



February 7, 1997

Chuck Clarke, Regional Administrator  
U.S. Environmental Protection Agency, Region 10  
1200 Sixth Avenue  
Seattle, WA 98101

Tom Fitzsimmons, Director  
Washington Department of Ecology  
P.O. Box 47600  
Olympia, WA 98504-7600

John Wagoner, Manager  
U.S. Department of Energy, Richland Operations  
P.O. Box 550 (A7-50)  
Richland, WA 99352

Subject: Unacceptable Program Impacts Under FY'97 Budget

Dear Messrs. Clarke, Fitzsimmons and Wagoner:

## **INTRODUCTION**

The Hanford Advisory Board began working with the Department of Energy (DOE) in 1995 to ensure that the values of citizens on the Hanford cleanup budget and priorities were incorporated in the budget for Fiscal Year 1997 (See HAB Consensus Advice #17). Most recently, the Board provided recommendations on the allocations of the FY 97 budget (See HAB Consensus Advice #54). The Board has reviewed the letter to John Wagoner of February 4, 1997, from the Washington Department of Ecology, and endorses the contents and recommendations of that letter. The Board appreciates DOE's continued willingness to conduct dialogue with stakeholders, and offers the following additional advice regarding the FY 97 budget allocations and a significant shortfall.

### **I. CAUSES OF UNFUNDED WORK SCOPE IN FY 97**

There is a \$160 million gap in funds required to accomplish 1997 work scope in Hanford cleanup and safety work. This did not result from Congress' failure to appropriate the requested level of funds nor from unforeseeable new safety requirements. In the case of the Spent Nuclear Fuel and K-Basins fuel removal program, that gap appears to have resulted from safety requirements identified subsequent to the budget request. The vast majority of the shortfall, however, appears to be caused by such reasons as indirect and overhead costs exceeding budgets in the following ways:

- Unbudgeted PHMC transition and Westinghouse close-out costs at least \$9.5 million above budget, with unknown additional transition costs to come

- Added management-level positions
- Unbudgeted PHMC fees in the amount of \$11 million
- Higher than budgeted overhead costs for PHMC site-wide indirects currently \$6.5 million over budget
- Increases in direct program charged overhead rates under the PHMC, which may continue to diminish funds for direct cleanup work scope in future years as well as 1997.

The Board has understood that PHMC's performance-based contract was intended to save money at Hanford, rather than add costs. Additional information has been requested on final PHMC transition costs and on a comparison of contractual arrangements between PHMC and its enterprise companies to assess the cost-effectiveness of that approach to achieving work scope.

The Board therefore recommends that:

- DOE's first priority should be meeting milestones, not covering overhead overruns and contract transitions or awards. DOE should not reduce work scope to fund unbudgeted and overrun transition and overhead costs.
- PHMC should be required to live within established transition and overhead budgets. The PHMC is supposed to be a performance-based contract.

## II. SHIFTING CLEANUP FUNDS

The Board is concerned that cleanup funds may be used for non-cleanup work. The Board recommends that Defense Program and Nuclear Energy funds be used for non-cleanup activities at FFTF.

## III. TPA MILESTONE COMPLIANCE VIEWED CASUALLY

There appears to be a broad-based reaction within DOE's cleanup program management elements that current budget challenges translate directly to negative TPA milestone impacts. The projected slippages are seen on most major programs and are presented with a disturbingly casual assumption of renegotiation. This open-ended treatment of TPA commitments raises questions of regulatory penalties, fines, and pre-adjudication as potential solutions. The reallocation defers major safety and cleanup required work into future years without any assurance that sufficient funding will be available in future years to meet TPA commitments.

- IV. Particular milestones of concern include those in the TWRS program (where an \$11-15 million shortfall apparently still exists even after current scope reductions or deferments though work is under way to try to fill the gap), the 324/327 facility transition project, and N-Basin deactivation. A specific example is TWRS characterization funding, where needed activities seem always to fall "below the line" in DOE's budgets. Given the importance of characterization for the safe ultimate disposal of tank wastes, DOE must work more diligently to provide adequate funding. Concerns have also been expressed over the long list of proposed milestone changes in HAB Consensus Advice #64.

- V. The Board therefore recommends that:

- TPA milestones that are critical to safety, program success, or resolution of prior regulatory violations should not be modified because of funding shortfalls. Such milestones should receive enforcement priority. One example of such a milestone is the 324 Building B-Cell Cleanout, a milestone which resulted from past enforcement actions for violations of dangerous waste laws.
- Regulators must hold the line in refusing to allow DOE to say it has met milestones through their renegotiation, when the cause for proposed work deferrals or legal violations is neither new safety work identified or a failure by Congress to appropriate funds. Renegotiation would reward DOE and the PHMC contractors for failing to control costs and to manage effectively.
- Prioritizing of TWRS sampling and characterization activities should be based on a careful study of impacts to the overall critical-path schedule.
- Critical path impacts on the alternate path identified for the TWRS vitrification privatization contracts (Milestone M-61) should be carefully considered.
- Proposals to layoff or reassign one of the TWRS characterization crews should be rejected, because lack of the resulting data may force regulators to accept characterization from historical records or vapor samples, and will jeopardize the ability to regain time in the future to meet milestones. Additionally, this action would call into question the commitment to safety training and the rationale offered for Fluor/Lockheed's failure to obtain a single core sample since taking over the contract.

## VI. VADOSE ZONE CHARACTERIZATION

Specific to TWRS vadose zone characterization, the HAB believes that this subject continues to emerge as a significant consideration in overall cleanup strategy. It is perhaps still one of the least understood in terms of specific technical data as well as its broad implications for future priorities and environmental scenarios. The very nature of the federal budget process, a combination of multi-year look-ahead and a sometimes premature and inflexible fiscal "bucketing" of priorities, could limit DOE's ability to respond effectively in 1) determining finally the criticality of vadose zone issues, and 2) reacting positively to meet any potential strategic dictates.

VII. In HAB Consensus Advice #54, the Board provided advice regarding inadequate funding and scope for vadose zone characterization. The Board affirms that advice, and recommends the following:

- Funding should be provided for additional TWRS vadose zone characterization and monitoring work to be recommended later this month by the expert panel.
- In general and specifically for the AX tank farm, funding should be made available to obtain sufficient field data before further characterization modeling takes place.

We look forward to your response and to periodic progress updates on this matter.

Very truly yours,

Merilyn B. Reeves, Chair

Hanford Advisory Board

cc: Alice Murphy, Designated Federal Official  
The Oregon and Washington Congressional Delegations  
Randy Smith, Environmental Protection Agency  
Dan Silver, Washington Department of Ecology

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*This advice represents HAB consensus for this specific topic. It should not be taken out of context to extrapolate Board agreement on other subject matters.*

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*For questions or comments, please send [email](mailto:Hanford_Advisory_Board@rl.gov) to Hanford\_Advisory\_Board@rl.gov*  
*HAB Consensus Advice #65*  
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