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DEPARTMENT OF ECOLOGY

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June 12, 1996

Ms. Marilyn Reeves, Chair
Hanford Advisory Board
Confluence Northwest
800 NW Sixth Ave., Suite 342
Portland, OR, 97209-3715

Dear Ms. Reeves:

Marilyn

We are pleased to submit our response to the Hanford Advisory Board's consensus advice on the U.S. Department of Energy (USDOE) Richland Operations Office (DOE-RL) Fiscal Year (FY) 1998 Integrated Priority List (IPL) (consensus advice #44). Our response to the Board's FY 98 Supplementary Advice letter (HAB Advice #48) is submitted by separate correspondence.

Because our concerns regarding the FY 98 budget submission are closely related to FY 96/97 and strategic planning issues, this letter will also formally respond to your consensus advice on the Baseline Environmental Management Report (BEMR) (consensus advice #36) and the FY 1996 budget reallocation (consensus advice #41).

Since the Board's issuance of the above consensus advice letters, USDOE and DOE-RL have taken positive steps to resolve and/or address many of the Board's issues and concerns (including those outlined in this letter) in subsequent revisions to the IPL, or in the USDOE Headquarters Internal Review Board (IRB) process. Based on your comments, we believe USDOE is taking positive steps to further improve the budget development process for the future.

Although Ecology is encouraged by DOE-RL's actions and the recent IRB decisions, we remain cautious about TPA achievability, particularly with regard to TWRS characterization. Our participation in DOE-RL's forthcoming Multi-Year Work Plan (baseline) development process for FY 97 should provide a better understanding regarding DOE-RL's workscope and schedule plans to achieve both short and long term TPA milestones.

Ecology, generally agrees with the points, concerns and themes in the Board's consensus advice letters. However, there may be differences in emphasis, degree and approach. We believe that our own comment letter of March 18, 1996 to DOE-RL on the FY 98 IPL, which was previously submitted to the Board, is generally supportive of the Board's issues and positions.

We concur that USDOE and DOE-RL should be congratulated for providing the most open budget development, public and stakeholder involvement process to date. There is still a need for significant



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improvement in USDOE's new, risk-based prioritization process. We believe that USDOE can make a significant step forward in successfully linking their strategic prioritization, budgeting and baseline planning processes, if they follow your advice.

In response to your primary areas of concern regarding the FY 98 IPL:

- **Deferral of Cleanup along the Columbia River:** Please see our response to "changed assumptions" below. We are also concerned about the confusion regarding changes in cleanup goals and schedules. Much of this confusion is caused by the lack of workscope and schedule (baseline) definition in DOE-RL's prioritization documents, and a lack of linkage between USDOE's strategic planning, prioritization and baseline processes.

Compounding this confusion are conflicting or unclear assumptions mandated by the Baseline Environmental Management Report (BEMR), and assumptions that drive various fiscal year budget cycles (i.e., FY 1996 - FY 1997).

We agree that workscope and planning assumptions must be clearly defined as part of the regulator and stakeholder review process to allow a full assessment of impacts upon the ER program, and upon stakeholder and public values to protect health, safety and the environment. Again, workscope necessary for TPA achievement will become clear during FY 97 baseline development. We are encouraged by our early involvement in the ER Multi-Year Work Plan (MYWP) process.

- **External cost review and overhead cost reductions:** We strongly agree with the call for increased attention on overhead/support costs, and the need for an external review of USDOE's overhead/indirect cost policies, practices and oversight.

As we stated in our March 18th 1996 FY 98 budget comment letter to Mr. John Wagoner, we also believe that such a review should be focused on improvement of policies, procedures and oversight in order to "...ensure that ongoing decisions and practices pertaining to cost efficiency, cost charging and monitoring of indirect, overhead and support activities are effectively accomplished". Application of effective contract incentives should be a part of such a review.

Efficient use of resources will lead to more value and progress for each dollar spent. Carefully crafted contract performance incentives are effective in motivating efficiency in overhead and indirect cost areas. In accordance with the principles outlined in the St. Louis Agreement, we will continue our attention and involvement in these areas.

- **Tank Waste Remediation System (TWRS) funding levels and privatization funding set aside:** We are concerned that key Tri-Party Agreement (TPA) requirements remain unfunded at target level; particularly, TWRS characterization, tank integrity assessment, and a portion of the TWRS alternative path. While recent IRB decisions appear to support TPA compliance, we are not as yet

convinced that DOE-RL's planning assumptions support achievability of existing milestones, particularly with regard to TWRS characterization.

We share the Board's concern about the apparent "lack of focus" in the TWRS program and the need for further cost and management efficiency. We support the Board's effort to propose alternatives so that the privatization set aside will not take funding from other key activities.

- **Risk Evaluation Process:** Despite an admirable effort by DOE-RL, the introduction of USDOE's new, risk-based prioritization process has apparently not produced a prioritization list for Hanford that assures that TPA requirements are met. For example, we are concerned that existing plans for TWRS characterization do not fully support TPA compliance.

Further, the lack of defined workscope for prioritized activities makes a complete evaluation of the IPL impossible. Until the necessary linkages between ADS development, RDS development, strategic plans, baseline development and BEMR mandates are made, these concerns remain valid both for FY 98 and the future.

- **Changed Assumptions:** We believe that the Board has properly pointed out that changed assumptions affecting the FY 1997 and the FY 1998 budgets, should not be used in budget development without prior disclosure to public, regulator, and tribal review of impacts where required (e.g., in the case of changes to applied cleanup standards). Public review through established processes should be pursued and completed prior to application of such assumptions during prioritization.
- **We also agree with the Board's FY 98 consensus advice regarding:**

- *Funding Priority List*
- *Facilities Transition Upgrades Requirements*
- *Waste Management Offset Waste Import Costs*
- *Stakeholder Ranking on Integrated Priority List*

We have previously provided to USDOE and the Board, our detailed lessons learned comments regarding USDOE's stakeholder and public involvement process. Included is a "strawman" framework for developing an effective "communications protocol" as discussed during the May Board general membership meeting.

We view this protocol as a constructive, positive and fairly simple approach to ensure that correct, clear messages regarding regulator/stakeholder advice are communicated through the various USDOE decision-making levels, to ensure timely and effective feedback once decisions are made, and to help reinforce accountability in responding to regulator/stakeholder advice.

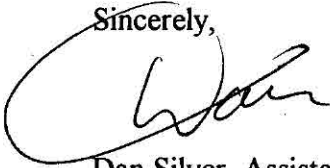
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As always, we will support the Board in any way that we can to assure that its participation in the USDOE budget prioritization and submission process is timely and effective and in accord with its values and desires. To achieve this, my staff is ready to respond to any request for information or support regarding USDOE's priorities and budget from Board committee members.

Sincerely,



Dan Silver, Assistant Director
Waste Management Division

cc: Alvin Alm, Assistant Secretary for Environmental Management (EM-1)
Cynthia Kelly, Office of Accountability
Mike Grainey, Oregon Department of Energy
John Wagoner, Manager, Richland Operations Office
Ron Izatt, Deputy Manger, Richland Operations Office
Alice Q. Murphy, Chief Financial Officer, Richland Operations Office
Russell Jim, YIN
Bill Burke, CTUIR
Donna Powaukee, Nez Perce