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ATTN: Document Control Desk
Director, Office of Nuclear Material Safety and Safeguards
U.S. Nuclear Regulatory Commission
Washington, DC 20555-001

Louisiana Energy Services, LLC
NRC Docket Number: 70-3103

Subject: Additional Comments on Fuel Facilities Fee Matrix

References: (1) NRC Public Meeting, Revisions to Matrix of Areas Regulated, August 1, 2018
(2) LES-18-001-NRC, Comments on Fuel Facilities Fee Matrix, January 16, 2018
(3) LES-18-055-NRC, Comments on Fuel Facilities Fee Matrix, April 24, 2018

On August 1, 2018, Louisiana Energy Services, dba, URENCO USA (UUSA), participated in the Reference (1) public meeting regarding the NRC's efforts to modify the manner in which 10 CFR Part 171 fees are determined for fuel cycle facilities. UUSA has previously provided comments on this effort (Ref. 2 & 3). Additional comments associated with this effort are attached in Enclosure 1.

UUSA has been participating in this effort closely as the changes impact UUSA's continual challenges to remain profitable in a strained market. UUSA appreciates the NRC's efforts in considering these comments and asks the staff to continue efforts to reduce the overall fee burden of the fuel cycle industry overall.

If you have any question, please contact Wyatt Padgett, Licensing and Performance Assessment Manager, at 575-394-5257.

Respectfully,

Stephen Cowne

Stephen Cowne
Chief Nuclear Officer and Compliance Manager

Enclosure 1: UUSA Comments on Fuel Facilities Fee Matrix Public Meeting

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Enclosure 1
Additional Comments on Fuel Facilities Fee Matrix

On August 1, 2018, UUSA participated in a public meeting regarding the NRC's efforts to modify the manner in which 10 CFR Part 171 fees are determined for fuel cycle facilities. During that meeting, the NRC informed the Fuel Cycle Industry that they are preparing a SECY paper for the Commission that will include all 5 previously developed proposals for Commission consideration in changing the fee rule in the 2019 fiscal year. NRC Staff discussed a revision to the fifth option and requested comments within one week of the meeting.

As noted at the August 1 meeting, UUSA does not agree with deviating from the current process utilized to determine annual fees for fuel cycle facilities. Current data supports that the fee structure is appropriately shared amongst the fuel cycle facilities and only minor changes to the current approach should be considered.

Presently, all proposals recommended by the NRC indicate a decision that any modifications to the fee matrix should benefit Category 1 Fuel Fabricators. As discussed at the meeting, the NRC staff has not provided a basis as to why the current distribution of the Fuel Facility Business Line is unacceptable.

The five proposals the NRC has made are the following:
1) Status Quo (no change at all)
2) Uniform Approach
3) Combination Approach (85/15 method)
4) Current matrix with revisions
5) Matrix based on regulated areas (Recently Modified)

Table 1 below shows the proposed new distribution of the budget based on NRC's proposals.

Table 1

	Proposal 1	Proposal 2	Proposal 3	Proposal 4	Proposal 5
Cat 1 (2)	26.5%	14.3%	15.1%	20.8%	18.5%
Enrichment	12.6%	14.3%	15.5%	11.3%	13.9%
Cat 3 Fab (3)	9.5%	14.3%	13.5%	13.3%	12.7%
Conversion	5.4%	14.3%	13.7%	7.1%	11.0%

UUSA's concern is that the modifications to the fee matrix simply shift fee costs to other licensees without explanation for the reasons for the shift. UUSA supports the NRC's efforts of ensuring that the modifications being proposed are fair and consistent. UUSA would be pleased to work with agency staff on cost/benefit concepts (to which the agency has committed) that would support significant changes to the fee matrix.

The past ten years of annual fees by license type as charted in Table 2 below shows the year on year percentage increase by license type and, on average, over the past ten years Category 3 fuel fabrication facilities have increased more than any other type of licensee. It can be reasonably concluded that no single type of facility has had a more significant fee increase over another and begs the question as to why a sudden need to change the split and/or what necessitates such a change.

Table 2

Annual Fee Increase/Decrease per Year by License Type

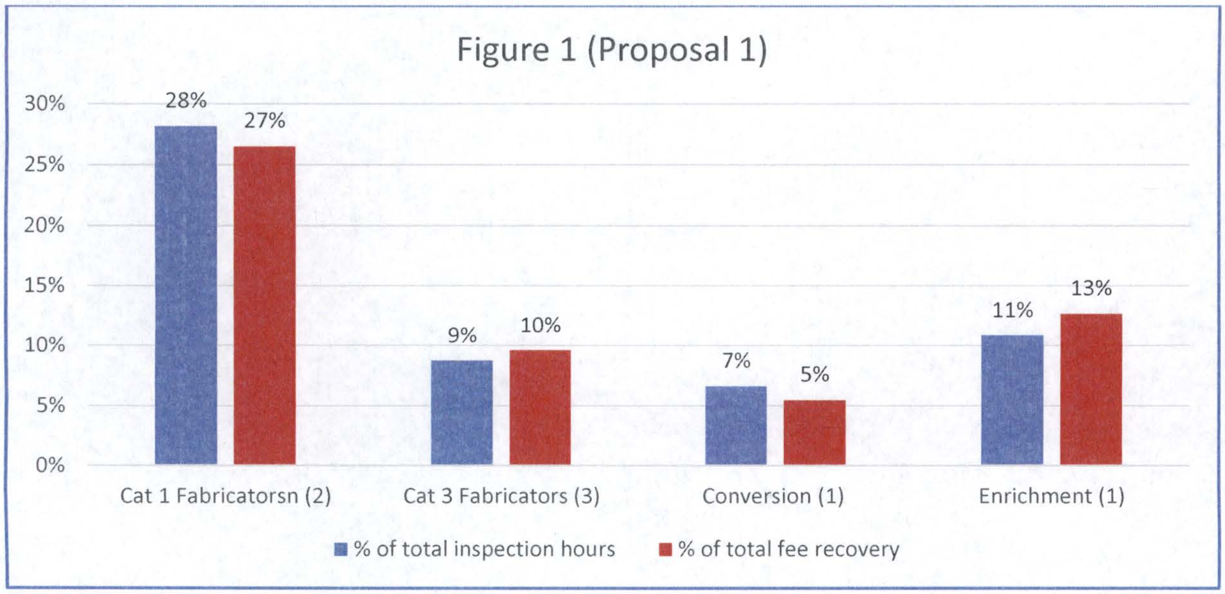
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Avg
Cat 1 Fab	-27%	56%	16%	12%	4%	11%	3%	18%	-7%	-8%	8%
Cat 3 Fab	-27%	83%	24%	12%	4%	11%	-6%	18%	-6%	-4%	11%
Enrichment	-27%	64%	0%	17%	4%	11%	-10%	18%	-6%	-8%	6%
Conversion	-27%	65%	14%	13%	4%	11%	3%	18%	-6%	-8%	8%

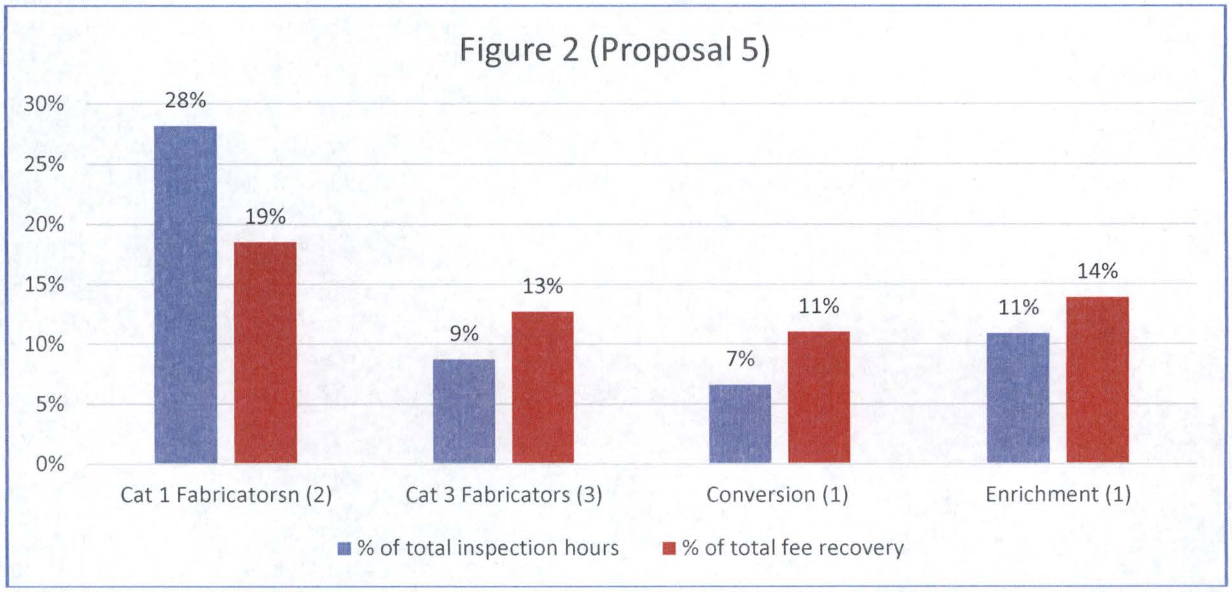
Note: The final fee rule for 2018 results in ~1.25% increase for all Fuel Cycle Licensees.

During the meeting, the NRC proposed modifications to the previously proposed option 5. Those changes are reflected in Table 1 above and UUSA has the following additional comments on Proposal 5.

Comments on Proposal 5

1) The revised Proposal 5 disproportionally distributes fees across the fuel cycle industry. Presently, the percentage of inspection hours planned per IMC 2600 Appendix B are fairly close to the fee matrix approach the NRC currently utilizes (which is Proposal 1). In Figure 1 the differences are charted based on 2018 fees and the effective version of IMC 2600. Figure 2 shows the disparity Proposal 5 would create.





2) On Slide 11 of the August 1st presentation, the determination of the scale to use for each regulated area was determined and results in scales of 1-3, 1-4, 1-6 and 1-8 for different regulated areas. These scales are based on the budgeted resources for the regulated areas. These scales provide the range for the NRC to subjectively assign an effort factor in the new matrix on Slide 12.

The current proposed effort factors on Slide 12 result in regulated areas which have fewer budgeted resources being accounted for more in the overall fee distribution than areas with more budgeted resources. For instance Management Measures has a scale of 1-3, indicating lower budgeted resources while Emergency Management has a scale of 1-4, indicating higher budgeted resources. The NRC assigns a fee factor of 2 for all facilities under management measures for a total distribution of 14 and a fee factor of 1 for all facilities under Emergency Management with a total distribution of 7. This results in the distribution of the fee being 4% of Emergency Management and 8% for Management Measures even though the NRC has fewer resources budgeted for Management Measures. This inconsistency exists throughout this approach and the new method does not appear to be well developed. The subjectivity of the fee factors makes this proposal irrational.

Summary

UUSA has provided general and specific comments in two previous submittals, and appreciate the NRC's willingness expressed at the August 1 meeting to review those comments along with these as the internal consideration moves forward.

While not part of the NRC's current set of proposals, UUSA believes that the NRC should consider to first seek to reduce its overall budget to align with the needed level of oversight for a smaller fuel cycle industry with fewer activities. This should include a comparison to and understanding of the much lower annual increases that have occurred in the commercial reactor oversight area and why fees on average over 10 years have greatly exceeded the rate of inflation.

Simply shifting regulatory fees from tax-payer based oversight to industry privately funded facilities requires a solid financial and technical basis in order to ensure that this is not a "tax" on the commercial industry to off-set a deficiency in congressional appropriations for certain facilities.

While UUSA remains interested in working with the NRC on these difficult questions, at this time UUSA does not agree with deviating from the current process utilized in determining annual fees for fuel cycle facilities and asks the NRC to focus efforts on reducing fees instead of reallocating them. Overall, if the NRC were to move forward with one of the options, UUSA would support Proposal 1, which is to utilize the current fee matrix with minor revisions.