



July 16, 1999

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

Subject: FY2000 Performance Agreements

Dear Mr. Klein:

The Hanford Advisory Board (HAB) urges the U.S. Department of Energy (DOE) to use performance agreements to accomplish cleanup in the most technically sound, environmentally safe, and cost efficient manner possible. In 1998, the Hanford Advisory Board provided specific advice on Project Hanford Management Contract (PHMC) performance measures. Through the HAB Dollars and Sense committee, detailed advice identifying specific performance incentives, accompanied by corresponding performance agreement criteria was developed and submitted to DOE by the Board. The Board has provided extensive advice (#33, #55, #59, #62, #77, #84 and last years #87). At the request of DOE, again this year the HAB prepared the following advice for the development of the Fiscal Year 2000 (FY2000) performance agreements with the belief that contract incentives, both positive and negative, are part of what drives progress.

Although DOE responded to last year's advice point by point, the HAB wants to reiterate the advice given and has identified three new (numbers 1 through 3 below) performance agreement suggestions for the upcoming fiscal year. The HAB has been consistent with advice regarding performance agreements, and items 4 through 18 come directly from last year's Advice #87, with some slight modifications. The advice contained below should not be interpreted as a priority of projects or activities:

1. Where the contractor is responsible for a regulator or DOE fine or penalty, it should be paid from the contractor's fee.
2. The percent of fee tied to specific, objective, measurements should be increased, and the subjective portion of fee reduced.
3. Award fees for efficiencies and work acceleration as a result of efficiencies should be based on actual costs. Advice that is modified from that provided in Advice #87 is indicated in italics.

Overall Cost and Contract Performance Measures

4. *The work covered* by performance agreements should *flow out of* an independently validated baseline.
 - o *Independently validated baselines are those which are reviewed by external experts, not by current DOE contractors, DOE-Headquarters personnel, or other DOE site personnel.*

- *Specifically, the River Protection Project (RPP) Storage and Retrieval program (i.e., high-level nuclear waste tanks) should accelerate its schedule for independent review of the baseline. Recommendations for RPP cost savings from prior independent external reviewers should be reflected in performance expectations.*
 - *Measurements for performance agreements should rely on actual costs for achieving efficiencies measured against the baseline.*
5. *Cost savings or scope acceleration should be incentivized and should be greater than the \$21 million in cost savings in the FY1999 performance agreements. \$21 million is not sufficient; there needs to be additional specific incentives for cost reduction in the Spent Nuclear Fuel program as well as the Office of River Protection program.*
 6. *Performance agreements should be directly tied to Tri-Party Agreement (TPA) milestones, Multi-Year Work Plans, and stable baselines. A stable baseline and Multi-Year Work Plan are needed at the beginning of the fiscal year for performance agreements to be meaningful. Contractors should not be penalized for missing milestones that are not funded in the DOE approved work plan.*
 7. *DOE must recognize that schedules for compliance with regulations and treaties are mandatory. Performance agreements must meet these binding obligations and be incentivized, both positively and negatively, especially for areas of identified concern. There needs to be greater specificity for performance agreements for compliance with laws, regulations, and rules of federal and state government and agreements pursuant to treaties.*
 8. *Regulators need to be involved in defining the work to be measured.*
 9. *Performance agreements should continue to include reduction of overhead and indirect costs.*
 10. *Economic diversification should be incentivized with a larger amount of fee. There should be a negative incentive for failing to be on a clear track toward meeting the five year, 3,000-job creation goal. Non-Hanford job creation requires the PHMC contractor to do more than assist; it needs a positive commitment to achieve real job growth..*
 11. *Subjective language should be eliminated or accompanied by measurable criteria.*
 12. *Incentives and disincentives should be included in subcontracts (in addition to DOE's prime contractors and their subcontractors).*
 13. *Performance agreements should provide incentives for public involvement and a safety-conscious work place, as part of openness. Costs for mediating settlements in cases involving safety conscious workplace concerns should be reimbursable under the contract rather than only costs for litigating such claims.*
 14. *Performance agreements should require the contractors to perform to cost and schedule. Incentivize work to achieve goals and minimize use of overtime and the incurrence of excessive costs.*
 15. *The value of continuing performance agreements requiring consistency and data integration across planning efforts should be recognized.*
 16. *The value of continuing performance agreements incorporating negative incentives for the contractor exceeding authorized costs and failure to meet agreed-upon schedules should be recognized.*
 17. *Subsets of related performance agreements should continue to be tied to larger incentivized objectives, as appropriate.*
 18. *Performance agreements should be finalized between DOE and the contractor at the beginning of the fiscal year, not after work has begun. Final incentive fee determinations should be made as soon as possible after the end of the fiscal year.*

Spent Nuclear Fuel Project

DOE and its contractors must make every effort to reduce the projects costs to avoid any additional escalation of costs and schedule extensions on this project. FY2000 performance measures should include incentives to reduce costs which reflect progress towards achieving the promised \$1.4 billion project cost. The performance measures should include penalties for not making this progress. We encourage the development of performance measures to accomplish what is necessary for this project to be removed from the project management watch list. The following areas should be emphasized within the performance agreements for the Spent Nuclear Fuel Project: achievement of TPA milestones.

- validated baseline, including external review
- completion of safety analysis
- cost reduction
- acceleration of the schedule
- significant progress against the baseline
- management of budgets to enable continuation of work throughout the year
- no unresolved technical issues

River Protection Project

The HAB encourages DOE to conduct an independent validation of the costs of the single-shell tank pumpout program to determine if additional programmatic savings can be achieved in order to make additional funding available for other RPP program commitments. Any identified programmatic savings should be incentivized in the performance agreements. The following areas should be emphasized within the performance agreements for the RPP program:

- waste retrieval
- waste characterization for vitrification and safety
- progress on readiness to proceed to deliver waste for treatment
- interim stabilization of tanks
- *cost savings recommended by external reviewers*

Plutonium Disposition

The following areas should be emphasized within the performance agreements for plutonium disposition:

- progress on stabilizing of plutonium
- development of TPA milestones
- development of validated cost/schedule baseline

Health and Safety

There should be performance agreements for health and safety on the site which emphasize the following areas:

- progress on implementation of the Integrated Environment, Safety, and Health Management System (ISMS), including all applicable laws and regulations and

reaching all workers on site to the lowest tiered contractor. Progress needs validation by baseline comparisons at the facility, contractor, program and project levels. To accomplish such validation, an accurate site roster must be established to add credibility to the baseline and worker/public health indices.

- improving the reporting climate for identifying health and safety problems
- development of an effective system of oversight by the medical director
- protection of worker's rights, including a safety-conscious work plan and encouragement of open communication. Consideration of employee concerns should be enhanced. This should include the DOE, its prime contractors, and all their subcontractors.
- Safety performance should be carried out to the lowest-tier contractor and reflect inclusion of every worker on the Hanford Site in the safety performance statistics.
- Performance agreements should highlight the need for an approved safety basis for K Basins and the Plutonium Finishing Plant.
- There should be more specificity on safety performance measures and non-TPA regulatory compliance, including DOE orders.

Environmental Restoration

- Measurable cleanup and reduction of risk to the public, workers, users of the Columbia River, and the environment should be accomplished. DOE and the regulators are also urged to: (1) make timely decisions on what is to be done with contaminated soils that are not acceptable at ERDF and (2) expeditiously complete verification work and make timely decisions that will allow backfilling and revegetation after completion of soil removals.
- Progress must occur on the groundwater/vadose zone integration project. Progress should be measurable. Contractors must do better in involving interested stakeholders in decision-making on this issue.

Waste Management

- The certification of Waste Receiving and Processing (WRAP) for processing of transuranic (TRU) waste to meet Resource Conservation and Recovery Act (RCRA) requirements for storage should be included in performance agreements.
- Waste minimization and pollution prevention should be included in performance agreements.

Facilities Stabilization

- Progress must be made on the 324B Cell and 327 cleanout.

Integration of Science and Technology in the Cleanup

- The Hanford Deployment Center must be more proactive in providing outside vendors opportunities to apply their technologies onsite.
- The degree to which innovative science and technology are being integrated in the baseline should be incentivized. This should include an evaluation by a panel which consists, in part, of stakeholders and representatives of research universities.

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

Very truly yours,

/s/ Marilyn B. Reeves, Chair
Hanford Advisory Board

cc: Tom Fitzsimmons, Director, Washington Department of Ecology
Chuck Clarke, Regional Administrator, U.S. Environmental Protection Agency
Carolyn Huntoon, Assistant Secretary, Office of Environmental Management, DOE-
HQ
Pete Knollmeyer, Acting Deputy Designated Federal Official
The Oregon and Washington Congressional Delegations
Michael Gearheard, U.S. Environmental Protection Agency
Dan Silver, Washington Department of Ecology

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
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