

**COST RECOVERY ADVISORY GROUP MEETING MINUTES
FEBRUARY 20, 2017, 13:00 – 15:00, 280 SLATER STREET, OTTAWA**

Attendees from the Cost Recovery Advisory Group (CRAG)

| Member | Sector representation | Work organization |
|---|---|-------------------------------|
| Steve Coupland | Canadian Nuclear Association | Canadian Nuclear Association |
| Robin Manley, joined by Melissa Hanlon (via teleconference) | Nuclear reactors | Ontario Power Generation |
| Brian Thorne | Nuclear reactors | NB Power |
| Shaun Cotnam (via teleconference) | Nuclear research and test facilities | Canadian Nuclear Laboratories |
| Kevin Nagy (via teleconference) | Uranium processing facilities and uranium mines | Cameco |
| Jackie Kavanagh | Nuclear substance processing facilities | Nordion |
| Valerie Phelan (via teleconference) | Accelerators | Isologic |
| Dan Stunden (via teleconference) | Nuclear substances and prescribed equipment (portable gauges) | Stantec |
| Grant Mabee (via teleconference) | Nuclear substances and prescribed equipment (industrial radiography and fixed gauges) | SGS |
| Chris Passmore (via teleconference) | Dosimetry | Landauer Inc. |

Attendees from the Canadian Nuclear Safety Commission (CNSC)

| | |
|---------------------------|---|
| Liane Sauer | Director General, Strategic Planning Directorate (CRAG Chair) |
| Colin Moses | Director General, Directorate of Nuclear Substance Regulation |
| Raoul Awad | Director General, Directorate of Regulatory Improvement and Major Projects Management |
| Daniel Schnob | Director General, Finance and Administration Directorate |
| Nancy Sigouin | Director, Financial Resources Management and Systems Division (FRMSD) |
| Claire Pike | Director, Regulatory Operations Coordination Division (ROCD) |
| Tetyana Panichevska | Senior Project Officer, ROCD |
| Keith MacLeod | Chief, Estimates and Supply, FRMSD |
| Chantale Dault-Beausoleil | Senior Financial Advisory, FRMSD |
| Lee Brunarski | Senior Policy Officer, Policy, Aboriginal and International Relations Division (CRAG Secretary) |

13:00 – Meeting commenced.

INTRODUCTIONS AND OPENING REMARKS

L. Sauer opened the meeting and welcomed the attendees. The attendees then introduced themselves.

REVIEW OF MINUTES AND ACTION ITEMS

L. Sauer noted that the minutes of the last meeting had been provided to all CRAG members and are available on the CNSC [website](#). She noted that there were no outstanding actions from the last meeting

LOOKING BACK OVER THE PAST YEAR

L. Sauer recounted some of the notable developments for the CNSC since the last meeting including: celebrating the CNSC's 70th anniversary in 2016; Commission hearings on Gentilly-2, Chalk River and Port Hope; consideration of several Regulatory Oversight Reports during Commission meetings; CNSC staff renewal and refresh through the hiring of new graduates and rotation of managers; a refit of the CNSC Emergency Operations Centre and participation in Exercise Huron Resolve, a simulated accident scenario involving Bruce Power; an audit of the CNSC's inspections of nuclear power plants; an anonymous letter alleging information was being withheld from Commission Members related to Probabilistic Safety Assessments; participation in International Atomic Energy Agency (IAEA) peer review missions; and preparations for the CNSC's Executive Vice-President, Ramzi Jammal's tenure as President of the IAEA's Convention on Nuclear Safety: 7th Review Meeting of the Contracting Parties in spring 2017.

S. Coupland noted that it had also been a busy year for the Canadian Nuclear Association (CNA) with more busy years ahead as the Darlington refurbishment project continues and the Bruce refurbishment project begins. He noted that the annual CNA conference was being held from February 22–24, 2017 with approximately 800 people registered to attend.

OPERATIONAL MANAGEMENT

Update on regulatory activity plans

R. Awad gave an update on regulatory activity plans (RAPs). He reminded CRAG members of facilities to which RAPs are applied, what considerations are taken when preparing RAPs, and what activities RAPs identify. He noted that the fiscal year 2016–17 RAPs and fee estimates were issued at the end of March 2016.

He added that reports on the number of licensing and compliance activities completed by the CNSC in fiscal year 2015–16 were issued in June 2016 to fee-paying licensees for Class I nuclear facilities and uranium mine and mill facilities. As applicable to a given facility, the reports include the number of licensing decisions for new licences, licence renewals and licence

amendments made by the Commission, as well as the number of Type I and Type II inspections conducted and the number of Orders issued.

He indicated that the CNSC's target is to issue 2017–18 RAPs and fees estimates by the end of March 2017 and that the format and level of detail will remain the same as the 2016–17 RAPs. He encouraged RAPs licensees to contact CNSC Regulatory Program Director or Project Officers for detailed information related to upcoming licensing and compliance activities at their facilities and CNSC finance officers for cost-related questions.

R. Manley asked whether the CNSC has considered expanding on the level of detail in RAPs. R. Awad explained that, in response to concerns expressed by CRAG members in past years over the variability between RAP fees and final fees, the CNSC moved to a fixed proportion fee model in 2011 –12, which results in greater predictability of final fees for RAPs licensees, with the CNSC target being variability of two to four percent between RAP fees and final fees. As has been explained in previous CRAG meetings, expanding on the level of detail would add to the CNSC's administrative costs which would be absorbed by RAPs licensees.

By way of background, prior to the fixed proportion model, costs were allocated based on the compliance and licensing costs of a licence, industry group or all licensees plus a proportional share of regulatory support and overhead costs based on the level of effort for a particular licence. The final fee was arrived at after reconciling the final allocations and efforts identified in CNSC timesheets with the CNSC's Audited Financial Statement. In this approach, a minimal variation in the level of effort resulted in a significant impact on the total fee charged to a licensee, and often led to significant variability between the estimated and final fees. The implementation of the fixed proportion model allowed the proportion of costs to be fixed on initial plans and cost allocation for all RAP licensees; introduced a contingency to absorb in-year variation; and limited the final fee to the difference between the CNSC budget and total cost of operations. This has resulted in significantly less variability between fee estimates and final fees.

R. Manley asked if the CNSC breaks down the costs it has from proactive causes, such as having CNSC staff stationed at facilities and conducting inspections versus reactive causes such as bringing a licensee back into compliance. R. Awad replied that reactive work may be required throughout the year, but that those details are specific to each site, which the respective Regulatory Program Director would be familiar with and so would include in the plan. T. Panichevska added that unplanned reactive work done in a specific fiscal year will be factored into RAPs for following years and so recovered over a longer period of time.

S. Cotnam asked how the costs of the CNSC's [Independent Environmental Monitoring Program \(IEMP\)](#) are allocated into RAPs. N. Sigouin committed to follow-up on this question.

ACTION: *CNSC to clarify how the costs for the IEMP are allocated into RAPs.*

UPDATE: N. Sigouin clarified to S. Cotnam in an email dated March 1, 2017 that, currently, IEMP efforts are planned against a generic cost code, which encompasses all licensees, and are distributed proportionally among all licensees during the costing allocation process.

K. Nagy asked how costs related to CNSC outreach activities are factored into RAPs. N. Sigouin and T. Panichevska clarified that CNSC outreach costs are funded from the CNSC's appropriated base and not from cost-recovery funds.

FINANCIAL MANAGEMENT

Formula fees

N. Sigouin provided an update on formula fees, which apply to Class II nuclear facilities and prescribed equipment, dosimetry services, and nuclear substances and radiation devices. She noted that formula fees consist of an hourly rate and base and variable hours.

The hourly rate was raised to \$260 for 2016–17, up from \$255 in 2013–14, \$250 in 2012–13 and \$200 in 2009–10, with \$200 being the rate it was originally set at in 2003–04. The formula to calculate the hourly rate, in accordance with the CNSC's *Cost Recovery Fees Regulations*, was presented. The 2017–18 hourly rate will be published before April 1, 2017.

With respect to base and variable hours, N. Sigouin stated that the CNSC is still not collecting the full cost associated with managing Formula Fees on an annual basis, noting that the gap was \$5.5 million in 2014–15. This gap is being addressed through a progressive increase in base and variable hours, which is reviewed annually and adjusted as required, to better reflect the CNSC's actual level of regulatory effort. The CNSC is reviewing opportunities to apportion costs more accurately to better reflect different levels of regulatory effort amongst licensees in a given use type.

G. Mabee stated that there is a grey area when it comes to naturally occurring radioactive materials (NORM) and the fees paid by licensees and asked how laboratories handling only NORM are classified for the purposes of calculating licence fees. C. Moses replied that fees are based on the information provided by licensees in their application and committed to clarify whether the CNSC distinguishes between laboratories handling only NORM and those also handling non-NORM.

ACTION: *CNSC to clarify how laboratories handling only NORM factor into fees.*

Financial overview

N. Sigouin provided a financial overview of the most current cost recovery fee information, a three-year cost recovery fee projection, and a comparison of year-end fee adjustments between 2013–14 and 2016–17.

N. Sigouin noted that the 2016–17 final fees will be available once the 2016-17 Audited Financial Statements are approved, likely sometime in July 2017.

She noted that while increases in RAPs are expected yearly due to regular CNSC staff salary increases, the CNSC continuously looks for efficiencies to minimize increases. She added that new graduates continue to be hired as two-year term employees to renew the CNSC's workforce

in response to existing and future vacancies. While there is no guaranteed job at the end of the two years, the graduates are eligible to apply to available job postings.

A CRAG member asked a question about the fee estimate for Special Projects in a table projecting cost-recovery fees over three years. The CNSC confirmed that the fees are mainly related to Vendor Design Reviews and clarified that these costs are charged directly to the requestor based on the number of hours spent and the hourly rate.

J. Kavanagh asked whether the recent emphasis on new hires was temporary and has now plateaued. N. Sigouin responded that the CNSC expects approximately 100 retirements over the next three to five years and has brought in new hires to replace that expertise, including a large number in 2015–16. D. Schnob added that the CNSC has almost stabilized this dynamic now, which sees younger people brought in to learn from and eventually replace more experienced staff.

B. Thorne asked whether licensees have an opportunity to input into CNSC workforce planning. R. Awad replied that the CNSC's plans are developed internally based on staff's expected effort in the upcoming year and reactive work undertaken in the previous year or years.

S. Cotnam noted that while the 2016–17 fee estimate was \$105 million, the final fee, based on information provided by the CNSC, is likely to be less and asked whether a refund should be expected. N. Sigouin replied in the affirmative. S. Cotnam added that the provision of fee estimates much earlier in the year than in previous years is much appreciated.

K. Nagy noted that retirements within his organization result in overall staff reductions and wondered whether the CNSC applies a similar approach when retirements arise. L. Sauer replied that the CNSC implemented a strategic planning approach a few years ago to get a better idea of where the industry is going, which helps with workforce planning. She added that the CNSC President reviews each senior job when a retirement arises to determine if that position is still needed. D. Schnob added that a dedicated effort is underway to identify what expertise the CNSC will need in the next few years and cross-reference that with what is in the pipeline already.

THE FUTURE OF CRAG

L. Sauer began a discussion on the future of CRAG by recalling that it has existed for over 15 years; noting that contrary to the Terms of Reference (ToR) there has only been one annual meeting since 2010, with subsequent meetings falling between 14 – 19 months; and adding that the membership, while close to the composition articulated in the ToR, is not exactly as prescribed.

L. Sauer asked CRAG members to consider whether the CRAG remains relevant, how it might be improved, and if CRAG members are able to fulfill their responsibilities on CRAG as a sector representative, not simply a voice for their own organization's issues or interests. She invited CRAG members to take these issues with them for consideration following the meeting but opened the floor to members who were ready to contribute.

R. Manley noted that, as a new CRAG member, it is useful to have the information that was presented during the meeting, would like CRAG to continue, and was interested to hear that industry has had a voice concerning cost-recovery in the past.

S. Coupland added that it is important to have a venue such as CRAG to discuss issues of interest and concern, although the timing of the meetings could be flexible, and committed to raise these issues with his members.

J. Kavanagh stated that CRAG has played an important role in clarifying for licensees how fees have evolved through the years and it continues to provide a good opportunity for discussion when the CNSC is going to do something different that affects fee-paying licensees.

B. Thorne said that as a new member he appreciated the meeting and found it really informative.

V. Phelan noted that CRAG and cost-recovery is new for her and welcomed the open discussion and good information.

S. Cotnam stated that holding CRAG meetings in February is good timing but that there could be some flexibility over the frequency, with meetings being held when there are major or important developments to discuss.

L. Sauer concluded that CRAG members in attendance agreed on the continued usefulness of CRAG meetings but with a possibility for some flexibility in the frequency of meetings; that the meeting minutes for this meeting should include a summary of the brief discussion on the future of CRAG, and include the ToR and current membership list; and that all CRAG members, including those not in attendance at the meeting, consider the future of CRAG and provide written comments at their convenience, including on the composition of CRAG.

ACTION: *CRAG members to review the comments made on the future of CRAG; review the ToR included in Annex 1, and the membership list included in Annex 2; and provide written comments on the future and composition of CRAG by July 7, 2017.*

14:30–L. Sauer thanked attendees for their presence and adjourned the meeting.

Annex 1 – Cost Recovery Advisory Group Terms of Reference

[November 2007](#)

Introduction

The Canadian Nuclear Safety Commission (CNSC) Cost Recovery Advisory Group (CRAG) is a vehicle through which group members will be given the opportunity to provide feedback on the operational management of CNSC's cost recovery program. Group members will consist of stakeholder representatives from industry and a representative from the CNSC.

CRAG will:

- provide stakeholder representatives information on the operational management of the CNSC's cost recovery program
- allow stakeholder representatives the opportunity to provide feedback to the CNSC on the operational management of its cost recovery program
- allow the CNSC to seek input from stakeholder representatives should any changes be proposed to the CNSC cost recovery program

Mandate

The mandate of CRAG is to provide a forum for ongoing open and transparent consultation with group members with regard to the operational management of the CNSC's cost recovery program.

Scope

CRAG's mandate includes discussing items concerning the operational management of the CNSC's cost recovery program and the CNSC financial updates. This includes the presentation of any relevant benchmarking studies or financial audits.

Respecting the independence of the Commission, as well as the established legislative and public regulatory processes, CRAG's mandate does not extend to:

- discussing items or issues currently before the Commission (e.g., licence applications)
- negotiating issues to be part of the Commission's regulatory agenda
- discussing regulatory policy issues beyond the scope of the cost recovery program
- discussing the appropriateness or extent of the CNSC's regulatory effort with respect to individual licensees
- discussing the appropriateness of any federal policy or legislation on cost recovery or user fees

Roles and responsibilities

The CNSC's Executive Committee is responsible for establishing and amending, as required, the terms of reference for CRAG.

The Chair of CRAG is responsible for:

- setting the date, time and place of all CRAG meetings and for ensuring that this information is provided to members
- organizing all CRAG meetings and ensuring that minutes of the meetings are taken and distributed to members and posted on the CNSC website
- ensuring that CRAG members are given a fair opportunity to present their points of view
- providing CRAG members with information on the CNSC cost recovery program, cost structure, costing and fee setting methodology, when requested
- for reporting the views of CRAG members to the CNSC Executive Committee

Stakeholder representatives are responsible for presenting the views and ideas of the organizations they represent and for reporting the views of CRAG members to the licensees they represent, where possible.

Membership

CRAG will consist of eighteen (18) members holding office for a two year renewable term.

Representation in CRAG is indicated in the following table, and includes:

- Seventeen stakeholder representatives – senior representatives from licensing groups and associations or councils
- One senior representative from the CNSC who will be the chair and will report to the CNSC Executive Committee

Licensees exempt from paying cost recovery fees will not be represented on CRAG. Since many of the CNSC's licensees hold more than one type of licence, membership on CRAG will be restricted to one representative per organization, irrespective of the number of licences held by that organization.

| CNSC Cost Recovery Advisory Group membership | |
|---|--------------------------------------|
| Number of members | Representation |
| Stakeholder representatives | |
| 1 | Canadian Nuclear Association |
| 2 | Nuclear reactors |
| 1 | Nuclear research and test facilities |
| 1 | Uranium processing facilities |
| 1 | Uranium mines |

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| 1 | Nuclear substance processing facilities |
| 1 | Accelerators |
| 1 | Canadian Council of Independent Laboratories |
| 1 | Canadian Industrial Radiography Safety Association |
| 6 | Nuclear substances and prescribed equipment |
| 0 – represented above | Waste management facilities |
| 1 | Dosimetry |
| 0 – represented above | Transport |
| CNSC representative | |
| 1 | CNSC representative (the Chair) |
| 18 | CRAG members in total |

The CRAG membership will be reviewed periodically and revised, if necessary, based on changes in the field and at the discretion of the CNSC.

Meeting Schedule

CRAG will meet at least once annually with additional meetings called as required.

Meeting Place

CRAG meetings will be held at the CNSC's offices in Ottawa. Telephone conferences will be considered to save both travel time and costs.

Annex 2 – Cost Recovery Advisory Group Membership

Canadian Nuclear Association

Steve Coupland

Nuclear reactors

Ontario Power Generation – Robin Manley

Bruce Power – Peter Risteen

New Brunswick Power – Brian Thorne

Nuclear research and test facilities

Canadian Nuclear Laboratories – Shaun Cotnam

Uranium processing facilities and uranium mines

Cameco – Kevin Nagy

Nuclear substance processing facilities

Nordion – Jackie Kavanagh

Accelerators

Isologic – Valerie Phelan

Canadian Council of Independent Laboratories

John D. Paterson & Associates Limited – Stephen J. Walker

Canadian Industrial Radiography Safety Association

Buffalo Inspection Services – David Paynter

Nuclear substances and prescribed equipment

Stuart Hunt & Associates – Sean Hunt

(servicing, etc. radioisotopes/ calibration)

Schlumberger Canada Ltd. – Bryan Richmond; invited – no response

(oil & gas exploration)

SGS – Grant Mabee

(industrial radiography and gauges)

Stantec – Dan Stunden

(portable gauges)

Team Industrial Services Inc. – Rick Robichaud

(Nondestructive Testing Management Association)

Dosimetry

Landauer Inc. – Chris Passmore

CNSC representative

Liane Sauer (Chair)