



November 5, 1999

The Honorable Bill Richardson  
Secretary of Energy  
U.S. Department of Energy  
1000 Independence Avenue SW  
Washington, DC 20585

Subject: Tank Waste Treatment Alternative Financing

Dear Secretary Richardson:

The Hanford Advisory Board (Board) is keenly interested in the successful design, construction, and operation of tank waste treatment plants at Hanford. A viable contracting and financing approach is critical for success. DOE-Office of River Protection (ORP) and DOE-Headquarters are currently conducting a number of studies and independent reviews of alternate contracting and financing approaches. To assist DOE in ensuring that a sound business plan which reflects realistic federal funding scenarios and optimal contract or financial alternatives is created, the Board expects to comment on and interact with the studies and reviews.

The Board requests that the studies and independent reviews being performed by ORP and the DOE independent review teams address at least the nine questions below. The Board would like to receive, as soon as possible, information on the scope, schedule, and outline of the independent reviews so as to determine how best to track and participate in the review process. In addition, the Board looks forward to a continuing dialogue with DOE-ORP on these and other issues.

1. Can alternative contracting mechanisms or financing options reduce costs, allow for greater quantities of wastes to be treated, or match available funds?
2. Will ORP, expert and independent reviews be complete and available for public review (including Ecology, the Board and Congress) early enough to frame strategic choices for contract and TPA negotiations, and early enough to provide Congress with a credible review of alternatives prior to Congressional committees acting on budget for FY2001?
3. How will DOE's business plan reflect realistic assessments of congressional funding levels and the government's funding cycle?
  - o If funding at levels lower than the \$606 million request is provided, are contract modifications possible to reduce the termination liability reserve fund authorization and maintain work progress; or, can the design be purchased and alternative contracting mechanism proceed for timely construction?
4. What will be the impact of shifting risk to the government?
5. Does a Phase I 10-year payout still make sense for a plant with a 30-year life?
6. What are the implications if the government does not own the vitrification plant(s)

after full payment has been made to BNFL in 2018 and 90% of the waste remains to be vitrified?

7. When will BNFL contribute equity, what is the extent of its contribution, and does this constitute a sufficient contribution to shared risks?
8. What risks would be shifted to the federal government or what interest premiums would be required as the type of private financing available changes? How will the financial reviews analyze and make recommendations regarding proposed BNFL profit levels and comparisons of these profit levels with: a) industry norms for investments having similar risks; and, b) alternative forms of financing, including proposals for contract reform and contracts for major capital projects by DOE and other agencies?

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: Carolyn Huntoon, Department of Energy Headquarters  
Richard French, DOE-ORP  
Pete Knollmeyer, Acting Deputy Designated Federal Official  
The Oregon and Washington Congressional Delegations  
Michael Gearheard, Environmental Protection Agency  
Dan Silver, Washington Department of Ecology

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*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.*

cc: Tom Fitzsimmons, Washington Department of Ecology  
Chuck Clarke, U.S. Environmental Protection Agency, Region 10  
Pete Knollmeyer, Acting Deputy Designated Federal Official  
Gregory H. Friedman, DOE - Office of Inspector General  
The Oregon and Washington Congressional Delegations  
Michael Gearheard, Environmental Protection Agency  
Dan Silver, Washington Department of Ecology

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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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