April 29, 2005

Susan J. Grant
Director, Office of Management, Budget and Evaluation
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U.S. Department of Energy
1000 Independence Ave. SW
Washington, D.C. 20585

Charles Anderson
Principal Deputy Assistant Secretary
EM-2/Forrestal Building
U.S. Department of Energy
1000 Independence Ave. SW
Washington, D.C. 20585

Re: Contracts

Dear Ms. Grant & Mr. Anderson,

Background
Over the lifetime of the Hanford Advisory Board (Board), we have observed and expressed concerns over safety issues, workforce disruption and delayed cleanup schedules resulting from major contractor changes.

Though there are benefits to competition, current Hanford site circumstances warrant consideration of all possible contracting options. These current circumstances, including the following examples of management challenges, make managing extensive contract changes extremely difficult:

1. Fluor Hanford and CH2M-Hill Hanford Group contracts expire in September 2006, which means the bid process should begin this year;
2. The Department of Energy (DOE) announced it is taking initial steps to determine how to divide up these new contracts, which will be a major contracting change to work underway;
3. The Hanford Atomic Metal Trades Council labor contract is due for renegotiation;
4. The River Corridor contract award is being protested;
5. The Fast Flux Test Facility demolition contract award is being protested;
6. The proposed Fiscal Year 2006 Hanford budget reductions will require significant staff effort when local field offices are undergoing staff reductions,
7. The Waste Treatment Plant faces a challenge in the management of seismic and cost issues; and,
8. The Pacific Northwest National Laboratory and other DOE contracts are due to be bid next year.

**Advice**

Based on this current climate, the Board advises that DOE explore all options to mitigate the impacts of major contractor changes, including extension or renegotiation of contracts, where feasible.

**Previous Advice**

In Board Advice #112, the Board recommended a number of criteria/issues to consider when exploring contracting options, including:

- Schedule deferrals when changing to a new contractor results in loss of progress, and whether contract terms or expectations can prevent schedule delays or excessive transition costs.
- Ability of DOE to minimize loss of progress and cost impacts if a new contractor is selected.
- Impact on employees, including continuity of benefits and wages.
- Impact of decision on accomplishing cleanup work.
- Progress of incumbent in accomplishing cleanup work and achievement of schedule and cost goals and commitments.

Sincerely,

Todd Martin, Chair
Hanford Advisory Board

*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: Keith Klein, Manager, U.S. Department of Energy Richland Operations Office
    Roy Schepens, Manager, U.S. Department of Energy Office of River Protection
    Ron Kreizenbeck, U.S. Environmental Protection Agency, Region 10
Howard Gnann, Deputy Designated Federal Official, U.S. Department of Energy
Nick Ceto, Environmental Protection Agency
Michael Wilson, Washington State Department of Ecology
Sandra Wailes, U.S. Department of Energy Headquarters
The Oregon and Washington Congressional Delegations

U.S. Senators (OR)
Gordon H Smith
Ron Wyden

U.S. Senators (WA)
Maria Cantwell
Patty Murray

U.S. Representatives (OR)
Earl Blumenauer   Greg Walden
Peter DeFazio    David Wu
Darlene Hooley

U.S. Representatives (WA)
Brian Baird       Cathy McMorris
Norm Dicks        George Nethercutt
Jay Inslee        David Reichert
Richard Hastings  Adam Smith
Rick Larsen

State Senators (WA)
Jerome Delvin
Mike Hewitt

State Representatives (WA)
Larry Haler
Shirley Hankins