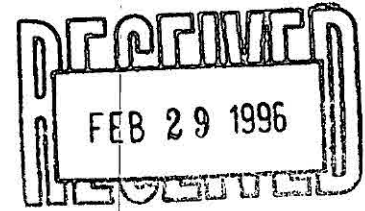




Department of Energy
Richland Operations Office
P.O. Box 550
Richland, Washington 99352



FEB 26 1996

Ms. Marilyn Reeves, Chair
Hanford Advisory Board
c/o Confluence Northwest
342 Union Station
800 NW Sixth Avenue
Portland, Oregon 97209

Dear Ms. Reeves:

HANFORD ADVISORY BOARD (HAB) ADVICE #41 FY 1996 HANFORD CLEANUP BUDGET ALLOCATION

Thank you for the HAB's advice contained in your letter dated February 2, 1996, concerning the above subject.

We share your concerns about the costs of activities not directly related to cleanup activities (administrative and overhead costs). Let me assure you that we are doing our best to reduce these expenses. However, we must note that a certain amount of overhead and administrative expense is required. We look forward to continuing to work with the HAB on finding that appropriate level. Please refer to the attached response for our specific comments concerning overhead and indirect costs.

The "Stovepipe" issue has not gone away. For FY 1996 and into the foreseeable future, we expect that Congress will continue to appropriate funds within existing control points. However, for FY 1998 formulation, field offices have been given a single target number from which they are to develop their budget requests. We see this elimination of stovepipes during the formulation process as a significant enhancement of the field's ability to manage its programs.

We will continue to discuss FY 1996 activities with the HAB as the year progresses. However, we must note that we are already well into FY 1996 and alterations made to program plans at this point will have a limited impact on overall FY 1996 activities.

Ms. Marilyn Reeves

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Your ideas as to available options to avoid reductions in critical activities are always welcome. If you have any questions, please contact me or Mr. Jim Peterson of the Budget Division on (509) 376-8669.

Sincerely,



Alice Q. Murphy
Chief Financial Officer

BUD:JMP

Attachment

cc w/attach:
Chuck Clarke, EPA
Doug Sherwood, EPA
Mary Riveland, Ecology
Jeff Breckel, Ecology
Linda Boblet, Ecology (Kennewick)

Specific Recommendations

Use of New Site Assumptions

RL Response:

We agree that new site assumptions should be an item of continuing discussion between DOE-RL and the HAB. Changes in assumptions have been a continuing subject of discussion with the Dollars and Sense Committee. Further, during the discussions about the FY 1998 budget which begin on February 29, 1996, our assumptions and priorities will be one of the key topics of discussion.

Environmental Restoration

HAB Comment:

The Board urges that the ER Program's administrative costs (Program Direction, Management and Support) be reduced by at least the same percent reduction as the overall reduction in the FY 1996 ER allocation.

RL Response:

During the planning for FY 1996 the PM&S activities were scrubbed and reduced significantly from FY 1995. The following shows the reduction as a result of FY 1996 planning:

	ER Project Funding	PM&S Funding	PM&S % of ER Funding
FY 1995 (actuals)	\$152,765K	\$39,471K	26%
FY 1996 (MYWP)	\$158,650K	\$25,731K	16%

Further reduction in FY 1996 PM&S funding would impact the ability of the ER Project to perform to the current requirements of the Multi Year Work Plan.

HAB Comment:

Realistic cost estimates are necessary for all program target budgets, the ER program's new cost estimates for soil remediation along the Columbia River reduce estimated needs by over \$200 million by relying on realistic assessments of characterization and quantities of soil needing removal. This effort has been praiseworthy. Yet, despite the reduction in estimated cost, ER targets continue to be inadequate for meeting TPA agreements for cleanup along the river.

RL Response:

The ER Project target funding levels are guidance provided by DOE-HQ as a result of Presidential budgets, OMB passbacks, and forecasts of future funding allocations. These funding targets do not always reflect "compliance or planning" funding levels. However, it is anticipated that as more experience is gained with the remediation activities that the processes will be

streamlined and the estimates for the ER Project will be further reduced. This will require partnering with the Regulators, Tribal Nations and Stakeholders to ensure that both, the remediation is proceeding in the most efficient and expeditious manner, and the goals and values for remediation are being achieved within the funding levels that are appropriated by Congress.

HAB Comment:

The Board opposes elimination or reduction of cleanup work in the 100 Area and in the 300 Area.

RL Response:

The DOE will be responsive to Records of Decision (RODs) for cleanup in the 100 and 300 areas. We are presently diligently working with regulatory agencies to design cost effective and successful clean up efforts in these areas.

HAB Comment:

The Board urges funding of the N-Springs pump and treat upgrade.

RL Response:

This issue is a subject of continuing discussion between DOE-RL and the regulators. Presently all concerned are evaluating the effectiveness of the current system. The issue will be discussed with the HAB as more data is available.

HAB Comment:

The Board opposes delay of the 100 Area chromium pump and treat program.

RL Response:

Concerning possible delay of the 100 Area chromium pump and treat program. Interim actions to remediate the chromium plumes that may be impacting habitat suitable for salmon is a very high priority for RL. As such, no delays have been proposed by RL. The DOE is working with the regulatory agencies on the RODs. When the RODs appear to be nearing completion we will begin remedial design. We are presently exploring innovative ways to assure that presumed remedial treatment requirements will be met in a timely and effective manner.

Spent Fuel Removal

RL Response:

Spent Fuel Removal from the K Basins near the Columbia River has not suffered any budget decreases for FY 1996. This project is still a matter of the highest priority. The project is still moving forward at a pace to start fuel removal in December of 1997 with completion of fuel removal by December of 1999.

Waste Management (TWRS)

HAB Comment:

The Board opposes reductions in TWRS which would have the following consequences: essentially eliminate all tank farm infrastructure

improvements; and, not fund the removal of the explosive organic chemicals from Tank 103-C.

RL Response:

TWRS in spite of FY 1996 budget reductions continues to fund tank farm upgrades that are essential to maintaining safe operations.

On the advice of the Chemical Reactions SUBTAP (sub-Tank Advisory Panel, a group of independent experts retained by RL to provide technical advice on TWRS issues), RL deferred removal of the Tank 103-C organic layer until FY 1997. RL has directed WHC to conduct a systems engineering study to determine the best disposition of the organic layer.

HAB Comment:

The Board urges that the Waste Management Program's administrative costs (Program Direction, Management and Support) be reduced by at least the same percent reduction as the overall reduction in the Waste Management FY 1996 allocation.

RL Response:

TWRS anticipates achieving a 27% reduction in Program Management costs from FY 1995 to FY 1996. Actual costs last fiscal year were \$58 million and the budget this year is \$42 million.

HAB Comment:

The Board asks that you provide an explanation as to why WM Program Direction-RL and grants management (ADSs #103 and #3031) are increased by 20.7%.

RL Response:

The activities included in ADS 103 (RL Field Budget Support-WM) which resulted in the increase of \$20.1M are as follows.

- \$15.9M funding for the transition to the new Project Hanford Management Contractor.
- \$300K legal fees.
- \$3.9M funding to cover PNNL, voluntary reduction of force costs.

Concerning the \$800K increase in ADS 3031-1 (Program Direction-WM); this covered anticipated increased costs associated with federal employee salaries and benefits. However, these costs have not been as high as anticipated. Therefore, we will probably return some of this increase to programs.

Transportation of Radioactive Materials

HAB Comment:

Only evaluated carriers should be used for transporting radioactive materials to or from Hanford.

RL Response:

It is DOE policy that all hazardous material (including radioactive) shipments use only carriers that have successfully passed Motor Carrier Evaluations. All out bound shipment of radioactive material/waste are done by these carriers. The majority of the inbound hazardous materials shipments are also made by these carriers. The vast majority of radioactive shipments are done by Tri-State (in and out bound) which has successfully passed the motor carrier evaluation.

HAB Comment:

The Board opposes reducing training for transportation safety and emergency response while shipments of radioactive materials continue.

RL Response:

This training funding is NOT for state/tribe purposes. This training funding provides training class for DOE employee, DOE contractor or other government agencies such as DOT and DoD.

Overhead and Indirect Costs

HAB Comment:

Promised reductions in overhead and indirect costs should be reflected in the FY 1996 Hanford Site Reallocation. The budget should reflect the stated goal.

RL Response:

If DOE and its contractors were to budget based on the overhead and indirect cost reduction goal, to which they have publicly committed, it appears that an additional \$13 million could be made available to fund legally required Environmental Restoration cleanup activities and legally required safety upgrades for Waste Management.

The FY 1996 Hanford Site Reallocation does include the known overhead and indirect cost reductions. And, as the site continues to take actions to reduce overhead and indirect costs the savings generated will be provided to Programs in the form of lower indirect cost rates or a passback of funds.

However, while the site has identified 86 percent of the total \$200 million reduction goal, the remaining reductions are not yet identified. Since we do not know what services will be further reduced, we do not know which rates will be reduced. This is why we cannot build-in to the FY 1996 Reallocation the projected cuts. To arbitrarily guess which rates will be reduced due to unknown reductions would cause significant over and under liquidation variances resulting in incorrect cost information being provided to Program managers which decreases the overall effectiveness of management.

HAB Comment:

The Board further urges that DOE conduct functional reviews of the overhead and indirect costs, including conducting comparisons of rates or prices charged for services with comparable service rates or prices elsewhere in the private sector, DOE sites and even within the Hanford Site (i.e., Solid Waste Disposal rates).

RL Response:

RL agrees with this recommendation and has already taken significant action in conjunction with the Hanford contractors to measure the efficiency of our indirect and support services. As explained to the Dollar & Sense Committee during Kevin Ensign's January 12, 1996, presentation, DOE is taking actions to identify administrative and support costs by "function", regardless of whether costs are charged direct or indirect. Working with HQ-EM and CFO, Hanford contractors and other DOE sites, RL has developed common categories and definitions for functional costs, and has begun developing preliminary cost data. If this generates useful data for making comparisons between contractors, full implementation for all EM contractors is anticipated in FY 1997.

RL has also taken action to ensure the new Project Hanford Management Contractor's (PHMC) financial systems will generate the same functional cost data so comparisons of WHC/PHMC costs can be made.

RL and Bechtel Hanford (BHI) have agreed upon a two-phased approach to reducing administrative and support costs. BHI has hired Logistics Management Institute, (LMI) to perform a preliminary study of BHI's administrative and support services. In this first phase LMI will make sure the BHI costs reviewed are compatible with LMI's database of other private and Government contractors and Agencies costs, and identify the BHI services which have higher per unit costs than the database recommends. Phase 2 will involve comparing the processes of these BHI services against the processes of the most efficient companies. RL and BHI have identified and trained twenty-five people to perform this effort.

Pacific Northwest National Laboratory, (PNNL) in conjunction with the DOE and the other National Laboratories has developed specific productivity metrics which demonstrate the overall efficiency of a Laboratory. While these measures currently cannot be accurately used to compare one Laboratories costs to another (due to differences in assignment of costs and Lab missions) they do represent an accurate measure of a specific Laboratories performance over time. The productivity metrics are:

- Research to Support Ratio
- Percent Technical Labor on Research
- Average Operating Cost per Research FTE

Waste Management (non-TWRS)

HAB Comment:

The Board opposes reductions in well decommissioning and alternative monitoring techniques.

RL Response:

The DOE is presently looking for ways to streamline groundwater monitoring and cut its costs at Hanford. The goal is to fund well abandonment through cost savings from this effort. The use of alternative monitoring techniques may also prove to be a cost savings. If found to be so, they will be proposed for use.

HAB Comment:

The Board opposes reductions in actions to restrict liquid effluent.

RL Response:

The reductions in the liquid effluent program were the result of the higher priority given to spent fuel and TWRS. However, we are seeking efficiencies and cost savings between programs as means of trying to resolve this issue. It is our desire that these facilities (200 ETF and the 340 Facility replacement project) be fully operational as soon as practicable.

Transition Facilities

HAB Comment:

The Board notes that the '96 Reallocation delays the implementation of DNFSB recommendations on Purex.

RL Response:

So far, DOE-RL has been successful at PUREX in fulfilling the Defense Nuclear Facilities Safety Board's (DNFSB) #94-1 recommendations on material stabilization. A plutonium and uranium solution was removed ahead of schedule, and our clean up of residual plutonium in PUREX's N Cell glove boxes is nearly complete.

HAB Comment:

The Board urges funding of the accelerated schedule of the deactivation of designated 300 area facilities.

RL Response:

DOE has made strategic 1996 clean up budget decisions based upon criteria which includes: worker and public safety, cost mortgage reductions, environmental compliance and stakeholder concerns. While by itself, planned FY 1996 300 Area Fuel Supply shutdown tasks do have laudable merits, that program element just did not rank relatively high when compared to other more critical Hanford activities such as: removing spent nuclear fuel from K Basins, stabilizing nuclear material at the Plutonium Finishing Plant and completing PUREX deactivation.

Other Programs

RL Response:

We apologize for giving the impression that the Hanford Thyroid Disease Study was not being funded. This program is in fact funded at the \$1.7M level for FY 1996. The funding is coming from Nuclear Materials and Facility Stabilization (EM-60).