was about
2 the potential for the NRO and NRR to merge. That issue
3 is before the Commission and under deliberation.

4 MR. RAKOVAN: Okay. Any further questions
5 here in the room? Marv, anything on the webinar?
6 Charles, anything on the phone lines?

7 OPERATOR: Nothing on the phone, sir.

8 MR. RAKOVAN: Okay. We certainly have
9 additional time scoped out in the afternoon session for
10 questions. Maureen, it looks like we're running a little
11 early. Do we want to take an hour break and start back
12 at quarter to 2, or what do you think?

13 MS. WYLIE: I think we should reconvene at
14 2:00 as our agenda states that we will. So, we hope all
15 of you come back, and we'll see you at 2:00.

16 MR. RAKOVAN: Okay, breaking until 2:00.

17 (Whereupon, the above-entitled matter went
18 off the record at 12:44 p.m., and resumed at 1:59 p.m.)

19 MS. WYLIE: Good afternoon. Thank you very
20 much for coming back for the second portion of our public
21 meeting. This is where we get serious about fees. So,
22 I'd like to start by introducing the people at the table,
23 and our speakers for today.

24 So, our next speaker will be Christine
25 Galster, and she is the expert on calculating fees, so

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1 that's why she's covering Fee 101. David D'Abate in our
2 Division of Controller is going to talk about fee
3 billing improvements, because we also want you to
4 understand the work that we're doing to improve the
5 process of collecting your fee. Teresa Grancorvitz, the
6 Director of our Planning and Budget, is going to talk
7 about the proposed rule before us, and both the
8 highlights and the next steps. Then we'll have at
9 approximately 3:00 another specific public comment
10 period.

11 I'd just like to clarify, and I think Lance
12 will bring this up again, but we are doing a recording,
13 and we'll have a transcript of this meeting. But if
14 you're intending to make a comment on the rule itself,
15 we highly encourage you to submit through one of the
16 channels that we have outlined in the proposed rule. It
17 makes it doubly certain that we will get your question
18 or comment directly as you want it articulated, and make
19 it easier for us to give you an answer. So, let's start
20 with Christine. Thank you.

21 MS. GALSTER: Good afternoon. I'll be
22 presenting an overview of the NRC's Fee Rule using the
23 2014 final Fee Rule amounts for demonstrational
24 purposes. In this briefing, I'll be reviewing the laws
25 governing NRC fees, the fee process, calculation

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1 methods for Part 170 and 171 fees, including annual fee
2 calculation examples for the power reactors and fuel
3 facilities, E Class.

4 Well, why does NRC assess fees? Well, it's
5 because it's the law. The Independent Offices
6 Appropriation Act, IOAA, of 1952 requires that we
7 collect fees for services which are established under
8 Title 10, Code of Federal Regulations, Part 170, billed
9 as hours expended times the NRC effective hourly rate,
10 and are for services such as licensing reviews and
11 inspections.

12 The other law affecting NRC fee collections
13 is Omnibus Budget Reconciliation Act of 1990, OBRA-90,
14 as amended. As the result of OBRA-90, as amended, NRC
15 is required to collect approximately 90 percent of its
16 appropriation by September 30th. OBRA-90 also directs
17 the NRC to establish annual fees that are fair and
18 equitable, and recover through 10 CFR Part 171 the
19 budget authority not recovered through fees for
20 services. Example of these are research and rulemaking
21 activities. So, to review, these two types of fees, Part
22 170 and 171, that is required by law.

23 The NRC budget formulation process, it is
24 important to understand the budget formulation cycle
25 which establishes NRC's budgetary authority. From start

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1 to finish, it typically takes a processing time of two
2 years. For the 2014 budget, the formulation process
3 begins with the internal budget review. Next, the
4 pre-decisional budget estimate to OMB, which was
5 submitted in September of 2002. The publicly available
6 NRC budget included in the 2014 President's budget was
7 submitted in April 2013.

8 The President signed off on NRC's 2014
9 appropriation in January of 2014, four months into the
10 fiscal year. This demonstrates the time it takes to get
11 the actual budgetary authority which dictates the Fee
12 Rule calculations.

13 Next we will look at the annual fee process
14 cycle. It begins with Congress establishing or
15 governing our laws and passing the annual
16 appropriation. NRC's goal is to publish the proposed Fee
17 Rule by March for industry's review and comments, and
18 publishing the final Fee Rule in June. NRC's collections
19 for the current year are due to the Department of
20 Treasury by September 30th of that current fiscal year.

21 Budget and fee recovery amounts for the
22 2014 final Fee Rule are calculated here. The NRC
23 receives a salaries and expense appropriation, and an
24 Inspector-General appropriation which total to the
25 NRC's budget authority. OBRA-90, as amended, states

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1 that certain non-fee items are not subject to fees.
2 Those non-fee items include the Waste Incidental to
3 Reprocessing, Generic Homeland Security, and the
4 Defense Nuclear Facility Safety Board.

5 As you can see in the top circle, NRC's
6 budgetary authority minus those non-fee items are used
7 to then calculate the fee-base balance. Here it is
8 \$1,034.1 billion. We then adjust the recovery amount for
9 timing adjustments for estimates of Part 171 billings
10 that are collected in different fiscal years, so that
11 allows us to focus on current year revenue only.

12 In the bottom circle, we now know the
13 adjusted recovery amount is \$916.7 million, which we
14 must collect by either a combination of 170 and 171
15 revenue.

16 The next slide will show you the 2014 final
17 Fee Rule budget. This chart shows how we view NRC's total
18 appropriation for Fee Rulemaking purposes. The total of
19 the two green sections represent 100 percent of the
20 fee-base that we saw in the previous slide of the
21 \$1,034.1 billion, of which 90 percent is to be recovered
22 through assessing fees, which is the lighter green
23 section fee recoverable. And the remaining 10 percent,
24 the darker green pie piece is the fee relief portion of
25 the appropriation. Fee relief includes such activities

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1 as international support, Agreement State support,
2 grants, and fellowships.

3 Focusing on the fee recoverable section
4 from the last slide of the \$930.7 million, the NRC
5 offices will allocate direct budgetary resources to
6 specific fee classes based on supporting activities.
7 This process is called re-baselining, which is done
8 annually. As illustrated in this chart, 86 percent of
9 NRC's budgetary resources are used to support the power
10 reactor fee class. As we discussed earlier this morning,
11 that is made up of the operating and new reactor business
12 lines. And the remainder is supporting the other eight
13 fee classes, such as fuel facilities and uranium
14 recovery.

15 The next slide we'll go over is the hourly
16 rate methodology for 2014. The first step in determining
17 the estimated 10 CFR Part 170 fees is developing the
18 hourly rate and fees for services. The total fees budget
19 authority is included in calculating the NRC
20 professional hourly rate, exception the mission-direct
21 contract dollars. Contract costs are identified
22 separately under quarterly invoices.

23 Specific budget activities included in the
24 \$866.2 million are your direct salaries and benefits,
25 budget of the Inspector-General, and other personnel

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1 supporting program and Agency initiatives.

2 Next, the average annual productive hours
3 per mission-direct FTE is multiplied by the amount of
4 those mission-direct FTEs, which is then divided by the
5 \$866.2 million, resulting in the hourly rate of \$279.

6 The methodology used for calculating the
7 hourly rate is based on the full cost recovery guidance
8 per OMB Circular A-25, User Charges. The next slide will
9 show the hourly rate as a formula for 2014. As you can
10 see in the numerator, we have the budgetary resources,
11 the \$866.2 million divided by the combination of the
12 direct FTEs time those direct FTEs productive hours to
13 get us to the hourly rate of \$279.

14 The next slide, the history of the Part 170
15 hourly rate. This chart illustrates the last four years
16 of the effective hourly rate for 10 CFR Part 170 fees.
17 As you can see, as the budget included in the hourly rate
18 calculation, the numerator from the last slide, as it
19 rises and falls, so does the effective hourly rate. This
20 slide also illustrates the range in the productive
21 hours, as well as the hourly rate over the past four
22 years, which has remained below 2.5 percent increase.

23 Continuing with our discussion on
24 determining Part 170 fees, the NRC utilizes a
25 longstanding methodology in estimating Part 170

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1 receipts to be collected and transferred to the Treasury
2 by September the 30th. During the estimation process,
3 we use four-quarters of the most recent billing data
4 actuals and contract work executed, along with any
5 adjustments for workload projections.

6 The Fee Team performs this process twice a
7 year, once for the proposed rule, and then again for the
8 final Fee Rule calculations. At the time of the proposed
9 Fee Rule, we must estimate three-quarters worth of fees
10 for services, but by the time of the final Fee Rule, we
11 have more current year actual billing, so we only need
12 to estimate one quarter of the current year.

13 The next slide will show the Part 171 annual
14 fee calculations. As you recall from the bottom of Slide
15 6, the Part 171 annual fee amount is determined by
16 subtracting the Part 170 estimates from the net fee
17 recoverable amount. Remember, whatever we don't collect
18 in Part 170, we must collect in annual fees to recover
19 the 90 percent of the NRC's appropriation.

20 So, in Step One, we look at the budgetary
21 resources by fee class, which the offices have allocated
22 by those supporting activities. Next, we minus out the
23 estimated Part 170 receipts. We add in allocated generic
24 transportation costs distributed to most of the fee
25 classes. We allocate the net fee relief surplus or

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1 surcharge, and low-level waste surcharge. We also
2 allocate the billing adjustment that we discussed on
3 Slide 6 for timing adjustments. The remainder is the
4 balance required in the annual fee recovery amount for
5 those licensees within that fee class.

6 The next slide will show you an example of
7 those steps. So, here we're summarizing the steps from
8 the previous page used to calculate the power reactor
9 annual fee over the past four years. As you can see, the
10 2014 budgetary resources for power reactors is 2 percent
11 or \$15.7 million higher than it was in 2011. The
12 estimated Part 170 billings, as you can see in Step 2,
13 have declined by 9 percent, or \$30 million. The
14 combination of these fluctuations has resulted in a rise
15 in the recoverable annual fee amount by 8 percent, or
16 \$39 million since 2011.

17 In addition to the shutdown of Kewaunee,
18 Crystal River 3, and SONGS 2 and 3, the increased annual
19 fee recovery amount is spread over less reactors.

20 The next slide is another example of the
21 annual fee calculation for fuel facilities over the past
22 four years. As illustrated by this chart, the budgetary
23 resources for fuel facilities have been reduced by 15
24 percent since 2011, offset by a decline in Part 170
25 estimated billings of 37 percent; ultimately,

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1 increasing the required annual fee recovery amount due
2 from the fuel facility licensees.

3 This concludes the Fees 101 presentation.
4 The 2014 CFR Part 170, 171 could be found publicly on
5 NRC's site, and the Federal Registry. Now we'll turn our
6 discussions over to Fee Billing.

7 MR. D'ABATE: Thank you, Christine. Thank
8 you for allowing me to speak today. My name is Dave
9 D'Abate. I am the Branch Chief for the Accounts
10 Receivable group.

11 First, I think it's very important to
12 realize that about two-thirds of the actual collections
13 in the Agency are associated with the Part 170 and 171
14 annual fees. However, most of our internal workload
15 results from the Part 170 review and validation. Again,
16 saying it differently, most effort associated with
17 license fee recovery falls under Part 170 fees for
18 services on behalf of the licensees.

19 This slide and the next slide, very
20 high-level. We perform work on behalf of the licensee.
21 We then accumulate staff hours and contract costs to
22 specific activity codes and dockets on a quarterly
23 basis. The Agency then reviews and validates all charges
24 for completeness, accuracy, and reasonableness.

25 Now, the Agency follows a very prescriptive

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1 process to validate these costs. The Agency also
2 requires certification from senior management from the
3 Program Office where the work was performed on a
4 quarterly basis. Next slide.

5 After all of our charges have been
6 validated, all corrections made, the Agency does
7 generate invoices and we send them to you with payment
8 instructions. Now, in recent years we did experience
9 some anomalies with billings for services. That led us
10 to evaluate the entire fee recovery process, and during
11 that fee recovery, we identified a very complex set of
12 interrelated processes that were required for
13 identification and validation of costs. Those
14 interrelated processes, because of the complexity, did
15 detract from some of the accuracy that we strive for.

16 As a result of these challenges, we
17 conducted a Business Process Improvement study to
18 identify root cause issues and areas for improvement.
19 This review identified two main areas that could benefit
20 from a re-engineered process and strengthen controls to
21 support timely and accurate fee billing. As a result
22 of these efforts, we have focused on contract cost
23 validation and project manager resident inspector
24 administrative time allocation.

25 The improvements we've made for contract

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1 cost validation are transparent to the licensees;
2 however, we have seen a much greater level of accuracy
3 now when invoicing for these costs.

4 The other major improvement we're making is
5 how we allocate for the project manager resident
6 inspector administrative charges. Today, we allocate
7 the administrative charges based on, and the number of
8 dockets a single project manager or resident inspector
9 is assigned to. Again, this current allocation process
10 is complex, multiple interrelated processes, and it is
11 very time-consuming to review and validate. This
12 complexity was a main driver during our study,
13 eventually leading to the revised administrative
14 allocation methodology in the proposed Fee Rule.

15 With this new methodology, administrative
16 time will be allocated based on total direct staff hours
17 charged to each docket. This simplifies the overall
18 process, and improves equitability for the licensees.

19 Our study revealed that over the last four
20 years on average the administrative contribution when
21 looked at against total staff hours was about 6 percent
22 of those total direct charges. Our plan moving forward
23 implementing this change would have an effective date
24 of September 20th of this year.

25 On the screen now, this is a typical invoice

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1 of what a licensee's accounts payable group will see,
2 or would have seen. In the red box we list the project
3 manager or resident inspector name, and the hours that
4 are associated with the administrative time charged.
5 Again, the allocation is based on the individual without
6 regard for the direct hours, total direct hours worked
7 by NRC staff. Next slide.

8 Under the new methodology, the project
9 manager and resident inspector names will be removed.
10 We will now show the total NRC staff costs, the total
11 direct charges that have been charged to each docket.
12 Our current allocation will be set at 6 percent. The
13 total administrative allocation will be a single line
14 charge based on direct hours to each docket.

15 Again, Christie mentioned this but, again,
16 administrative items. Any task that a project manager
17 or resident inspector charges to a specific activity
18 that is not directly billable to a single licensee, and
19 is not generic work, is considered administrative
20 allocation. With this new methodology, we simplify the
21 administrative allocation and allow for a much more
22 equitable distribution of administrative charges based
23 on total direct staff charges.

24 So, looking back over the last year, we have
25 as a group increased the communications with various

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1 licensees and stakeholders to better understand what we
2 can do as an Agency to help your accounts payable staffs.
3 Some of these examples, for licensees who have multiple
4 dockets, we can combine multiple dockets into a single
5 invoice. This eases the burden on accounts payable staff
6 when tracking a single invoice and sending a single
7 payment.

8 For licensees who request, we can send a
9 biweekly or a monthly cost estimate. Again, this data
10 is raw, unvalidated, but it does help staff in planning
11 for the Part 170 charges that might be coming. Again,
12 it's unvalidated. These are estimates.

13 Another item we advocate is the use of
14 generic accounts payable mailboxes. In the past, we have
15 sent emails to staff on file and had no response, only
16 to find out that the staff member had left the licensee.
17 With this generic mailbox, we will insure that our
18 communications will be received in a timely manner. Last
19 slide.

20 We have a couple of future initiatives,
21 some upcoming changes. The Digital Accountability and
22 Transparency Act of 2014, referred to as the DATA Act.
23 This is a government-wide requirement. It will require
24 the Agency to refer delinquent debt to Treasury at 120
25 days. Currently, the Agency has 180 days to pursue

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1 collections. By referring the delinquent debt early,
2 this will allow Treasury to utilize collections
3 agencies and be much more aggressive in pursuing
4 delinquent debt.

5 As an office, and as an Agency, we are
6 exploring with the Department of Treasury the
7 possibility to implement electronic billing and
8 expanded electronic payments.

9 My last point as I close. As an Agency, we
10 have been reviewing all of our accounts receivable
11 processes for the last year. The changes that we are
12 making focus on simplicity and accuracy. We will
13 continue to improve our processes and look forward to
14 any feedback.

15 I would now like to turn it over to Ms.
16 Teresa Grancorvitz.

17 MS. GRANCORVITZ: Good afternoon. I'm
18 Teresa Grancorvitz, the Budget Director for OCFO.

19 The Fee Rule is actually in the Division of
20 Planning and Budget because of its close relationship
21 with the budget process, and the fee billing is actually
22 in our Division of Controller. So, I will go over the
23 Fiscal Year 2015 proposed Fee Rule which was published
24 on March 23rd, and also go over the next steps in the
25 Fee Rule process. Next slide on the budget authority.

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1 The 2015 proposed Fee Rule is based on the
2 President's budget request with adjustments for
3 fact-of-life changes. We use the President's budget for
4 the budget authority to allow sufficient time for the
5 NRC to issue the final Fee Rule, and to be able to collect
6 the 90 percent of budget authority by the end of the
7 fiscal year.

8 As Maureen explained, our budget was
9 reduced. We received that in the appropriations in
10 December. We had to make adjustments in our Budget
11 Implementation Plan and get that approved, and we didn't
12 want that to hold up the process so we can insure that
13 the final Fee Rule was effective by the end of the fiscal
14 year. We actually started the Fiscal Year 2015 process
15 back last July, when we allocated the 2015 budgetary
16 resources to the fee classes, as Christie explained.

17 The 2015 enacted budget represents a \$4.2
18 million reduction from the President's budget. And, as
19 Maureen explained, that was made up of two parts; one,
20 the \$34.2 million that we were able to offset with the
21 use of carryover, and a \$10 million reduction in S&B.
22 So, this is approximately a 4 percent reduction from our
23 President's budget. And as Marissa also mentioned as we
24 went over the fuel facilities, some of the decreases
25 were --- in fuel facilities was part of this

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1 Implementation Plan.

2 A lot of my slides mimic what Christie went
3 over, so I'm going to go over in terms of just highlight
4 the changes in the proposed '15 rule, as compared to what
5 Christie went over. So, again, the proposed was based
6 on the President's budget, which had a slightly higher
7 budget authority than 2014. We take the 90 percent of
8 that to get to the \$935.3 million to be recovered. Again,
9 we have some billing adjustments for timing. We, also,
10 then subtract out the estimated Part 170 billing. And
11 as Christie explained, at the time of the proposed Fee
12 Rule, we only have one-quarter of actuals, and we have
13 to estimate three-quarters of the Part 170 billing. So,
14 that came up with the \$61.9 million to be collected from
15 the annual Part 171 fees.

16 In the next slide, again we show the pie
17 chart updated for the 2015 proposed Fee Rule amounts.
18 And, again, this is based on the President's budget. In
19 our appropriation, part of the appropriation also
20 added, even though it reduced our budget, it added the
21 requirement that \$15 million in integrated university
22 grants be added, so this will also update --- this will
23 also change the fee relief activities in the final Fee
24 Rule, and can result in a positive fee relief adjustment
25 that has to be allocated to all the licensees' annual

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1 fees.

2 In the next slide, this shows the further
3 pie chart of breaking up the budgetary resources by fee
4 class in the proposed Fee Rule. And as you can see, the
5 reactor still remains at 86 percent of the total
6 budgetary resources for fee.

7 In the next slide, you can see the update
8 for the hourly rate based on the 2015 proposed Fee Rule,
9 which again is based on the higher President's budget,
10 which shows --- the one thing you'll notice is the
11 annual direct hours per direct FTE did go up to 1420,
12 which had a result in decreasing the annual, I mean, the
13 hourly rate to \$277, so that was a \$2.00 decrease in the
14 proposed Fee Rule.

15 The next slide just breaks down how that
16 hourly rate calculation was done to come up to the \$277.
17 The next slide, as Christie went over, and as shown in
18 the fee recovery slide, Part 170 fee estimates are a very
19 important component of the annual fee calculation.
20 Currently, for the final Fee Rule we are finalizing the
21 estimates because we now have three-quarters of
22 actuals, and we only have to estimate one quarter, which
23 will start with the prior year, and make adjustments for
24 expected workload that we know about.

25 The next slide, again, shows how the Part

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1 171 annual fees are calculated. So, in the annual fee
2 in the final Fee Rule, we will update this calculation
3 with the enacted appropriation, and will update it for
4 the Part 170 receipts, because we now have the
5 three-quarters of actual receipts to use in that.

6 In the next slide, it shows some additional
7 2015 proposed Fee Rule items of interest. Now, this is
8 included in the proposed Fee Rule in the section by
9 section analysis of specific amendments, so there's a
10 lot of detail in the proposed Fee Rule for additional
11 information. Some of the major changes include
12 additional fee subcategories for the 3L, which is the
13 broad scope materials licensees, which added additional
14 fee categories to recover additional costs from
15 licensees with multiple sites.

16 We also updated the small-entity fees to
17 increase to the 3,400 for upper tier, and 700 for the
18 lower tier. And we also increased the lower receipts
19 threshold for the small business entities.

20 The next slide, based on your comments and
21 our goal to become more transparent, we made some
22 additional to the Fee Rule calculation work papers, and
23 these are a couple of examples, and including some
24 components of the methodology of the Part 170 estimated
25 billings, how we come up with that. And we also included

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1 additional descriptions of the material resources
2 allocated to the reactor fee class to have some
3 additional explanation regarding that.

4 In the slide it shows, again just
5 reiterates where you can get more information, the full
6 Part 170 and Part 170 CFR, and where the 2015 Fee Rule
7 is with the docket number. That includes the actual
8 proposed Fee Rule, the work papers, and on
9 regulations.gov is where you can also actually formally
10 submit your comments to the proposed Fee Rule.

11 Okay. In the next set of slides, we're going
12 to go over the next steps in the Fee Rule process. Okay.
13 As we actually stated in the 2015 proposed Fee Rule, we
14 estimate that the 2015 final rule will reduce the hourly
15 rate and the amount of annual fees that NRC is required
16 to collect because of the reduced appropriation of \$44.2
17 million.

18 Again, this estimated 2015 final amounts
19 were provided in the proposed Fee Rule to give some idea
20 of what the final amounts might be, but we're actually
21 calculating those amounts right now with the final
22 --- with the new three-quarters of information for the
23 Part 170 fee billings.

24 The next slide shows what we estimate as the
25 final amounts we have to collect updated for the new

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1 enacted budget of one billion fifteen million, the
2 non-fee items will remain the same times the 90 percent,
3 less the billing adjustments, less the Part 170
4 billings. And, again, this amount in the proposed Fee
5 Rule was based on only one quarter of actual, so that
6 will be updated.

7 If you notice the difference on the bottom
8 line of the Part 171 fee collections required, it's only
9 \$39.7 million different from the proposed, and that's
10 because we take --- we only collect 90 percent, so 90
11 percent of the \$44.2 million reduction is the 39.7. Just
12 if you like to do the math like us accountants, it all
13 ties out.

14 In the next slide, the hourly rate
15 methodology has the estimated final Fee Rule amount for
16 the hourly rate. As we looked at, if you compare the
17 proposed to the final, you will see that the input
18 resources were decreased in the various categories
19 because of the budget reduction. We also had a reduction
20 in the mission-direct FTE. As we mentioned, we did
21 decrease some of our resources because of budgetary and
22 estimated changes. The annual direct hours per FTE stay
23 the same at 1420, but the combination of the resources
24 going down has decreased the hourly rate. Again, this
25 is what we're estimating, down to \$268 per hour. And

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1 this is about a 3 percent reduction from the proposed
2 Fee Rule amount of \$279.

3 On the next slide, you'll see the 2015
4 estimated final annual fee comparison that we included
5 in the proposed Fee Rule, again to give licensees some
6 idea of what we think the final Fee Rule will look like
7 with the reduced enacted budget. So, it has a comparison
8 of the 2014 annual fee, the 2015 proposed, and then the
9 2015 what we're estimating as final.

10 Again, as we mentioned, Part 170 billings
11 is a big component of what we end up having to collect
12 as annual fees, so as we finalize those estimates, it
13 could impact the amounts in the final Fee Rule.

14 If we go to the last slide, again, the 2015
15 final rule we expect to publish in June 2015, as Christie
16 mentioned. The next steps, we will address the comments.
17 Again, we encourage everybody to formally submit their
18 comments on regulations.gov. We'll finalize the annual
19 fee amounts based on the recalculation of the Part 170
20 estimate. We'll send out the new amounts to the Program
21 Offices to update our justification and some of our
22 information for the changes. And then we will publish
23 the final Fee Rule through the Federal Register.

24 That concludes my presentation.

25 MS. WYLIE: Thank you, Teresa. Well, we're

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1 ready to take public comments. I'd like to take this time
2 to recognize Arlette Howard, who is our Fee Policy
3 expert. She's also going to be available. Thank you.

4 So, Arlette Howard, our Fee Policy expert
5 is also going to be available to answer questions. We
6 have little extra time to do that, and so the floor is
7 your's.

8 MR. RAKOVAN: Okay. Thank you, Maureen.
9 Let's go ahead and open the floor here to questions.
10 Charles, if you want to take a moment to see if there's
11 anyone who has questions on the phone lines and set up
12 a queue. And, of course, I'll look to Marv to flag me
13 down if we get any questions or comments on the webinar.

14 OPERATOR: We'll now begin the Question and
15 Answer portion. If you'd like to ask a question, just
16 press *1 from your touchtone telephone. Remember to make
17 sure your phone is unmuted, and record your name clearly
18 when prompted.

19 MR. RAKOVAN: Thank you, Charles. We do have
20 a question here in the room. We can start here, please,
21 if you can identify yourself, sir.

22 MR. BUTLER: John Butler with NEI. I've got
23 a number of questions. I don't know if I should take them
24 in random order, or not. But I do want to start off again
25 by expressing my appreciation for the NRC having this

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1 meeting. Ideally, it would be nice to have this meeting
2 a little bit further away from the end of the comment
3 period to give us a little bit more time to take lessons
4 learned from this meeting and incorporate that as part
5 of the formal comments. But I understand there were some
6 scheduling problems that you were dealing with this year
7 that prevented it from occurring earlier.

8 MS. WYLIE: Yes, there were scheduling
9 problems, and I was a part of that challenge, so I hear
10 your feedback, and we will make it earlier next year.

11 MR. BUTLER: One minor comment. I know that
12 you issue work papers along with the proposed Fee Rule.
13 If there's any way that you can make those available in
14 some more legible electronic form, that would be much
15 appreciated by those of us who try to go into a little
16 bit more detail in the work papers.

17 My next question, if I can continue. I don't
18 want to hog the floor, but ---

19 MR. RAKOVAN: That's okay. Let's get a
20 number of the questions out. If we have to pause to see
21 what's going on, we will. But, please, continue.

22 MR. BUTLER: My next question is related to
23 just kind of my learning of the process. For this fiscal
24 year, the hourly rate charge that licensees are seeing
25 in their billings is \$279, the 2013 billing rate, so they

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1 will only see the final Fee Rule fee rate of \$268 in the
2 fourth quarter of this fiscal year. Is that correct?

3 MS. GRANCORVITZ: Right. We can't charge
4 until the actual final rule is effective, which is 60
5 days after the final Fee Rule is published. And we
6 started a paper, so depending on what that is, David's
7 group will start using that new ---

8 MR. BUTLER: And, in practice, no licensee
9 will see the \$277 rate.

10 MS. GRANCORVITZ: No, not if that does not
11 --- if our projections are correct in \$268, \$277 will
12 not be seen.

13 MR. BUTLER: Okay. This is maybe a question
14 for David. The process, root cause investigations you
15 were talking about is very good. Are you also
16 incorporating some of the recommendations from the
17 audit that was done on the fee billing process?

18 MR. D'ABATE: Yes, we are. We took those
19 recommendations. We've incorporated that into our whole
20 study.

21 MR. BUTLER: Excellent.

22 MS. WYLIE: If I could add, the business
23 process re-engineering that we did, we actually
24 provided to the Office of Inspector-General, so it's a
25 part of our effort to be transparent, as well. And we

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1 found that the audit exercise was very helpful to us to
2 effectively brainstorm new ways to move forward in that
3 area.

4 MR. BUTLER: There seemed to be a lot of
5 similarities between what David was saying and what the
6 audit recommendations were, so I thought that was the
7 case.

8 I know you've heard this before, but I have
9 to say it, anyway. Having the proposed rule based upon
10 the President's budget versus the enacted budget does
11 present some confusion and difficulties. You know,
12 we're not sure what we're commenting on, the fee basis
13 based upon the President's proposed budget, or the
14 enacted budget. I understand it's difficult based upon
15 whenever the enacted budget is actually signed. I
16 encourage you to look for process improvements where you
17 can use the enacted budget numbers. And I don't have the
18 solution right now. I know in some prior years, you've
19 been able to accomplish that, but I don't know what
20 sacrifices or compromises were made to accomplish that.
21 I just put forward that as a desire, that it be based
22 upon the enacted budget.

23 MS. WYLIE: We, actually, agree with you.
24 That would be our preferred method. As you could see in
25 the Fees 101 portion, if the appropriations process

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1 works as designed, we would get an enacted appropriation
2 in October. That would allow us to actually move through
3 the proposed process using the appropriation. Candidly,
4 the appropriations process in the last 10 years,
5 perhaps, has maybe hit October once, so there are, of
6 course, processes far greater in importance that sort
7 of overcome our effort.

8 I am interested in hearing whether you and
9 your members feel that having the estimated final in the
10 rule is helpful for planning purposes. So, this was an
11 attempt to try to meet you effectively halfway. We
12 didn't have the time or the ability to calculate every
13 licensee type because we looked at actually delaying the
14 rule in order to accommodate the appropriation, and it
15 would have moved it into the next fiscal year.

16 MR. BUTLER: Right.

17 MS. WYLIE: So, our effort was to try to give
18 you a signal by having these estimates, and I'd
19 appreciate feedback on that.

20 MR. BUTLER: Definitely, having the
21 estimated in there is preferable to not having it in
22 there, so --- and I'll stop at this point.

23 MS. WYLIE: Thank you.

24 MR. RAKOVAN: Charles, do we have any
25 callers on the line? I know we have one question from

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1 --- the gentleman from AREVA this morning had a question
2 that we said we would get back to at some point I believe
3 this afternoon. But, Charles, do we have any questions
4 at this point?

5 OPERATOR: I'm showing no questions in
6 queue.

7 MR. RAKOVAN: Maureen, did you take note of
8 the question from the gentleman from AREVA by any
9 chance?

10 MS. WYLIE: Let me see what I have here.

11 MR. RAKOVAN: I didn't understand the
12 terminology well enough to write it down, I will
13 confess.

14 MS. WYLIE: I didn't do very well.

15 OPERATOR: And we just had one pop in the
16 queue, an Eric Jepsen.

17 MS. WYLIE: Okay.

18 OPERATOR: Your line is open.

19 MR. JEPSEN: Thank you very much for taking
20 my question. I would echo the NEI speaker that it's very
21 useful to have this meeting, and would encourage you to
22 do it again.

23 And, also, I'm assuming that because of the
24 public nature, that the slides, especially the say Fee
25 101 presentation will be available. I know that internal

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1 to my company this would be very handy to be able to
2 explain to people how this works.

3 MS. WYLIE: So, the slides are all going to
4 be posted in public ADAMS, and they'll be made available
5 tomorrow.

6 MR. JEPSEN: Okay, great. And I do have a
7 question, and this goes to the Part 170 fees. I can
8 appreciate how difficult it would be to estimate these
9 one or even two years out, but I do notice that the
10 difference, or I'll say it this way, that the proposed
11 hourly fee appears to be frequently the same as the final
12 hourly fee. So, for me, you know, it raises a question
13 in my mind of how useful the three-quarters of actual
14 billings are --- actual invoicing is coming up with the
15 final hourly fee. So, I was wondering if there's a way,
16 if someone there could just address in general how the
17 --- maybe in more detail how the Part 170 fees are
18 estimated, and then how the actual invoicing is used to
19 determine the final hourly rate. Thank you.

20 MS. GALSTER: This is Christie Galster.
21 Yes, I think if we just kind of go back again to the slide
22 regarding the Part 170 process. It's exactly spelled
23 out, that's exactly how I perform the Part 170
24 estimation. So, we do go through the high-level detail
25 of the invoices, the actual invoices that we look at for

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1 each specific fee class.

2 You were saying you didn't really see big
3 changes between the proposed and final in different
4 years and, you know, I know specifically last year in
5 2014 for fuel facilities, for example, there was quite
6 the difference between the proposed Part 170 estimate
7 versus the final.

8 MS. GRANCORVITZ: I think part of the
9 question you were asking, the hourly rate doesn't
10 change, but that's only one component of the Part 170
11 billing. The bigger component is actually the hours that
12 David was talking about that they validate that the
13 Program Offices actually charge. So, it's the two parts,
14 it's not only the rate, the \$277, \$279, \$268. It's
15 actually the amount of hours that are charged for each
16 of those activities that is really the bigger, I would
17 think, differentiation, and the bigger variable.

18 MS. WYLIE: So, part of this, too, from year
19 to year is that there's been some rough consistency
20 about the amount of Part 170 activity. And that's been
21 driven in some fee classes by Fukushima work causing us
22 to not have the right skill sets to get all of the
23 licensing work done. So, there are a lot of variables
24 that look on the surface as though they're the same, but
25 there really is variation in the data.

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1 Okay, so we have David here to --- David
2 Curtis is going to take our question from the first
3 session.

4 MR. CURTIS: So, again, my name is David
5 Curtis. I'm the actually departing acting Budget
6 Director, so Robert Link from AREVA Fuel Facility, I'm
7 going to try to summarize his question from this
8 morning. It was really specifically, I think, towards
9 fuel facilities. And the question was around how some
10 of the work that was planned for 2015 didn't actually
11 materialize. And I think that his question was sort of
12 related to, you know, what does the Agency do with that?

13 MR. RAKOVAN: And I think we have a
14 representative from the NRC who actually has an answer
15 already. If you could introduce yourself.

16 MR. JOHNSON: Good afternoon. My name is
17 Robert Johnson. I'm with NMSS. I think Bob's question,
18 the way I took it was, why is there an increase in the
19 annual fees for the fuel facilities portion of it? There
20 were a number of planning assumptions that went into
21 effect either as a result of input from licensees or
22 planned work that we had anticipated. Some of these
23 assumptions included receiving a new application for an
24 enrichment facility, some element as planned oversight
25 activities due to construction of newer proposed

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1 facilities that didn't necessarily occur. And then a
2 higher --- we had anticipated a higher than expected
3 number of planned or complex licensing activities.

4 The reality is, in this event we didn't get
5 the new application for the --- or the application for
6 the new enrichment facility, and that resulted in fewer
7 hours under construction, inspection, and licensing
8 activities. We experienced a related reduction in the
9 need for some of the construction-related activities
10 associated with the MOX facility. And, as I mentioned
11 earlier, we ended up actually receiving a lower number
12 of complex licensing amendments, which also reduced the
13 number of licensing billable hours.

14 So, in essence, I think what's happened
15 here is we had a number of planning assumptions. We had
16 planned on a certain number of licensing and oversight
17 activity hours. That was reduced. That resulted in an
18 increase in the number of --- the amount of fees.

19 The other part of it that I want to
20 highlight here is, bear with me, got to look through the
21 notes. There is also a reduced number of licensees in
22 the pool, so over the last couple of years we lost the
23 Portsmouth Gaseous Diffusion Plant, and then recently
24 here the Paducah Gaseous Diffusion Plant, so that's
25 further reducing the pool of people, or of licensees to

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1 distribute the annual fees over.

2 MR. RAKOVAN: Thank you for stepping in and
3 addressing the question. We have another set of
4 questions from the room, if you could introduce
5 yourself, please.

6 MR. RUND: Sure. John Rund, NEI. I just
7 build off what my colleague, John Butler, has said. I
8 commend you guys for doing this meeting. This is very
9 helpful to get this in terms of context.

10 One of the things that came out in the last
11 couple of questions was the fact that as far as the
12 hourly rate goes, essentially for what's likely to be
13 the first three quarters of the year this year, the \$279
14 rate from last year will essentially apply, which when
15 you look at the estimate, at least, for the final rule,
16 will result in three-quarters of pretty significant
17 overcharges, in a sense. Has there been any --- it
18 sounds like that has not been, necessarily, the case in
19 past years where the final rule looks pretty much like
20 the proposed rule, so it seems like there's somewhat of
21 a unique issue this year.

22 I guess I'll pose this to everyone. Has
23 anybody considered something similar to what we see in
24 171, where there's a reconciliation or refunds possibly
25 being issued at the end of the year, which in the past

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1 maybe hasn't been an issue, but this year may actually
2 be a significant issue?

3 MS. WYLIE: Typically, if we do collect over
4 our 90 percent, there is an adjustment that we make in
5 the previous year. If we do collect more than 90 percent
6 of what is required for us in that specific year, we do
7 apply something to ---

8 MS. GRANCORVITZ: But with your hourly rate
9 question, that \$279, the actuals that we're estimating
10 as Part 170 is based on that \$279 rate. So, we're giving
11 full credit for the amount of Part 170 based on the \$279,
12 so it's not like we're overcharging, because that is
13 actually what we're subtracting from the total
14 budgetary resources to get to the annual fees. So, if
15 we calculate it at a lower hourly rate, the annual fees
16 would actually be higher this year.

17 MR. RUND: So, let me make sure I'm --- I
18 think I understood you to say in terms of annual --- the
19 annual fees will be lower, but for the licensees who
20 maybe receive greater proportion of fee for service,
21 they may not directly see any benefit, but across the
22 broader annual fee, there's ---

23 MS. GRANCORVITZ: Yes, because the rate is
24 good for a whole year, but it's based on the effective
25 date of the Fee Rule, which the \$279 wasn't started

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1 charging until the end of August last year. So, it's
2 August of 2014 to August of this year, and then the new
3 rate will be effective starting August of this year to
4 when the final Fee Rule is enacted next year.

5 MS. WYLIE: So, we don't know, obviously,
6 what the final result for '16 is going to be, and where
7 that would end up. So, you'll get four quarters,
8 eventually, at the \$268. This is one of the issues
9 associated with being a major rule. Under that
10 requirement, we have to give 60 days after the
11 publication of our final rule before it goes into
12 effect. So, among the possible innovations that we might
13 do for the '16 Fee Rule, is to negotiate with OMB to see
14 if they're amenable.

15 While it has, obviously, a greater amount
16 than \$100 million in impact to the economy, it's not a
17 broad-based rule that it affects all citizens, as an
18 example. So, I'd be happy to have a further discussion
19 with NEI to get your views on that, but this is --- you
20 know, part of it is trying to do this major rule in a
21 year with this public comment period.

22 MR. RUND: Thanks.

23 MR. RAKOVAN: Further questions or comments
24 in the room or, Charles, if we have anyone queued up on
25 the phone?

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1 OPERATOR: If you would like to ask a
2 question press *1. I'm currently showing no questions
3 at this time, sir. But as a reminder, if you would like
4 to ask a question on the phone, press *1. Thank you.

5 MR. RAKOVAN: Okay, we appear to have no
6 questions or comments on the webinar. And it looks like
7 NEI would like to return to the microphone. That's fine,
8 come on. We're here to discuss these issues in public,
9 so let's make it worth everyone's while.

10 MR. BUTLER: I don't want there to be dead
11 time here.

12 MS. WYLIE: Thank you.

13 MR. BUTLER: I want to go back --- this is
14 John Butler of NEI, again. I want to go back to a point
15 that was raised earlier in the morning session of in past
16 years we've provided comments on process or efficiency,
17 and they've been accounted for as out of scope. I don't
18 know if it was during the response, as part of the
19 webinar or in the break time, someone indicated well,
20 you need to find --- you need to address those process
21 issues in more appropriate meetings, or forum, or
22 whatever.

23 I would love to do that, but I can't think
24 of any better forum than this one to address those type
25 of comments. If you address a process efficiency

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1 question, that is an Agency process efficiency question
2 in a NRR meeting, it's going to be taken as an NRR
3 comment. If you address it in an NRO meeting, it's going
4 to be taken as an NRO comment. We really need an agency
5 forum to address agency process efficiency questions,
6 so if you have any thoughts on how --- what the
7 appropriate forum would be, you know, I'd love to have
8 it. If one is not scheduled now, maybe we could consider
9 scheduling one to discuss that. But I do want to make
10 sure that these "out of scope" comments have a way to
11 be addressed.

12 MS. WYLIE: I appreciate that, and I don't
13 really have a better answer than I gave you this morning.
14 But how about in the interim while I --- so, we've taken
15 this comment in as a part of our comment on the fee
16 section. I'd also like to invite you to come see me. We
17 can sit down and talk in more detail about your specific
18 items for my own understanding of where you're trying
19 to go. And then we'll find another public --- I'll work
20 to try to find another public mechanism for you to get
21 those answers.

22 MR. BUTLER: I'm making a point of this,
23 because no doubt the comments that we will submit on
24 Wednesday will include additional out of scope
25 comments.

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1 MS. WYLIE: Okay, enough said. I get it.
2 Thank you.

3 MR. BUTLER: I guess one last point. I know
4 that with the publication of Project AIM 2020, the
5 Commission is reviewing those recommendations. I do
6 know that there are some process planning
7 recommendations in that, that would be categorized as
8 part of this meeting as out of scope comments, but
9 they're exactly the type of things we're trying to drive
10 for in terms of improvements in process and efficiency.

11 I would think that some of those activities
12 would fall right into this, also, so maybe there's a way
13 going forward that public discussions on Project AIM
14 recommendations, once the Commission has finished their
15 deliberations, could be folded into the same type of
16 meeting.

17 MS. WYLIE: Well, thank you very much for
18 that suggestion. We are awaiting the final votes before
19 we move into detailed implementation planning, but I'll
20 discuss that with the EDO.

21 MR. BUTLER: Thank you.

22 MR. RAKOVAN: Further comments or
23 discussion in the room, on the webinar, or on the phone?
24 I've got Marv giving me ---

25 OPERATOR: I am showing no questions on the

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1 phone at this time.

2 MR. ELLIS: This is a comment from Jowanza
3 Gibbs-Nicholson. She is in DOC, Division of Controller
4 here at LCFO. I just want to say that offering this
5 webinar platform has been very useful, and although I
6 am not physically present, I feel very much a part of
7 this public meeting, and appreciate the availability of
8 the webinar.

9 MS. WYLIE: That's great. So, in the absence
10 of another question, I'd like to thank everybody for
11 coming. To our public commentators, thank you very much
12 for making the effort to join us via the phone or the
13 webinar, or especially those of you who came here in
14 person. We really appreciate it. And to the NRC
15 employees in the room, I hope you have a little bit
16 better understanding of how fees work. It seems to be
17 one of the more opaque processes to some of our
18 employees, and we're really glad that you showed an
19 interest. Thank you all very much.

20 (Whereupon, the above-entitled matter went
21 off the record at 2:59 p.m.)

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