



Hanford Advisory Board Consensus Advice on DOE-RL's 1998 Budget Proposals Adopted March 14, 1996

Stakeholder Involvement in the Budget Process

The Hanford Advisory Board wants to compliment both DOE-Richland and Headquarters in furthering the level of stakeholder involvement in the 1998 budget development. The Board has seen significant maturing in the process, and believes the DOE's commitment to stakeholder participation will help the Department make clearer and more accountable decisions. In October 1994, the Board was provided unprecedented access to budget numbers prior to their submittal to Headquarters. Since that time the Board has reviewed and provided advice on the 1996 and 1997 budgets, and the reallocation of the 1996 dollars. In June 1995, the Board participated in a USDOE national video conference. Our latest involvement was with the (RDS) Consistency Team, which was the precursor to the development of the Integrated Priority List.

Having said this, the Board faced a budget process that was again new for RL. As a result, public involvement was delayed, limiting the public comment period to only 16 days (12 working days). This is inadequate for all but a most superficial analysis of budget decision impacts.

The Board commends USDOE for undertaking these constructive actions, and urges that work continue to build and improve upon techniques that provide effective public involvement and greater accountability for cost effective clean up of the site.

Overall Priorities for Funding

The Hanford Advisory Board wants to see sufficient funding to meet minimum safe levels and Tri-Party Agreement requirements. This includes funding ER programs, completing the spent fuel project, proceeding with tank waste characterization, facility transition, and enough funding to move forward on removing wastes from the tanks and safely managing solid and liquid waste and supporting activities. Projects like K-Basin Spent Fuel, that demonstrate clear targets, consistent progress, and public accountability continue to get the Board's full support.

The Board has also stated that USDOE must not forego needed expenditures on environmental management while increasing the funding in other, discretionary portions of USDOE's budget, such as weapons production, nuclear sciences, fusion and other closely related programs.

The Board supports funding for the Secretary of Energy's top priority public involvement initiatives such as TPA outreach, including Budget priority input, declassification of documents and the Openness Panel, as well as other activities critical to the Openness Initiative. Funding of technical assistance to communicate USDOE actions to the public is also needed. It is unclear to the Board where or if these initiatives are funded.

The Board believes that all program priorities can and should be accomplished within the target budget if the TWRS privatization set aside or "insurance fund" of \$147 million were not included. The Board strongly suggests that because this is a special fund made necessary by DOE's privatization initiative, and because it can not be spent on "clean-up", it should not be taken out of the site's clean up budget. Congress should appropriate a special fund for this initiative. The Board urges Congress to

create a special National Privatization Liability Pool to cover the privatization approach and spread the risk of the privatization projects being initiated across the nation. This could be done similarly to an insurance risk pool and may not need to be funded dollar for dollar.

While the Board generally supports the measures proposed for inclusion within USDOE's Fiscal Year 1998 Environmental Management budget for Hanford, the Board is concerned that certain essential items in the Tank Waste Remediation System (TWRS) and in Facilities Transition are not funded.

Failure to fund needed activity in TWRS and Facility Transition is also inconsistent with a number of values and recommendations previously provided by the Board including the following values:

- accelerate remediation along and protection of the Columbia River;
- contain the spread of contamination;
- develop a culture committed to supporting the Tri-Party Agreement (TPA) and complying with applicable laws;
- protect workers, the public and the environment from harm.

Risk Evaluation Process

At the request of the USDOE Planning and Integration Division (PID), the Hanford Advisory Board participated on the Risk Data Sheet (RDS) Consistency Team. Due to the timing of the request and unpredictable scope of work, the Board was unable to plan for the significant costs associated with Board participation. The timing and frequency of the Consistency Team meetings also meant that the Board had to hire a Technical Advisor to attend the meetings and coordinate Board participation. In all, the Board invested a considerable amount of time and money to participate in the RDS process.

The Board recognizes the importance of our full participation in DOE budget planning, and will continue to allocate resources for associated activities. The Board urges, however, that activities like the Consistency Team that go beyond the scope of the Board's planned budget, be organized and scheduled in such a way as to either minimize or support participants' costs. This was not done with the RDS process.

On the whole, the Board's limited participation on the Consistency Team has been positive. We stress however, that the Board's participation on the Consistency Team is not an endorsement of the RDS process. We believe one of the benefits of the process was to increase interaction between managers, stakeholders, and regulators. We commend DOE Program Managers for working with stakeholders to incorporate advice. The Board sees the RDSs as a work in progress and will continue to work with the Planning and Integration Division to refine the process. The Board does not believe that results from this process could be used in a qualitative manner without further refinement.

The role of the Consistency Team was to assure that RDS results were comprehensible and consistent. Stakeholders were not involved in developing RDS criteria or methodology. Our review of the process has brought up significant concerns about the RDS process and methodology. The Board intends to submit those comments to USDOE, and will work with USDOE to improve this process during the upcoming year.

While pleased with the overall progress in USDOE's budget process, it must be understood that the

Board's experience with the RDS evaluation has not allayed concerns about risk based prioritization. The Board requests that USDOE:

- explain how the RDS process assisted managers to develop the Integrated Priority List (IPL)
- inform stakeholders to what extent the Hanford RDS/IPL or similar process was used at the other sites
- inform stakeholders how the RDS/IPL input from individual sites were used to make final budget decisions across the complex.
- Undertake a formal review of the RDS process and its impacts on budget decisions

Stakeholder Priority Ranking

The Board understands that at Headquarter's request, DOE-RL has prioritized clean up activities based on perceived stakeholder values. It must be stressed that the Board opposes any stakeholder value prioritization that has not been developed by stakeholders. The Board did not and does not intend to provide numerical ranking of the draft IPL. The process of having DOE assign numbers is indefensible and severely flawed.

The RDS Consistency Team was asked to evaluate only the consistency of the application of the Headquarters derived criteria. The stakeholder members of the team did not endeavor, nor was it their role, to prioritize Hanford Site activities. Additionally, the Board is not aware of any stakeholder groups that have ranked the programs in this manner.

USDOE Headquarters must be informed that DOE-RL has no basis on which to assign numbers to denote stakeholder priorities. The Board will provide advice on the FY 1998 proposed budget based on adopted values. The Board requests that the numerical stakeholder priority ranking that was listed on the draft Integrated Priority List presented at the February 29, 1996 briefing be deleted.

New Assumptions

New assumptions, goals or "endpoints" should not be utilized in Hanford's planning, prioritization and budget preparation without the disclosure of impacts and alternatives, public reviews and dialogue called for in our prior advice. Nor should assumptions be adopted in Guidance or other USDOE documents which include a directive or decision to violate a Tri-Party Agreement requirement. For example,

The [ER] baseline schedule does not comply with current commitments (i.e., TPA agreements) but has been adjusted to reflect funding profiles and associated assumptions agreed to with DOE-HQ (e.g., completions of remedial activities by FY 2047).¹

The FY 1998 Budget Guidance and draft decisions (reflected in the draft Integrated Priority Lists and Risk Data Sheets) rely upon and incorporate new planning assumptions. These assumptions vary significantly from prior published planning assumptions, principles, advice and values, do not comply with the Tri-Party Agreement (TPA), and have significant potential impacts on human health and the environment. In addition, these new assumptions have out year effects which influence current planning and prioritization decisions. This is true even for those assumptions that do not have an immediate implementing action in the FY 1996 through 1998 budgets.

The Board urges that new assumptions not be used in budget development prior to public, regulator, and tribal review and disclosure of impacts in NEPA Processes.

Independent External Cost and Efficiency Teams

The Board applauds efforts made by programs to reduce costs. The Arthur Anderson review of cost savings was a step forward. The Board supports the extension of this effort.

The following two points of advice were adopted by the Board in 1995 in our review of the FY 1997 Budget.

- A strong independent external cost review team needs to be established with the authority to recommend how to provide necessary indirect functions and services at optimum cost, and to challenge expenditures which do not directly serve the goals of the cleanup mission.
- A separate team should be established with similar authority to review capital project costs.

We re-adopt and forward this advice again to USDOE Headquarters and DOE-Richland because new concerns have highlighted the continued need for such external advice regarding appropriate costs, including program baselines, and relevant comparisons; i.e., the potential for the new Management and Integration contract and privatization contract systems to dramatically increase overheads on the site.²

DOE-RL is subject to criticism for projecting that total site contractors' overhead will be \$506 million³ in Fiscal Year 1997, and for not planning to reduce overhead costs for the FY 1998 budget beyond the rates and costs proposed for 1997. Inviting timely, qualified reviews can only serve to increase public and regulator confidence if costs can not be reasonably reduced beyond the FY 1997 expectations.

Reducing Overhead Incurred from Transitioning to New Management & Integration and Privatization Contractors

Progress has been made in reducing overhead, indirect, support and program management and direction costs since the Hanford Advisory Board and others raised concerns urging that these funds should go to direct cleanup activity.

However, the gains are threatened by potential ballooning of overheads in a multi-layer, multi-contractor scenario pursuant to the site's Management and Integration contractor and privatization contractors' initiatives.

We remain extremely concerned that performance standards and strict cost controls on overheads, support, and management costs (including, for instance, the costs of supporting top tier, president and vice president level, management at a much higher number of site contractors) do not appear in the Request For Proposals for the Management and Integration contract. Instead, the Department plans to rely upon the bidders to propose how they will control these costs and the overhead costs of transitioning in new contractors. The lack of diverse competitors bidding for the M&I contract and the massive Tank Waste privatization contract, should cause USDOE to immediately rethink its reliance upon bidders to set their own cost control standard.

The Board urges full disclosure of all costs of bidding and transitioning new contractors and reducing overheads by equal amounts.⁴

Given the total site wide contractor and DOE overhead expense projections for FY 1997, and the unaccounted for increase in transition and multi-layer contracting overhead costs, the Board disagrees with the site's assumptions for FY 1998 that it need not plan to continue efforts to optimize direct cleanup activity at lowest reasonable cost for overhead, indirect and management costs in 1998. We urge that DOE sustain the progress in shifting expenditures from overheads into direct activities optimizing expenditures.

Tank Waste Remediation System (TWRS)

In the context of DOE's commendable effort to open up the budget process, the Board is disappointed in the TWRS proposed budget. The program's direction is murky and difficult to discern from the budget. It appears that the TWRS priorities reflect organizational needs rather than a well defined path to waste management and stabilization. Further, it seems as though the risk of a privatization failure has increased with this budget.

The maintenance of safe operations and a program to treat and dispose of tank wastes remain a foremost concern of the Board. As such, our efforts to hold DOE accountable for its commitments and responsibilities to deal forcefully with tank waste will continue. However, the Board cannot support the currently proposed TWRS budget for the following reasons:

- **General program:**
 - **TPA requirements are not being funded.** The FY 1998 Budget fails to fund fifteen items in the TWRS program that are necessary for TPA compliance and vital infrastructure needs. The Board supports funding all TPA required TWRS measures not directly involved with privatization.
 - The Board lacks confidence in both the validity of the TWRS budget numbers and in the prioritization of dollars across activities. In addition, TWRS has not demonstrated program efficiencies (such as reducing mortgages on tanks), thereby increasing our doubts about the numbers. We must be presented with assurances that program costs have been evaluated against established industry standards and compare favorably. Until we have confidence in the TWRS budget numbers, it will be impossible to have prioritization tradeoff discussions. Further, we oppose the use of the Integrated Priority List as a basis for failure to require funding for essential health and safety activities.
- **Privatization:** The Board has made its positions concerning privatization clear (see Board advice #'s 18, 24, and 36). Many of the Board's doubts about privatization are reflected by the proposed FY >98 budget:
 - **The Office of Federal Procurement Policy must be consulted to determine the potential for disclosing privatization set aside budget numbers (including total liability set aside).** The privatization set aside may devastate out year budgets -- particularly if the set aside increases over time. Given that future set asides are being kept secret, it is impossible for the Board, regulators or Congress to assess these budget impacts. If it is legal to release these numbers, DOE must do so. DOE should consult with OFPP on this issue with a regulator and HAB representative present. The Board has held that privatization should not "reduce public involvement" (Board Advice #24).
 - **The set aside should not be scored against Hanford's budget. Rather, a National**

Privatization Liability Pool should be created for set aside funds. If an additional source of set aside funding cannot be found, TWRS should not be privatized. The funds currently allocated to TWRS disposal should be spent on the alternate path. If included in the budget, the FY >98 set aside will reduce funding available for other Hanford cleanup activities to below \$1 billion, adversely affecting other Hanford programs. The national pool would support many of DOE's privatization initiatives in an efficient manner. Further, it should be funded from a source other than site budgets, reducing site impacts.

The Board has advised that DOE should issue privatization contracts "that do not effect the budget until outlays occur" (Board Advice #24). The set aside clearly goes against this piece of advice. Its impact on the budget is profound and far-reaching.

- **Loss of Hanford jobs.** The set aside will result in the loss of many jobs at Hanford. The Board has advised that privatization "should not inappropriately displace workers" (Board Advice #24) and should "assist in stabilizing local employment" (Board Advice #18).
- **Privatization fall back position must be funded.** The lack of funding for a fall back privatization position is unacceptable. Given the Board's doubts about privatization, we have supported the alternative path as an essential component of the program. DOE has acknowledged the high risk of a privatization failure. A failure could spell the end of the disposal program -- a program that, until now, has enjoyed a strong regional consensus based on the Tank Waste Task Force and the Tri Party Agreement.

ER Recommendations

It appears that the target level funding for Environmental Restoration is the minimum amount needed to fulfill requirements of the TPA and support Stakeholder values. Any funding level below the target level would not only seriously jeopardize TPA requirements and stakeholder values, but would, over time, increase costs related to clean up.

The Board is concerned that savings from mortgage reductions will not be returned to the site, and seeks assurances this will not happen. In addition, when facilities are transitioned to the ER Program, money needs to go with them to complete the D&D activities.

The Board is concerned that "natural attenuation, decay, institutional controls" and other alternatives to actual clean up are being shown preference by the DOE. Discussion and agreement about these alternatives have not yet occurred between stakeholders, regulators and the DOE. The Board is concerned that these alternatives may go beyond the following stakeholder values and advice: accelerate remediation along and protection of the Columbia River; contain the spread of contamination; develop a culture committed to supporting the TPA and complying with applicable laws; and, protect workers, the public and the environment from harm.

USDOE should be prepared to request supplemental funds to implement recommendations that emerge from the Columbia River Comprehensive Impact Assessment.

Facilities Transition

The Board continues to support funding for facilities transition as an essential element of successful waste management, waste cleanup and waste disposal at Hanford. While all Tri-Party agreement milestones for facilities transition are met under the proposed budget for facilities transition for Fiscal

Year 1998, some important facility transition measures may be deferred under the budget target for Hanford.

For example, the B-Plant safety ventilation upgrade was not going to be funded in Fiscal Year 1998 under the Hanford Integrated Priority list. USDOE now proposes to fund the B-Plant upgrade in Fiscal Year 1998. The Board believes the B-Plant upgrade is important and supports USDOE's decision to fund the B-Plant upgrade.

An additional \$5 million of facilities transition projects will not be funded under the currently proposed Fiscal Year 1998 budget. While these projects are not required by the Tri-Party Agreement in Fiscal Year 1998, the Board is concerned that deferral of these projects will eventually result in higher cleanup costs and greater risks to worker and public health and safety.

The Board urges DOE -Headquarters to proceed expeditiously with a policy decision that large quantities of materials contaminated with Plutonium are "waste". This would allow avoidance of stabilization costs and long-term vault costs of PFP - along with avoiding radiation exposures while costs are saved by accelerating Plutonium stabilization at PFP. DOE recognizes that certain wastes would still be characterized and stabilized under this policy to decrease inherent risks from those wastes that pose pyrophoric or other risks. The Board urges integrated consideration of storage, treatment and disposal of plutonium wastes.

Waste Management: Offsite Waste Import Costs

The Board continues to be concerned that DOE take action to assure that the full costs of treatment and long term storage of wastes and Special Nuclear Materials (SNM), which are to be stored, treated or disposed at Hanford are fully provided for.

Import of offsite wastes (waste generated at other nuclear weapons complex facilities and other Defense and Nuclear Energy Program facilities) and Special Nuclear Materials, including Plutonium for long term storage or disposal at Hanford, is an assumption contained in budget planning documents which is not consistent with public values and the advice of the Hanford Advisory Board.⁵

The Board urges full public disclosure of the full long-term costs (not just immediate marginal cost of receipt) of offsite waste proposed for prolonged storage, treatment and disposal at Hanford, and a requirement that the generating site or program pay into long-term treatment and surveillance accounts or pay annually the fully burdened long-term costs at Hanford for such wastes. The Board is concerned that Defense programs (as with Defense Program nuclear materials and supporting facilities) should be required to pay these costs of shipping waste to, or storing waste at, Hanford.

Storage facilities for offsite wastes and Special Nuclear Materials will be required pending disposal. Some disposal activities are being deferred due to budget restrictions, causing the site to incur additional risks and storage capacity costs. The costs for storing offsite waste and Special Nuclear Materials (SNM) rob the Hanford site of funds needed for significant risk reduction activities - often for similar wastes and nuclear materials already on site.

Notes:

1. Source: P. 7 "Assumptions Applicable to Areas Not Assigned"; "Assumptions Library"; DOE-RL, Jan. 8, 1996. Parentheses in original. Compare to TPA: complete remedial action by 2018.

2. USDOE's response to the HAB advice to implement external audit - cost review teams was not satisfactory or convincing. USDOE responded by citing four persons or institutions who have reviewed some aspect of costs at Hanford in the prior six months (Steve Blush; Ken Glozier of DOE-HQ; the GAO; DOE's Inspector General) and stating that "additional audits/review will only serve to slow our progress..." Two of the four cited were not external nor independent. None of the four reviews cited involved the type of independent cost review expertise nor scale of review urged by the Board to be utilized by USDOE. Only the Headquarter's review could qualify as an effort to lower costs before the costs were incurred.

This response in no way demonstrated that new contracts, capital expenditures and overhead costs were being examined as to relevant external standards or that DOE-RL could not make greater strides in controlling costs if it were to accept the assistance of regulators and others to implement timely external cost reviews.

Limiting comparisons of site overheads to other sites operated by the same or similar contractors with the same departmental oversight is too limited to provide public and regulator confidence in the appropriateness of the costs charged for specific services and proposed in a theoretically more competitive environment pursuant to both the Management and Integration contract and Privatization initiatives

3. (Source: AResponse to Salt Lake City Action Item #4; John Wagoner, DOE-RL Manager to Richard Guimond, Principal Deputy Assistant Secretary; Dec. 1, 1995.)
4. The FY 1996 Reallocation revealed that direct transition costs - previously undisclosed - for the Management and Integration Contract alone are budgeted at \$16.2 million (including \$300 K for legal) in 1996. This one new overhead cost for the M&I contract wiped out ten percent of all the claimed savings in overhead for the year. The Board believes it is misleading to say that the site will have reduced overheads in FY 1996 by all but \$13 million of its goal when the M&I contract transition costs - which are surely overhead - added \$16.2 million.
5. SEE the following Assumptions:

- a. **"Hanford will provide storage for SNM...shipped from offsite..."**

A.2.1.4 FY'96 BEMR Assumptions and MYPP Assumptions.

Note that this assumption is made without awaiting for disclosure of impacts and consideration of alternatives in the far from final Plutonium PEIS. The PEIS should discuss the impact of Hanford Clean-Up and Hanford materials storage capabilities if limited Hanford Clean-Up funds must pay for storing this SNM.

- b. **"On site and off site sources (e.g., DOE and Naval Nuclear) of low level and low-level mixed waste will continue to be disposed of in the 200 Area."**

FY'98 Budget Guidance; Solid Waste P. 12.

- c. Also see numerous FY 1998 Risk Data Sheets stating that offsite generators or other nuclear weapons complex sites are impacted by limiting disposal or not funding storage capacity for Mixed Wastes at Hanford in FY 1998. E.g.: "Offsite Programs such as Argonne National Laboratories and Lawrence Berkeley would also be impacted." (By restricting Mixed waste

disposal funding at Hanford in FY 1998) R96N0020 / ADS 2200 at Q47i, P. 3. and: "(D) isposal of numerous Hanford and offsite generators" impacted. R96N0225 at 3.

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HAB Consensus Advice #44

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