

1 sending letters back to contracting officers, and the
2 presidents of the company or the managers of DOE may
3 or may not even have known about the letter, nor was
4 the letter clear and communicated what the issue was
5 or what the resolution of the issue was.

6 DR. MATTHEWS: So is it fair to say then
7 that managing the contract means the business
8 aspects, and as far as the safety and operational
9 you've got strong ownership of that?

10 MR. SCHEPENS: I've got strong ownership
11 for the business, safety, and engineering aspects.
12 It means it all, and I'm technically competent to do
13 that. You have to be technically competent, you just
14 can't be business competent.

15 DR. MATTHEWS: Good. Thank you.

16 CHAIRMAN CONWAY: Thank you. You don't
17 believe in the Harvard Business School that you don't
18 really have to know the product, just know how to
19 manage it. Right?

20 MR. SCHEPENS: Right.

21 CHAIRMAN CONWAY: Mr. Aromi.

22 MR. AROMI: I think it's still morning.
23 Good morning. Before I say the first words, while
24 the screen is coming up, I think that managing the
25 contract or managing the contractor notwithstanding,

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1 having a customer who knows what they want and is
2 willing to interface with you, is having a customer
3 that you can work with, and work under, and for, and
4 that's where we are. We have a working relationship,
5 and Roy and I make sure that it happens at all levels
6 of the organization, and we're not there yet, but
7 we're working on it, and I think --

8 CHAIRMAN CONWAY: I have your complete
9 statement, and I'm prepared to put that in the
10 record, and if it's agreeable with you, would you
11 touch upon the high points?

12 MR. AROMI: I certainly will.

13 CHAIRMAN CONWAY: Thank you.

14 MR. AROMI: Thank you, and I just would -
15 - I would open with the fact that we obviously
16 appreciate the opportunity to be here, but a little
17 bit of history from CH2M Hill's perspective. We
18 purchased the Lockheed-Martin Hanford contract
19 company and its contract from DOE and took over
20 operation in January of 2000. We assumed all of
21 their policies, their procedures, and their
22 organization, and by the end of 2000, and moving into
23 2001, we embarked on a rather major independent
24 assessment benchmarking ourselves against commercial
25 practices and best in DOE facilities, and flowing out

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1 of that first quarter of calendar 2001, we began to
2 embark on a rather major overhaul of the company.

3 The first major issue for us was
4 installing a corrected action management system that
5 was different and had integrity, and that system is
6 the first all-encompassing zero threshold system at
7 Hanford, and we began to put that in place in the
8 summer and fall of 2001, and we've been working and
9 living with that system since, and it's gone through
10 the traditional curves, and I'm going to talk about
11 that later in the presentation, with the change of,
12 at one point in time, 9000 items in the system that
13 are now under control. It's mature, it's developed,
14 and it's moved on, and we're -- in 2002, February in
15 fact, 2002, I became the president of the
16 organization. Roy came into ORP in June of 2002, and
17 so we've had an opportunity to grow and change this
18 together, but it wasn't until 2002 that we instituted
19 an official independent assessment program with a
20 manager dedicated to independent assessment in our
21 company and reporting directly to the president's
22 office.

23 The second slide I don't think we have to
24 discuss at all. You know the business we're in. I
25 would stop on the third slide, if I could. We

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1 believe that management in our workforce are making
2 significant strides and improving our operations.
3 Since June of last year and September of this year,
4 we've begun to see results from our efforts at
5 performance improvement. As you can see, we have
6 reduced the number of operational events to one
7 third, reduced TSR [Technical Safety Requirement]
8 violations to 20 percent, cut our reportables in
9 half, reduced the corrective action backlog to 20
10 percent, and so forth.

11 One measure of our commitment control is
12 the number of delinquencies we have in completing PER
13 [Problem Evaluation Request] corrective actions, and
14 PERs are problem evaluation requests that are the
15 foundation of our corrective action management
16 tracking system. The PERs are zero threshold
17 program, a reporting document, and, whereas, we were
18 close to 50 percent delinquency rate on completing
19 actions on schedule a year ago, this chart shows five
20 percent, and as of November, we were at 1.8 percent
21 delinquent. Central to our ability to improve is our
22 self-assessment program.

23 The next slide simply outlines the flow-
24 down of requirements, and you're familiar with that,
25 so if we could move on, our self-assessment process

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1 is many forms of assessment, from highly-structured
2 independent assessment to major work processes to
3 surveillances.

4 I'll flip over to the next slide, which
5 shows the relation of the various parts. The Senior
6 Safety Review Board is funded out of my office, and
7 I'll talk about that in a minute. The Independent
8 Assessments Office and our Program Office for
9 Assessments reports directly to the president's
10 office now, and reviews, as you can see, the various
11 relationships. We can move on.

12 In Independent Assessments base, we use a
13 vertical slice technique on what we might call our
14 major product lines. In Fiscal Year 2003, for
15 example, we looked at project management using
16 project W211 as the focus. In the waste management
17 program, we centered on implementation of DOE Order
18 435.1 [Radioactive Waste Management], and in
19 maintenance management we focused on the double-
20 shell tank operations, and for construction
21 management we used Project 314. The vertical slice
22 allows us to pick up our own activities, but also
23 those of our subcontractors, and Project 211 and 314
24 as you know are upgrades to our double-shell tank
25 farm operation and have a good deal of interface

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1 between subcontractors in the field and our own
2 workforce.

3 Our independent assessments are
4 performance and effectiveness based, but they have a
5 compliance aspect to them, more so than management
6 assessments. Independent assessments are one method
7 we use to evaluate subcontractor operations, as I
8 mentioned. Our independent assessments are led by
9 NQA-1 [American Society of Mechanical Engineers, ASME
10 NQ A-1, Quality Assurance for Nuclear Facility
11 Applications] qualified lead auditors, even though
12 the assessments are ISMS-based. We have two
13 qualified auditors including the head of the group.
14 We have just in the last -- beginning this year, this
15 fiscal year, added three more full-time employees to
16 that group, and we intend to get at least two of them
17 qualified at the NQA-1 level by the end of this year.

18 Results from the independent assessments
19 are obviously offered to the people who were
20 assessed, but they are also presented to senior staff
21 at a separate presentation meeting. In Fiscal `03 we
22 generated 63 problem evaluation requests out of those
23 independent assessments.

24 Management assessments are just that,
25 obviously. They're assessments by managers of their

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1 work activities. They're meant to be forward-
2 looking, strategic looking to future needs and
3 requirements, hopefully to ward off upcoming issues.

4 They tend to focus on performance and effectiveness
5 such as the level of technical rigor and engineering
6 activities. Fiscal Year `03 was the first full year
7 of this management assessment program, during the
8 course of which we qualified approximately 30 leads
9 using a qual card approach and trained over 80
10 managers in assessment techniques, so our managers,
11 as they set up their programs, had tools to use,
12 people who were qualified.

13 Senior managers in each major
14 organization, whether it be engineering or project
15 delivery, waste operations, closure projects,
16 determine the topical areas for the assessment within
17 their organization, and assign managers to develop
18 and perform the assessments. The results of the
19 organizations assessments are reported to the senior
20 manager who uses those results, but who also has to
21 roll those results up and report those directly to my
22 office.

23 I might comment, the structure of our
24 office, because of the way our contract was written
25 originally, I have the president and the deputy

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1 general manager and executive vice president in our
2 office. Effectively, my deputy general manager and
3 executive vice-president operates as the COO [Chief
4 Operating Officer] of our organization. We simply
5 don't use that term. I point that out because with
6 management assessments you have a tendency, at least
7 managers, to find more important things to do
8 sometimes, with those assets and those managers who
9 have been assigned to the task of performing the
10 management assessment. One way that we've chosen to
11 overcome that opportunity to slate management
12 assessments is to put them in our integrated
13 schedule.

14 Now Roy referred to his work being
15 integrated into our schedule. We do a daily
16 schedule, meaning we call it the decision-makers'
17 meeting with high-level managers at the vice-
18 president level attending on a daily basis, and Roy's
19 staff attends, too, and we schedule everything but
20 our level of effort work, and we do schedule these
21 management assessments. Even doing that, we started
22 to see last spring a slippage in good reasons why a
23 management assessment had to be deferred, and so
24 today the only way you get to defer something that's
25 on the schedule is if you get the deputy general

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1 manager, Dave Amerine's, permission to defer it,
2 otherwise it doesn't get deferred, and you'll see in
3 a later slide that nothing gets deferred anymore.

4 Now in the fall of 2001 we established a
5 Senior Safety Review Board [SSRB] consisting of
6 independent, executive-level personnel. They're
7 tasked with looking at areas where we have emerging
8 issues or a need for a focused look. For example, in
9 the end of last year, just about this time, we
10 embarked upon a major reorganization of our company,
11 and we were aiming at an April 1st implementation.
12 We invited our Senior Safety Review Board in to look
13 at our transition plans before they were implemented,
14 to guarantee that our transition plans that would
15 take us from the old organization on April 1st to the
16 new, adequately covered all of the aspects of our new
17 ISMS certification that had just been recertified
18 the previous August. So we brought them from the
19 outside to do that.

20 The SSRB provides that independent check
21 and an independent check on our assessment
22 activities. They are, for example, scheduled in the
23 week of December 8th, which I guess now is just next
24 week, to begin a full-week assessment of how we are
25 implementing our procedure 005 on management

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1 assessments. You might know some of the names of the
2 folks. They've been with us now two years, and are
3 fairly experienced. They include Jim Cross, Joe
4 Cowan, Herb Berman, Spence Williams, Bob Tiller, and
5 John Longenecker to name a few. Again, that Senior
6 Safety Review Board reports to the president's office
7 and is funded out of our office.

8 The management observations are scheduled
9 by managers and focus on detailed implementation of
10 work controls. I just want to point out that we did
11 over 1100 management observation program walk-
12 throughs by managers, over half of which resulted in
13 problem evaluation requests last year, PERs.
14 Specialty assessments are also part of the program
15 and as you said, this is in the record, and I'll just
16 pass over that.

17 Oversight of contractors. I mention that
18 we pick it up in our independent assessments and our
19 assessment program. The outlines of the program are
20 here. The reference to inspection by Fluor Hanford,
21 as you all recall, the Lockheed-Martin Company was
22 part originally of the PHMC [Project Hanford
23 Management Contract], and there are a number of
24 functions where we still today purchase services from
25 Fluor Hanford. The qualified suppliers list is one

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1 of those today, but we do oversee them as a
2 subcontractor, and so we're very comfortable with
3 where they are on that list and delivery of those
4 products.

5 Now we get to project corrective action
6 management. Assessment activities that we perform
7 result in an over 1000 forms of documented
8 assessments during last year, being a typical year.
9 They generated over 700 PERs from the assessments.
10 The Corrective Action Management process we have
11 installed and continue to work to improve, follows
12 INPO guidance on corrective action management. We
13 seek a zero-based level of reporting issues for
14 correction, we promptly screen the PERs for
15 significance, we grade the PERs based on the
16 significance, we trend PERs for repetitive problems,
17 and perform rigorous analysis of significant
18 problems. This calendar year we received
19 approximately 4800 PERs. They covered a host of
20 problems from bad lighting in a staircase to
21 potential technical safety requirement violations.
22 They are written by a broad cross-section of our
23 workforce, including everyone from vice-presidents,
24 managers, first-line supervisors, and crafts.

25 Everyone in the company has had training

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1 in how to initiate a PER on our computer systems, and
2 hard copy if they can't get to a computer. The only
3 restriction on their use in our company is on
4 jurisdictional issues covered by the collective
5 bargaining agreements or on specific employee
6 concerns that do not have safety-related or safety
7 significance to them.

8 PERs are screened each day and graded to
9 seven categories from significant PERs through PERs
10 with resolution already, track until fixed,
11 performance improvement, and evaluation which we call
12 PIE SIMS [Performance Improvement Evaluation Survey
13 Information Management System], trend only further
14 evaluation and simply invalid, which may be a
15 determination.

16 Significant PERs get special handling.
17 They require a trained, root cause analyst to
18 evaluate the PER and lead a team of people to
19 determine extent of condition, root and contributing
20 causes; they develop corrective action plans, and the
21 plans for an end-point assessment to evaluate the
22 corrective action effectiveness. The results of the
23 team's efforts are then presented to the CARB
24 [Corrective Action Review Board] which consists of
25 seven of my direct report staff and is chaired by

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1 Dave Amerine, our Deputy General Manager. Rarely
2 does a corrective action plan make it through this
3 gauntlet on the first attempt. Most often that team
4 is sent back to make changes and come back to the
5 CARB.

6 In addition, we perform trend analysis on
7 all PERs. Using codes assigned PERs during
8 processing, we can trend on work processes,
9 consequences, functional area, and other criteria.
10 Using statistical techniques, we identify trends for
11 evaluation, and PERs are written on apparent trends,
12 and these PERs are entered into the corrective action
13 process, just like any other PER. Oversight of this
14 process is managed through the President's Quality
15 Council, where issues and trends are reviewed
16 monthly. The quality council is staffed by our
17 quality manager, Rich Higgins.

18 CHAIRMAN CONWAY: Excuse me, Mr. Aromi,
19 with your permission then, I'll put the rest of your
20 prepared statement in the record as given.

21 MR. AROMI: Absolutely.

22 CHAIRMAN CONWAY: Dr. Eggenberger?

23 VICE CHAIRMAN EGGENBERGER: I have no
24 questions.

25 CHAIRMAN CONWAY: Dr. Mansfield?

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1 DR. MANSFIELD: No questions.

2 CHAIRMAN CONWAY: Okay. Dr. Matthews?

3 DR. MATTHEWS: Yes, just one question,
4 and it's basically the same one I asked Roy Schepens.
5 You've got a lot of trending tracking and data
6 following type of things, close-out actions, but the
7 one I'm worried about, as I said before, is the high
8 consequence, low probability nuclear issue. How do
9 watch that one? How do you keep yourself comfortable
10 that you've avoided that as you go into this
11 accelerated clean-up, you've got a pretty
12 accelerated, aggressive schedule to start pumping
13 things out of the single-shell tanks?

14 MR. AROMI: The work in front of us is
15 the work that we've been anticipating for years. We
16 had very dangerous work when we had the whiting watch
17 list and the 40 tanks, and we had extremely dangerous
18 situations when we didn't have adequate
19 characterization of what was in the tanks, and we
20 have gotten past those things, and we've gotten past
21 those things with this workforce. We are working on
22 the processes to guarantee that we have structure in
23 place so that as we move forward on our schedule to
24 do the things we've been planning to do, and after
25 all, acceleration isn't a word that we necessarily

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1 have to use in terms of where we're going and single-
2 shell tanks for example, on the Tank Farms. We've
3 had a TPA [Tri-Party Agreement] requirement to have
4 those 149 single-shell tanks empty by 2018 for a
5 number of years now, and we've been moving along a
6 path to get there. We don't have any empty today, so
7 we need about ten a year for the next 15 years to get
8 there, and that's the plan we're trying to construct.

9 But in the meantime, we have been moving to upgrade
10 our systems engineering, we've been moving to upgrade
11 our processes, but we're not there. Vigilance is the
12 key.

13 DR. MATTHEWS: Okay. Thank you.

14 CHAIRMAN CONWAY: The bottom line,
15 however, is that when you start to make the
16 transfers, that your technicians, your operators,
17 know what they're doing, that they've been properly
18 trained. I gather you tried to start up an S-112
19 yesterday, and you've actually turned out the
20 operators even know how to stop the transfer pump,
21 and you guys, your management, stopped them.

22 MR. AROMI: Well, that's absolutely
23 correct.

24 CHAIRMAN CONWAY: Yes, but you took the
25 action to stop it, but here again, you can have all

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1 the best engineering, everything, but unless the guy
2 who puts his hand on the throttle knows what the hell
3 he's doing, and is properly trained to do it, they
4 can screw you up all the time. I mean, we learned
5 that in Three Mile Island. The best top management,
6 financial, and everything was all dependent upon the
7 fellows down in the control room that put their hands
8 on the actual equipment.

9 MR. AROMI: I certainly would hesitate to
10 come to conclusions at this moment. We're still
11 working on root cause and analysis, but in addition
12 to the fact that we made a decision to stop because
13 the computer operators are not trained --

14 CHAIRMAN CONWAY: Absolutely.
15 Absolutely.

16 MR. AROMI: It's also clear that the
17 readiness steps we went through that allowed us to
18 believe we were prepared are faulty, and it's clear
19 for us that we made a judgment that our operators
20 were at this level, and had been doing this type of
21 operation, and that the delta between that and where
22 we are in S-112 is this big, and today it's clear
23 it's something much different.

24 CHAIRMAN CONWAY: But we've seen that at
25 Hanford, and we've seen that elsewhere. So it's not

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1 something unusual that we haven't seen before.

2 VICE CHAIRMAN EGGENBERGER: Well, and
3 those may be the easy problems because you're making
4 the transfers, you're doing the mixing, you're
5 attempting to adjust the chemistry, and those are
6 difficult problems, and I think it's going to be more
7 difficult than what everybody believes it's going to
8 be. Adjusting the chemistry is not going to be easy.
9 We talked about this with Roy a couple of days ago.

10

11 CHAIRMAN CONWAY: Mr. Henschel.

12 MR. HENSCHEL: Good afternoon, Mr.
13 Chairman, members of the Board.

14 CHAIRMAN CONWAY: Yes, it's 12:15 now.

15 MR. HENSCHEL: May I have the first slide
16 please?

17 CHAIRMAN CONWAY: Again, if I may Jim, if
18 you would be -- I'll put your whole statement in the
19 record, and if you could sort of hit the highlights,
20 if you will.

21 MR. HENSCHEL: I'll be brief. First of
22 all, I wanted to point out that we're a little bit
23 different than some of the other projects in the
24 complex, and that we are building something that's a
25 design-build construction project. Safety is the

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