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08l:BRH:brh
Ser 08l/18-03825
8 August 2018

From: Commander, Naval Sea Systems Command
To: Mr. Marc Dapas, Director
Office of Nuclear Material Safety and Safeguards
U.S. Nuclear Regulatory Commission

Subj: RESPONSE TO THE NUCLEAR REGULATORY COMMISSION REQUEST
FOR COMMENTS REGARDING A POTENTIAL REVISION TO THE FUEL
CYCLE FACILITIES FEE MATRIX

1. Purpose: This letter responds to the Nuclear Regulatory Commission's (NRC's) request for comments on a potential revision to the fuel facilities fee matrix, discussed in a public meeting held on 1 August 2018. This meeting was held to communicate changes to a method to allocate NRC annual fuel facility fees that was first presented in a March 2018 public meeting. NAVSEA supports a change to distribute annual fees more equitably based on the level of effort expended to regulate each facility including the revised approach presented at the August 2018 public meeting.

2. Background: The fuel facility fee matrix is used to allocate NRC annual fees to the fuel cycle facility licensees and was last updated in 1999. The fee matrix was designed to allocate annual fees based on the effort to regulate each facility by assigning effort-based weight factors to processes licensed by the NRC. In December 2017, NRC held the first of three public meetings to discuss potential updates to the fuel facility fee matrix. In the first meeting NRC emphasized that the fuel facility fee matrix is intended to distribute annual fees based on regulatory effort and not on regulatory risk. In the March 2018 public meeting, NRC presented a potential method of allocating annual fees (the "Areas Regulated Matrix") that would distribute annual fees to fuel facility licensees based on the effort NRC expends regulating, rather than the processes that NRC licenses. In comments following the March 2018 public meeting, NAVSEA recommended NRC adopt the Areas Regulated Matrix because it best aligned with the NRC's goal of collecting fees based on regulatory effort of the five options presented.

3. NRC Discussion: NRC staff presented a new potential method of allocating annual fees (herein referred to as the "Modified Matrix") which modified the previously presented Areas Regulated Matrix and provided enhanced justification for how the matrix was created. The effort categories were consistent between Areas Regulated Matrix and the Modified Matrix. These categories generally correspond to chapters from the NRC's Standard Review Plan for Fuel Cycle Facilities License Applications (NUREG-1520). Like the Areas Regulated Matrix, weight factors are assigned

according to a rating of low, medium, or high effort, but unlike the Areas Regulated Matrix, the relative weight of each effort category in the Modified Matrix was assigned based on how much each effort category contributes to the NRC budget. The annual fee for each high enriched uranium (HEU) fuel fabrication facility would be approximately \$5.1M calculated with the Modified Matrix and approximately \$4.4M calculated with the Areas Regulated Matrix. For comparison, the actual fee in FY18 for each HEU fuel fabrication facility was \$7.3M.

4. NAVSEA Comments:

a. As stated in prior correspondence, a change to the current fuel facility fee matrix is warranted to better align with NRC's objective to allocate annual fees commensurate with the level of regulatory effort at each fuel facility.

b. The Modified Matrix is similar to the Areas Regulated Matrix in that both better align annual fee allocation with regulatory effort expended rather than risk or processes licensed. Though the Modified Matrix results in a higher annual fee for HEU facilities than the Areas Regulated Matrix, NAVSEA supports the Modified Matrix, as it is more objectively linked to the NRC's budget and corresponding regulatory effort.

c. In the August meeting, some attendees suggested that a decision on whether the fee matrix should be revised should be deferred because NRC has not proven that the current fee matrix is invalid. Each year NRC should use the best information currently available to equitably allocate annual fees to the fuel cycle facilities, and NRC should require the same level of justification for any method of allocating fees that might be selected, including use of the existing fuel facility fee matrix. Because the best information currently available suggests that a change to the fee matrix is warranted, NRC should not defer updating the fee matrix beyond FY19. NAVSEA supports NRC's continued efforts to more fairly and equitably distribute annual fees including potential future refinements to the fee matrix based on collecting more supporting data.

d. NRC should inform licensees of which method of allocating annual fees will be included in the FY19 proposed fee rule ahead of publishing the proposed fee rule, if possible, to support budgetary planning.

5. NAVSEA Recommendation: NAVSEA recommends that NRC implement a change to the fee allocation method in FY19. Specifically, NAVSEA recommends that NRC adopt the Modified Matrix as the new methodology for allocating annual fees, as it most fairly and equitably distributes fees among fuel facility licensees of any method NRC has presented. In addition, NAVSEA recommends NRC continue collecting quantitative and qualitative data that will support equitable allocation of annual fees in future years.



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By direction