



June 5, 1998

Mr. James Owendoff
Acting Assistant Secretary Office of Environmental Management
U.S. Department of Energy
1000 Independence Ave. S.W.
Washington, D.C. 20585

Subject: FY2000 Budget Supplemental Advice

Dear Mr. Owendoff:

The current draft of the FY2000 Integrated Priority List (IPL) contains a funding target of \$961 million, which results in a \$222 million compliance gap with the legal requirements of the Tri-Party Agreement (TPA) and recommendations of the Defense Nuclear Facilities Safety Board. The Hanford Advisory Board continues to be troubled by the impacts of this compliance gap. Current uncertainty in cleanup budgets may cause the compliance gap to grow. Unfunded activities will damage the credibility of DOE with its stakeholders and regulators because of disproportionate cuts in cleanup work compared to cuts in overhead and indirect costs, and a virtual halt of progress in the high-priority Environmental Restoration program

1. With the large compliance gap indicated, it is particularly important that non-cleanup activities such as plutonium storage above the contribution of the Defense Program (including IAEA safeguards), downwinder litigation, payments-in-lieu-of-taxes, and declassification/classification reviews must not be funded with Hanford cleanup dollars. DOE's Defense Program must take responsibility for its obligations.
2. Much uncertainty remains in budgets for high-risk, urgent cleanup projects, such as the Spent Nuclear Fuel program and Tank Waste Remediation System (TWRS). The Spent Nuclear Fuel program currently has a \$1.4 billion cost estimate and only a 20 percent confidence level in that estimate. That is unacceptable. With such large cost unknowns, it is nearly impossible to project real progress and cost of cleanup for the FY2000 budget and outyears. This uncertainty should be greatly reduced. DOE-Headquarters and Richland should insist on certainty and accountability in cost estimates, schedules, and workplans. DOE should require independent validation of costs and baselines before making initial budget requests for capital projects to Congress. In addition, DOE should link contractor incentives and penalties to independently validated baselines for each phase of projects, especially prior to each phase of the Spent Nuclear Fuel program.
3. The Board has recognized project budgets contain no contingency funding. It is sound business practice to include contingency, based on independent validation of costs and assumptions and the appropriate level of contingency, in cost estimates, especially where the scope of work is highly uncertain. Contingency funding should be allocated and administered with strict accountability, however.
4. Reductions in cleanup programs in the FY2000 IPL were made by eliminating entire line items for required activities, rather than by examining management costs for efficiencies or decreasing all program and overhead budgets. For instance, the large dollar category of "minimum safe

operations" should be scrutinized to determine if all activities and their respective funding levels are really required. Management and indirect/overhead costs should be reduced consistent with cuts made in cleanup workscope.

5. Several critical items fall below the line in the FY2000 IPL, including the Hanford Advisory Board, payments-in-lieu-of-taxes, emergency preparedness grant to the State of Washington, grant to the State of Oregon, and document declassification. The Washington Department of Ecology and U.S. Environmental Protection Agency have both stated that the contribution these programs make to effective public involvement, sound decision-making, and goodwill with the public, outweigh their \$7 million cost. Enforcement action should be taken by the regulators for those programs that are part of stakeholder outreach and accountability requirements of the TPA, if they are not funded in FY2000. Failure to fund these important stakeholder activities will severely damage the credibility and trust DOE has with its stakeholders.
6. The Board is seriously concerned by the proposed \$51 million reduction from \$137 million to \$86 million in the Environmental Restoration program. In response to stakeholder values, hundreds of thousands of cubic yards of contaminated soil have been removed from sites along the Columbia River and placed in the Environmental Restoration Disposal Facility. Despite this program's accomplishments and public support, DOE has decided it should bear most of the funding reductions needed to reach the funding target level for FY2000 and virtually cease any real cleanup progress. DOE has an obligation under the TPA to clean up along the River by 2011, as stressed in the recent joint EPA/Ecology letter on the FY2000 IPL. Environmental restoration milestones must not be disregarded.
7. Buried TRU retrieval should be funded because of the deteriorating drums. Delaying retrieval defers only approximately \$4 million in FY99 and \$2.5 million in FY2000, while potentially driving retrieval costs up by more than \$500 million in outyears due to worker safety and container degradation issues.

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:

John Wagoner, Department of Energy
Tom Fitzsimmons, Washington Department of Ecology
Chuck Clarke, Environmental Protection Agency
Alice Murphy, Designated Federal Official
The Oregon and Washington Congressional Delegations
Randy Smith, Environmental Protection Agency
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