



September 11, 1998

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

Subject: FY99 Performance Agreements

Dear Mr. Wagoner:

The Hanford Advisory Board has provided extensive advice (33, 55, 59, 62, 77, 84) on the performance agreements between DOE and the Project Hanford Management Contract (PHMC). At the request of DOE in its letter dated June 17, the Hanford Advisory Board has prepared advice for the development of the FY99 performance agreements. The following principle outlines the specific advice:

Contract incentives, both positive and negative, are what drive progress. Where incentives have been well-defined, the contractor has demonstrated better performance. Where incentives have been ill-defined, there has been poor performance.

The advice contained below should not be interpreted as a priority of projects or activities.

Overall Cost and Contract Performance Measures

1. Performance agreements should be based on an independently validated baseline.
2. Cost savings should be incentivized and should be greater than the \$21 million in cost savings incentivized in the FY98 performance agreements.
3. Performance agreements should be directly tied to 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.
4. Compliance with regulations and treaties is mandatory; performance agreements must meet these binding obligations and be incentivized, both positively and negatively, especially for areas of identified concern.
5. Performance agreements should continue to include reduction of overhead and indirect costs.
6. Economic diversification should be incentivized. Non-Hanford job creation requires the PHMC contractor to do more than assist; it needs a positive commitment to achieve real job growth.
7. Subjective language should be eliminated or accompanied by measurable criteria.
8. Regulators need to be involved in defining the work to be measured.
9. Incentives and disincentives should be included in subcontracts (in addition to DOE's prime contractors and their subcontractors).
10. Performance agreements should provide incentives for openness, including public involvement, and a safety-conscious work place.
11. Performance agreements should require the contractors to perform to cost and schedule.
12. Recognize value of FY98 performance agreement requiring consistency and data integration

across planning efforts.

13. Recognize value of FY98 performance agreement incorporating negative incentive for the contractor exceeding authorized costs.
14. Continue to tie subsets of related performance agreements to larger incentivized objectives, as appropriate.
15. 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

The following areas should be emphasized within the performance agreements for the Spent Nuclear Fuel Project:

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

Tank Waste Remediation System

The following areas should be emphasized within the performance agreements for the Tank Waste Remediation System program:

1. waste retrieval
2. waste characterization for vitrification and safety
3. progress on readiness to proceed
4. interim stabilization of tanks

Plutonium Disposition

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

1. progress on stabilizing of plutonium
2. development of TPA milestones
3. lifting of fissile movement restrictions
4. development of validated cost/schedule baseline

Health and Safety

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

- smooth transition of the occupational medicine contract
 - improving the reporting climate for identifying health and safety problems
 - development of an effective system of oversight by the medical director
2. Worker's rights should be protected, 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.
 3. 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.
 4. Performance agreements should highlight the need for a good safety basis for K Basins, PFP, and TWRS.
 5. There should be more specificity on safety performance measures and non-TPA regulatory compliance, including DOE orders.

Environmental Restoration

1. Measurable cleanup and reduction of risk to the public, workers, users of the Columbia River, and the environment should be accomplished. In addition to the current measures of progress (i.e., cubic yards of soil removed or gallons of groundwater treated), this should be measured in terms of reduction of contamination levels in soil and groundwater, acres restored, or pounds of pollutant or curies removed. (*Note: 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.*)
2. Progress must occur on the groundwater/vadose zone integration project. Progress should be measured against work that is acceptable to the stakeholders. Contractors must do better in involving interested stakeholders in decision-making on this issue.

Waste Management

1. The certification of WRAP for processing of TRU waste to meet RCRA requirements for storage should be included in performance agreements.
2. Waste minimization and pollution prevention should be included in performance agreements.

Facilities Stabilization

1. Progress must be made on the 324/327 B Cell cleanout.

Integration of Science and Technology in the Cleanup

1. The Hanford Deployment Center must be more proactive in providing outside vendors opportunities to apply their technologies onsite.
2. 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,

Merilyn B. Reeves, Chair
Hanford Advisory Board

cc: James Owendoff, DOE-HQ
Alice Murphy, Designated Federal Official
Chuck Clarke, Regional Administrator, U.S. EPA
Tom Fitzsimmons, Director Washington Department of Ecology
The Oregon and Washington Congressional Delegations
Randy Smith, 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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