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May 3, 1996

Dear Messrs. Clarke and Wagoner, and Ms. Riveland:

RE: FY'98 Supplementary Budget Advice (HAB Advice #48)

At our May 2-3, 1996 Board meeting we adopted the following supplements to our previous advice on the FY 1998 Budget submittal:.

High-Level Nuclear Waste Tanks/ Tank Waste Remediation System (TWRS)

1. The Hanford Advisory Board's Advice on the FY 1998 budget proposed that USDOE consider an alternative to its current privatization reserve funding of 100% of all potential liabilities for the privatized construction and operation of the TWRS Low and High Activity Waste Vitrification Plants.

We are encouraged by Under Secretary Grumbly's commitment to examine our "insurance pool" proposal. We urge that USDOE consider this on the fastest of tracks, as it offers the potential to save significant funds and budget authority for the Department complex-wide cleanup (EM) budget and to enable USDOE to meet its Hanford Clean-Up Agreement obligations.

The Board urges the USDOE to seek advice of the Office of Federal Acquisition Policy and other appropriate authorities on the following two questions:

- A. whether USDOE can disclose the projected cost range of the privatization reserves; and,
- B. whether USDOE must set aside in the privatization reserve fund 100% of all costs and potential liabilities incurred by, or potentially incurred on behalf of, privatization contractors.

2. The Board requests that USDOE clearly disclose to the public a cost comparison for the privatization initiative path versus similarly configured options for vitrification utilizing performance based contracting, which do not necessitate creation of a privatization reserve. Please disclose the potential impacts from the privatization reserve path to: employment levels, budget authority to meet TPA milestones, safety and compliance requirements, Hanford budget priorities.
3. USDOE expends significant resources continually revisiting the tank waste characterization strategy and requirements instead of ensuring that resources are expended on gathering characterization data. During the pendency of, and at the conclusion of, the current review, USDOE must ensure that resources are being devoted to the cost effective gathering of characterization data to meet objectives for both resolution of safety concerns and for retrieval planning. The Board is deeply concerned that current funding priorities fail to allocate sufficient funds to meet the Tri-Party Agreement milestones for characterization. Safety and retrieval are objectives which are deeply intertwined - failure to characterize for retrieval could jeopardize vitrification schedules and result in additional liabilities for the federal government under the privatization initiative. Schedule slippage has direct and environmental consequences. The Board requests that USDOE-RL ensure that irreversible decisions are not taken which prevent accelerating characterization and analyses to meet the TPA milestones. USDOE must plan to meet its legal obligations under the Hanford Clean-Up Agreement for characterization.

* The Dollars and Sense Committee has requested a review of the comparative costs of using the Westinghouse 222-S lab and the Battelle 325 lab for analyzing tank core samples. The review should not only consider why there are cost differentials, if there are any, but also whether competition could result in additional cost savings and incentives, and the funding needed for lab capacity to meet the TPA requirements.

4. The Tri-Party Agreement currently requires USDOE to remove the potentially explosive organic chemical layer from Tank 103-C. This activity is not proposed to be funded in the FY'98 Target Integrated Priority List. The Board requests Ecology and USDOE to provide independently their views as to whether this TPA milestone should be included in the Target budget, and if not, why not?

Independent Cost Reviews & Overhead Costs

1. The Board is pleased that USDOE has agreed that there is a need for external reviews of Hanford's cost baselines and overhead costs.

Our advice urged continuing emphasis upon overhead cost reductions, and the utilization of credible external reviews of overhead, baseline and capital costs.

Cost reviews should be by qualified parties that are truly external to USDOE in order to be credible.

The regulators and the Board should be consulted as to the nature of these reviews.

2. The Board urges USDOE to move expeditiously with independent external cost reviews and critical work analyses to avoid budget reductions or decrement cases from harming USDOE's ability to perform essential safety or Tri-Party Agreement work. Contracts or work scope for reviews being launched should be shared as soon as possible with the Board and regulators for early input in order for the reviews and analyses to be credible. The Board should be consulted

immediately as to the proposed “independent” baseline cost review for TWRS and for overhead costs.

3. The Board urges that the contract for the new Project Hanford Management Contractor (referred to in our advice as the Management and Integration Contract or, M&I contract) have a common system of overhead function definitions for accounts, to avoid increases above existing overhead costs.

Environmental Restoration

Environmental Restoration and Strategic Planning for Reduced Funding (Decrement Case):

The Hanford Advisory Board opposes the strategic decision by Hanford management to virtually eliminate the entire Environmental Restoration program under its proposed “Decrement” case of a fifteen percent (15%) reduction in appropriation compared to the target budget submitted.

The Board stated in its original FY’98 Budget advice (#44, adopted March 14, 1996):

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.

The Board looks forward to your written response, as called for in our charter.

Very truly yours,

Merilyn B. Reeves, Chair
Hanford Advisory Board

cc: Thomas Grumbly
Alice Murphy
Cindy Kelly, Designated Federal Official
Linda Lingle, Site Representative
The Oregon and Washington Congressional Delegations

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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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