



Department of Energy  
Richland Operations Office  
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Richland, Washington 99352

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Ms. Marilyn Reeves, Chair  
Hanford Advisory Board  
723 The Parkway, Suite 200  
Richland, Washington 99352

Dear Ms. Reeves:

PROJECT HANFORD MANAGEMENT CONTRACT (PHMC)

Thank you for your November 8, 1996, letter, subject as above, addressing certain concerns of the Hanford Advisory Board (HAB) relative to the new PHMC. We share the HAB's concerns over the need for an independently validated baseline and to continue to press for cost savings under the contract.

A significant deliverable under the PHMC is an integrated sitewide technical, cost, and schedule baseline. This baseline is due by July 31, 1997. In addition, we have been doing extensive Activity Based Cost estimating reviews with critical analysis for all the projects and major indirect cost areas with independent consultants. Additionally, the Corps of Engineers under contract to Headquarters is reviewing cost baselines for projects. A decision was made by DOE during the solicitation process for the PHMC that the new contract would not consider including a cost savings initiative program, such as the Westinghouse Hanford Company C-170 program, until the new baseline was in place. Thus, the contract contains no such program for FY 1997. However, it should be noted that a number of the individual performance expectations included in the PHMC will result in specific cost savings if they are achieved in FY 1997. Performance expectations with potential fee attached can be structured to yield cost savings.

We have included the portion of this Fluor Daniel Hanford, Inc. (FDH) proposal dealing with the establishment of 3,000 new jobs as part of the FDH contract clause on Promises and Commitments, as well as in a specific performance expectation. It is also understood between FDH and DOE that the 3,000 number does not include, but rather is in addition to, the jobs transferred to the Enterprise companies on October 1, 1996.

The specific comments in the HAB consensus advice #55 will be considered as DOE performs its oversight of the PHMC.

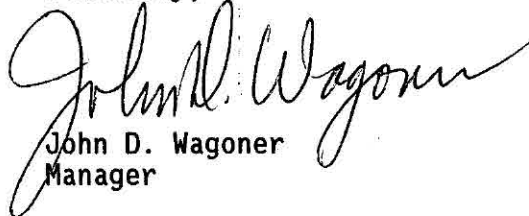
Ms. Marilyn Reeves

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If you have any further questions you may contact me, or your staff may contact Susan R. Brechbill, Chief Counsel at (509) 376-7311.

Sincerely,



John D. Wagoner  
Manager

OCC:SRB

cc: H. J. Hatch, FHD