NUCLEAR FUEL SERVICES, INC.
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January 17, 2018

Mr. Craig Erlanger, Director
Division of Fuel Cycle Safety, Safeguards, and Environmental Review
Office of Nuclear Material Safety and Safeguards
U.S. Nuclear Regulatory Commission
Washington, DC 20555-0001

Subject: Comments on Fuel Cycle Facility Fee Matrix

Dear Mr. Erlanger:

Nuclear Fuel Services, Inc. (NFS) appreciates the opportunity to participate in the recent public meeting held by NRC staff to discuss the Fuel Cycle Effort Factor Matrix. NFS is providing the following comments regarding the December 13, 2017, public meeting on the NRC's effort to re-evaluate the fuel cycle facility fee matrix.

NFS recognizes and appreciates the work that took place to reduce fees for FY17 and improve the billing process. We also appreciate that the NRC is willing to work with the industry on this very important topic. NFS would certainly like to encourage continuation of this effort for the purpose of assessing fair and equitable fees across all fuel cycle facilities commensurate with the level of regulatory effort required from a safety and safeguards perspective.

During the public meeting, the NRC provided an overview of the Fuel Facilities Business Line which included "licensing and oversight" line items totaling over $29M related to non-direct services. These non-direct services represent 67% of the total NRC FY17 budgeted resources. NFS is interested in understanding the detailed cost breakdown of these services and how the funding for these non-direct services is allocated among the fuel cycle facilities. It appears that a majority of the non-direct services are not fuel cycle facility dependent, (i.e., NRC website, etc.); therefore, a reasonable approach would be to distribute the non-direct services costs equally across all fuel cycle facilities. NFS requests that the NRC provide a detailed cost breakdown of the $29M of non-direct services costs during the next public meeting on this topic.

For complete clarity, NFS does not support the continued use of the Fuel Cycle Effort Factor Matrix. NFS does not believe this matrix accurately reflects the level of regulatory effort applied to each fuel cycle facility from a safety and safeguards perspective. Additionally, it seems unreasonable that in specific categories there is a factor of ten difference in regulatory effort between a Category I fuel cycle facility and other fuel cycle facilities for the same process.

Industry events and licensee performance over the past few years demonstrate a need to revise the current methodology. At a minimum, NFS requests that the NRC re-evaluate the effort factors used and assigned to the fuel cycle facilities, taking into account industry events and the level of regulatory effort that is actually provided to the facilities. NFS strongly asserts that currently there is not a fair and equitable distribution of NRC fees across the fuel cycle facilities and requests that actions be taken to change the methodology on which fees are determined. NFS also believes that this effort should be completed in time for full implementation in FY19 fee rulemaking. NFS does not support a phased approach to implementation.

As part of maintaining our relationship with our customers, it is important that NFS has the ability to clearly communicate the basis for which the fees are determined. The annual fee, in excess of $7M, is a substantial portion of the total NFS operating costs.

Additionally, the two existing Category I fuel cycle facilities, NFS and BWXT, pay over fifty percent of the annual fees for the entire NRC fuel facilities business line. NFS requests that, as part of this fee matrix evaluation effort, the NRC improve the transparency on how the NRC allocates and distributes the annual fees collected from the fuel cycle facilities.

In summary, NFS supports the effort that the NRC is taking to re-evaluate the fuel cycle facilities fee matrix. NFS believes that this effort should be taken as part of a much larger effort to evaluate the fuel facility business line. NFS is looking to the NRC to allocate fees that are fair and equitable across the fuel cycle facilities consistent with the level of regulatory effort required from a safety and safeguards perspective. NFS believes that it is necessary to complete this effort in time for full implementation in FY19 fee rulemaking. NFS looks forward to continued discussions and industry engagement on this very relevant and important topic.

If you or your staff have any questions, require additional information, or wish to discuss this matter further, please contact me at (423) 743-1705, or Mr. Tim Knowles, Licensing Manager, at (423) 735-5061. Please reference our unique document identification number (21G-18-0006) in any correspondence concerning this letter.

Sincerely,

NUCLEAR FUEL SERVICES, INC.

Richard J. Freudenberger

Richard J. Freudenberger, Director
Safety and Safeguards

TAK/pj

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