



Department of Energy

Richland Operations Office  
P.O. Box 550  
Richland, Washington 99352

JUN 13 1995

*Handwritten:* 18.19.20

Ms. Marilyn Reeves, Chair  
Hanford Advisory Board  
800 NW Sixth Avenue  
Suite 342  
Portland, Oregon 97209-3715

Dear Ms. Reeves:

HANFORD ADVISORY BOARD (HAB) CONSENSUS ADVICE, ADOPTED APRIL 6 AND 7, 1995, AND MAY 10, 1995

This is in response to the HAB's April 14, 1995, and May 10, 1995, letters concerning the above subject. By copy of this response to Assistant Secretary Grumbly's office, we are also forwarding a copy of your May 10, 1995, letter. In our May 2, 1995, letter we described the upcoming June 8, 1995, televideo conference. I hope you agree this was a useful step in the consultation process and I look forward to other interactions with the HAB as the FY 1997 budget development proceeds.

As you and the other Board members are aware, the commitments made during the recent St. Louis meeting, particularly in the area of efficiencies and cost savings, have resulted in substantive changes in our plans. As a result of St. Louis, we are committed to accomplishing more work within our allotted budget targets. These changes and commitments were reflected in my May 17, 1995, presentation to the DOE-HQ Environmental Management's Internal Review Budget. Thus, the U.S. Department of Energy, Richland Operations Office (RL) has made several substantial changes to its proposed FY 1997 budget (as reflected in the April 14, 1995, Activity Data Sheets). HAB and regulator input had a strong bearing on these changes, particularly in the area of protection of the Columbia River.

One point in our discussions concerning the development of the FY 1997 budget that needs clarification is the difference between "target" funding and "planning" funding. The "planning case" represents RL's budget request and incorporates the amount of funding required to fulfill our Hanford Federal Facility Agreement and Consent Order requirements. The "target" case represents only that workscope which will be accomplished for a particular level of funding (or "target") specified by DOE-HQ.

This first year of HAB involvement in the budget development process was very successful for a first effort. We look forward to working with the HAB on improving the process for the development of the FY 1998 budget. We also appreciate the efforts on the part of the HAB, in particular the Dollars and Sense Committee, for providing very useful comments.

*Handwritten:* Response to 17, 19 & 20


Ms. Marilyn Reeves

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Please forward any questions or concerns that you or other Board members may have to either myself or Mr. Peterson on (509) 376-6731.

Sincerely,

  
John D. Wagoner  
Manager

Attachment

cc w/attach:  
T. P. Grumbly, EM-1

### III. GENERAL BUDGET ADVICE TO RL

#### A. INADEQUATE EMPHASIS ON PROTECTING THE COLUMBIA RIVER

Based on the revised budget proposal, we feel that we are protecting the Columbia River. We have raised the Environmental Restoration project's proposed FY 1997 budget to \$147.2M. At this funding level during FY 1997 the Environmental Restoration project will:

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#### B. INDEPENDENT EXTERNAL AUDIT TEAMS

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It is our position that additional audits/reviews will only serve to slow our progress in implementing the suggestions/finding that have come from these audits and reviews.

#### C. THE PRINCIPAL CAUSES OF HIGH CLEANUP COSTS WITH INADEQUATE PROGRESS

We do not disagree with you that high overhead rates and expenses, excessive costs for capital projects and an inefficient contracting system have served to drive our costs up. We are taking steps, as outlined later in this attachment, concerning overhead rates and costs of capital projects. Concerning inefficient contracts, we have accelerated the re-competition of the Westinghouse Hanford Company (WHC) contract. The new contract will have specific performance criteria. We look forward to discussing this issue further with you in the future.

#### D. GREATER GUIDANCE TO CONTRACTORS IN SETTING BUDGETS

We are in complete agreement with your comment and will provide our contractors with more detailed guidance for the next budget development cycle.

E. PUBLIC HEARINGS ON BUDGETS

During the May 4, 1995, meeting of the HAB's Public Involvement Committee we agreed to participate in a public meeting concerning the budget on June 1, 1995, in Portland, Oregon.

F. CESSATION OF USE OF CLEANUP FUNDS TO MAINTAIN DEFENSE ASSETS

Decisions as to the amount of funding provided by Defense Programs for storage of special nuclear material are made at the Headquarters level. Therefore, we are asking that DOE Headquarters respond to this comments.

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It is our intention to avoid "employment spikes" to the greatest extent possible. If the HAB desires we can provide a briefing on our plans in this area.

I. INTEGRATION OF SITE PLANNING

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J. MODIFICATION OF USE OF PRIORITY PLANNING GRID (PPG) TO INCLUDE ACTUAL FEEDBACK FROM PUBLIC AND THE REGULATORS

We will consider the implementation of this suggestion in future updates of the PPG.

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We agree with your suggestion that surplus facilities be used to the greatest extent possible in order to avoid the construction of new facilities. Available non-DOE owned facilities have and will continue to be evaluated.

M. ADDITIONAL PRIORITIES

We feel that the five (5) additional priorities listed are reflected in our revised budget proposal. As my nine (9) priorities are revisited, our Senior Management Team will consider specifically adding these to our present nine (9) priorities.

## PROGRAM SPECIFIC RESPONSES TO HAB ADVICE

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### B. TANK WASTE REMEDIATION SYSTEM (TWRS)

In accordance with Paragraphs 148 and 149 of the TPA, TWRS has requested the funds required to meet Disposal Program commitments. This request is contained in the Planning Level request in the FY 1997 ADSS. The TWRS Program's highest priority is the safe storage of tank wastes.

Once these priority activities are funded within the Target Level, the Target Level funding guidance received by the TWRS Program simply does not provide adequate funds to meet the Disposal Program's commitments. Therefore, we are very seriously pursuing the investigation of privatization strategies. TWRS is continuing to identify ways to increase cost efficiency and exploring innovations to minimize delays to tank waste disposal, while ensuring safe operations. We look forward to a continuing dialogue with you concerning this issue.

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TWRS will evaluate cleanout of Tank 102-SY along with other alternatives for emergency storage and for staging waste for cross-site transfers. As currently envisioned, 102-SY cleanout could be one of the first double-shell tanks retrieved by our currently authorized Initial Tank Retrieval System, Project W-211. This retrieval would occur in FY 1998 when the new Cross-Site Transfer System becomes available for use.

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#### C. SPENT NUCLEAR FUEL

RL is firmly committed to minimize the movement of spent fuel. We are also committed to assuring that these movements are conducted as safely as practicable. In support of these objectives funding for necessary transportation infrastructure is being pursued.

We are continuing to evaluate the classification of sludge in the basins to meet legal requirements and minimize cost and schedule impacts.

Currently, to support this project, "Out Sourcing" will be considered for the following construction/fabrication activities: Canister Storage Building (CSB), Multi Canister Overpacks (MCO's), Cask Transportation and Fuel Stabilization (treatment). Where alternatives are selected there should not be a delay in schedule or an increase in cost.

#### D. FACILITY TRANSITION

DOE and WHC, its contractor, are continuously working toward different and innovative ways of accomplishing the required Stabilization and Cleanup Program.

Other cost efficiency efforts, such as Activity Based Cost Estimating, are in progress at the Plutonium Finishing Plant (Z Plant) (PFP), Fast Flux Test Facility, PUREX, and B-Plant. The major thrust is to ensure that the activities, tasks, and programs in place are indeed needed and that the costs and manpower levels are at a proper level and not overly burdened. Some streamlining and more efficiency in performance has, even at this early stage, been identified. As an example, in addition to the 10 percent productivity challenge committed to at the beginning of FY 1995, an additional 10% cost reduction at the PFP, to perform the same workscope, is expected.

It needs to be noted that the new technical innovations, as they become available, and the reductions in manpower levels which are identified, reflect doing business in a more efficient manner and have not impacted the safety of the public, workers, or environment.

Regarding the budgetary concern (Defense Programs and Nuclear Energy), RL and EM-60 at DOE-HQ are continually assessing this issue.

As you may be aware, the PFP stores not only plutonium from the Defense Program legacy, but also materials from research and similar programs. The most notable, of course, is the unirradiated materials from FFTF, which are comprised of fuel pins, fuel pellets, and oxides. As with the programmatic facility turnover, it is expected that at some point all of the inventory of the non-weapons stockpile will also be turned over to EM-60. At that time, the EM-60 Program should reflect an increase in its budget to accommodate that obligation, while a comparable decrease is Congressionally noted in the Defense Program budget.

We defer to Ecology and EPA concerning your recommendations for their actions in this area.

#### E. OVERHEADS\INDIRECT & LANDLORD

RL agrees with the comment that overhead spending must be reduced by amounts that exceed the proportional reduction in total funding for Hanford cleanup. That is why the \$161 million cost reduction which RL has directed reduces WHC's indirect and direct support costs by 37%, a significantly greater reduction than the overall funding.

The comment that RL acknowledged WHC's FY 1994 "overhead" expenditures as \$451 million is not correct. The \$161 million WHC reduction is targeted at all the activities that make up the \$451 million. However, RL and WHC do not recognize a significant portion of the \$451 million as being "overhead." For example, we do not consider analytical labs, cranes, and rigging as being "overhead." RL and WHC only recognize \$236 million, (or 19.7% of total costs) as being indirect, or "overhead" costs in FY 1994.

In addition, the \$200 million directed reductions from WHC, Pacific Northwest Laboratory (PNL), Bechtel Hanford, Inc. (BHI), and RL are all to be completed in FY 1996, as recommended.

In order to clarify, the \$200 million reduction is not an EM established goal, but was directed by RL Senior Management. The comment on overhead expenses simply shifted into direct program accounts is well taken. This is exactly why RL revised WHC's indirect and direct support costs before we established the baseline for the \$161 million reduction. We didn't want to count charging practice changes as cost reductions, because they are not. All accounting practice changes are formally documented and submitted to RL's Chief Financial Officer (CFO) for approval and to avoid the possibility of counting these changes as cost reductions RL's CFO staff will adjust the \$161 million as necessary.



F. WASTE MANAGEMENT (NON-TWRS)

In response to the comments received, we have prepared the below:

1. Analytical Services

- The M-32-02 Milestone, "222-S Radioactive Waste Transfer Line Replacement" will have to be renegotiated. Under funding reductions and current outyear targets for Project W-087, the scope of Milestone M-32-02 is no longer achievable. There is no FY 1997 or beyond funding in the targets for FY 1997 to FY 2001, so the scope of M-32-02 must be renegotiated. As discussed verbally with Ecology, current FY 1995 funding will allow completion and connection of the portion of the line from 219-S to Tank Farm, under construction now. The current funding will not allow completion of the 222-S to 219-S portion, nor the portion within 222-S. The Hanford Integrated Case for FY 1996 allows \$5 Million for the project, if the necessary budget amendment can be done, but does not allow for funding in FY 1997. RL will continue to keep Ecology and EPA involved, and submit a change request when a rebaselining is completed and the scope and schedule that can be accomplished with the available funding is known.
- It is our intention to evaluate the privatization of routine Analytical Services functions.

2. Liquid Effluents and Hanford Environmental Compliance (HEC)

- Presently, RL is operating the 340 Facility out of compliance with RCRA requirements and is subject to fines, penalties and compliance orders. A Value Engineering (VE) study has been established to start June 1995, to determine options for eliminating the need for continued operation of the 340 Facility. The VE team includes RL, WHC, PNL and Ecology.
- The planned upgrades for FY 1997 not required per RCRA are related to conduct of operations such as labeling and storm water run-off evaluations. Together these activities cost roughly \$310K. Ecology has allowed us to store RCRA waste for less than 90 days at the 340 Facility. The 340 Facility mainly supports the five (5) PNL Laboratory Buildings, where K Basin Spent Fuel Characterization, tank farms waste characterization, and a host of other sampling and analysis activities in the 300 Area are conducted.
- Your proposal to move the Tritium Removal Technology Status Annual Report to the DOE-HQ EM-50 program will be evaluated.

- In our final Activity Data Sheet (ADS) submission, funding for Phase II streams was restored.

### 3. Solid Waste

- A & D. RL has submitted a draft change request for the M-19 TPA milestone to the regulators which would allow the replacement of WRAP 2A construction with the ability to purchase services to treat the waste originally destined for WRAP 2A or use alternate treatment and disposal methodologies. The M-19 Milestone currently requires RL to construct WRAP 2A by September of 1998 and to initiate operations in September 1999. The procurement would state that treatment must begin by the September 1999 date as specified in the existing M-19 Milestone for WRAP 2A.
- The present WRAP 2A services procurement strategy includes contracted-out commercial treatment of specific waste streams, possible direct disposal of specific waste streams (dependent upon some conditions being met; e.g., approval of a formic acid treatment variance, acceptance of existing solidification treatment, etc.) and possible onsite treatment in facilities such as WRAP 1 and 2706-T of specific waste streams.
- This procurement approach is expected to offer a viable means for reducing near-term capital funding requirements and may provide a mechanism for treating certain waste streams earlier than would be possible using the WRAP 2A Project. The total project cost for WRAP 2A was estimated at \$139.9M, with an additional annual operating cost estimated at \$29M. Construction was scheduled to start in June 1996 and operations to begin by September 1999.
- The present schedule for the procurement process calls for issuing a Request for Proposal in July 1995 followed by a contract award in June 1996. Waste treatment could begin two (2) to three (3) years subsequent to contract award. However, this strategy is dependent upon resolving issues with Office of Management and Budget scoring related to termination liability.

### 4. RCRA and Operational Monitoring

- We will investigate the feasibility of privatization of this activity.

#### G. TECHNOLOGY DEVELOPMENT

Per the recommendations of the EM-50 Workgroup, the FY 1997 budget process will undergo a major revision. Each of the focus areas will be writing their own Internal Review Budget (IRB); thus, the FY 1997 will be managed by individual focus area ADS's. The focus area's IRB was presented by the appropriate Field Manager (e.g., Mr. Ron Izatt, Deputy Manager, RL, for the Tanks Focus Area). A copy of the IRB Preparation Guidance was provided to Ecology.

During the Site Technology Coordinating Group (STCG) meeting on March 16, 1995, an STCG calendar was agreed upon. This calendar shows that the STCG will be briefed in late June 1995 and provide comments on the Focus Area funding in July 1995. Since the STCG is comprised of representatives from the Ecology, EPA, HAB, and the Tribes, they will all be getting the same information and will be making formal recommendations through the STCG.

#### H. PRIVATIZATION (from the April 10 letter)

We look forward to a continuing dialogue with the HAB concerning privatization. The below is an excerpt from our April 28, 1995, letter to Ecology and EPA:

"The EPA and Ecology, while supporting an aggressive approach by DOE to implement privatization initiatives, must also realize that the financial framework within which the historic planning for executing the TPA has changed radically in a short period of time. There is significant pressure within the administration and from Congress to find innovative ways, including privatization, to reduce the cost of operations while still achieving the objectives in the environmental remediation and waste management programs. The pursuit of privatization is not a means of rationalizing noncompliance with the TPA, but a different contracting means of accomplishing the TPA objectives in a milieu of decreasing financial resources. Due to the pace with which the financial situation within the Federal government is changing, there has been only limited time to do the planning for changing condition and cost estimates have associated with new operations have been less than desired. While we regret this situation, it is still one in which we are required to move forward. Within conditions of limited funding, DOE will do its best to achieve compliance with the current TPA commitments. That will be through the end of FY 1995; after that, the budget will be in serious decline and it is not possible to commit to fulfilling the commitments of the TPA until we better understand the resources that will be provided. It is our current understanding that both the House of Representatives and the Senate will reduce appropriations significantly for DOE's Environmental Management Project."

Again, the pace at which change is occurring is very great. The stability of the situation necessary to organize and evaluate costs/benefits and risk assessments has not been given. DOE is doing its best to cope with extremely difficult times and it may not be possible to have all desirable information before budget and financial decisions have to be made. We will understand the impacts on TPA milestones that our management actions will have and be willing to provide this information when it is developed. We would like to take specific issue with your statement that no such planning or assessments exist in the instance of the TWRS Privatization Initiative. Significant effort has gone into this and this information has been shared with both Ecology and EPA. Everything has not been reduced to formal documents because of the pace of the effort; however, the planning and assessments are ongoing.

I. PUBLIC INVOLVEMENT (from the April 10, 1995, letter)

This issue was discussed with the Public Involvement Committee during their May 1995 meeting. At that meeting it was agreed that a public meeting would be held on June 1, 1995, in Portland, Oregon. As you are aware, this meeting took place. We look forward to a continuing dialogue with Ecology, EPA and the HAB on this subject.

J. BUILDING PARTNERSHIPS AND THE TANK 241-C-106 EXPERIENCE (from the April 10, 1995, letter)

The tank farm equipment is being upgraded expeditiously. Better leak detection is being installed in the tanks and leak detection via vadose zone monitoring has begun. Structural integrity is being determined by ultrasonic testing of double-shell tanks, with one tank scheduled to be completed in FY 1995 and five (5) tanks scheduled to be completed in FY 1996.

Mr. Greg Morgan (509/373-2346) is hereby designated as the point-of-contact for the Committee on matters regarding the tank farms. He has already begun informing the Committee of matters of concern.

K. RECOMMENDATIONS (from the April 10, 1995, letter)

The recommendations from all three reports on the 241-C-106 Process Test are being implemented. The Stone and Webster and Ecology reports are being reviewed and will be appropriately responded to.

As the Board has noted, improvements in communications have begun. We will work with the Health, Safety and Waste Management Committee to further improve communication standards.

RL will have WHC respond in writing to the 1991 Kaiser memorandum. The exact nature of the interactions with Ms. Anderson is being worked out in light of the potential for conflicts of interest. Once resolved, RL will obtain her input and respond to the Board.

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