

National Accounting Firm Verifies FY 1995 Hanford Environmental Management Cost Savings

RICHLAND, Wash., February 26, 1996 -- Arthur Andersen LLP, one of the "Big Six" national accounting firms, has completed its independent evaluation of the cost savings reported by the U.S. Department of Energy's (DOE) Richland Operations Office for fiscal year 1995, and concluded that DOE's estimate of \$356 million is a credible representation of the site's Environmental Management savings for that year.

The savings initiatives will result in even greater savings in future years and are part of a four-year DOE-led effort to reduce Hanford cleanup costs by \$2.3 billion while keeping a sharp focus on results. This includes the \$1 billion commitment which was included in the amendment to the Tri-Party Agreement in January, 1994 (Cost and Management Efficiency Initiative), as well as other more recent savings commitments. An independent verification of cost savings was an integral part of the "Blueprint for Change" document issued by DOE officials, regulators, and contractors following a two-day meeting in April, 1995.

"This report is proof that DOE and its contractors are serious about the business of driving down costs at Hanford," said John Wagoner, Manager of the DOE's Richland Operations Office. "Arthur Andersen has given us several excellent recommendations that will help us improve our ability to track cost savings year after year."

Prior to the independent verification, the Hanford contractors' initial savings estimates of \$417 million were subjected to an exhaustive internal review by the Richland Operations Office which determined that the actual savings were \$356 million. Only savings accomplished through efficiencies (performing work for less cost than budgeted) or deletions (eliminating work and associated cost without affecting critical outcomes) were counted. DOE and Arthur Andersen did not recognize the deferral of work into future fiscal years as cost savings.

"We took the conservative approach," said DOE's Chief Financial Officer, Alice Murphy. "Both the DOE review and the Arthur Andersen verification took great care in scrubbing the numbers so that we are documenting true savings at the Hanford Site. That is our commitment, and that is what we are delivering to the American taxpayers."

The savings were used to offset Congressional and DOE Headquarters' budget reductions, accomplish fiscal year 1995 unfunded workscope, and to accelerate cleanup.

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For more information contact:

(509) 376-7501
DOE Office of External Affairs
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