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Ms. Marilyn B. Reeves, Chair
Hanford Advisory Board
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Dear Ms. Reeves:

HANFORD ADVISORY BOARD (HAB) CONSENSUS ADVICE #87 TO THE
U.S. DEPARTMENT OF ENERGY, RICHLAND OPERATIONS OFFICE (RL) - PROJECT
HANFORD MANAGEMENT CONTRACT (PHMC) PERFORMANCE MEASURES

Thank you for the input contained in HAB Consensus Advice #87 dated September 11, 1998, and addressed to John Wagoner. My response follows the order in your letter and specifically addresses each item.

Overall Cost and Contract Performance Measures:

1. HAB Advice:

"Performance agreements should be based on an independently validated baseline."

RL Response:

RL issued in September 1998, site guidance to formalize existing processes for Independent Baseline Reviews to ensure that baselines are objectively reviewed by RL for accuracy, completeness, and achievability. Independent Baseline Reviews are to be conducted by personnel outside the RL project operating organization to assess reasonableness of the technical approach and project scope, cost and schedule baselines, and to assess the potential for cost and/or schedule improvement. The timing and scope of independent reviews will depend on the type of project and the baseline element (technical, schedule, cost) being considered.

2. HAB Advice:

"Cost savings should be incentivized and should be greater than the \$21 million in cost savings incentivized in the FY98 performance agreements."

RL Response:

The Expectation in paragraph B 19.2 of the Performance Expectation Plan (PEP) sets a target for the contractor to reduce project direct costs by \$21.2M, or more.

3. HAB Advice:

"Performance agreements should be directly tied to TPA milestones, Multi-Year Work Plans, and stable baselines. A stable baseline and Multi-Year Work Plan are needed at the beginning of the fiscal year for performance agreements to be meaningful."

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RL Response:

The Tri-Party Agreement (TPA) Administrator, RL Office of Environmental Assurance, Permits and Policy Division, has reviewed all performance agreements (PAs) for TPA milestone coverage. All baselines were finalized at the beginning of the year, with the exception of Tank Waste Remediation System (TWRS) and Spent Nuclear Fuels Project (SNF). The TWRS and SNF baselines were finalized in December 1998.

4. HAB Advice:

"Compliance with regulations and treaties is mandatory; performance agreements must meet these binding obligations and be incentivized, both positively and negatively, especially for areas of identified concern."

RL Response:

Where applicable, incentives are in place.

5. HAB Advice:

"Performance agreements should continue to include reduction of overhead and indirect costs."

RL Response:

Fiscal Year (FY) 1999 PA CFO 1.1.1 incentivizes indirect cost reductions.

6. HAB Advice:

"Economic diversification should be incentivized. Non-Hanford job creation requires the PHMC contractor to do more than assist; it needs a positive commitment to achieve real job growth."

RL Response:

Paragraph B 14. of the FY 1999 PEP incentivizes economic diversification.

7. HAB Advice:

"Subjective language should be eliminated or accompanied by measurable criteria."

RL response:

Subjective language has been removed from the PAs and reduced as much as possible in the PEP. Some items such as quality are best evaluated in an overall analysis on a subjective basis even with objective criteria.

8. HAB Advice:

"Regulators need to be involved in defining the work to be measured."

RL Response:

DOE requested input from the regulators during development of the FY 1999 PAs.

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9. HAB Advice:

"Incentives and disincentives should be included in subcontracts (in addition to DOE's prime contractors and their subcontractors)."

RL Response:

DOE contracts directly with the prime contractors. The types of contracts and fee earning potential for subcontractors is highly dependent on the scope of work, its definition, and the importance of work.

10. HAB Advice:

"Performance agreements should provide incentives for openness, including public involvement, and a safety-conscious work place."

RL Response:

The FY 1999 PEP, paragraph B 17.1, incentivizes openness and public involvement. PEP paragraphs B (Project Crosscutting Section), B 1.1, B 1.5, B 2.6, and B 8.1 incentivize workplace safety.

11. HAB Advice:

"Performance agreements should require the contractors to perform to cost and schedule."

RL Response:

All PAs with project workscopes require the contractor to perform within a specified cost and schedule variance. In all but two project PAs (SID 1.1.1 and SID 1.2.1), the requirement is a maximum allowance of 5.0% cost and 7.5% schedule variance. The schedule variance does not apply to SID 1.1.1; SID 1.2.1 contains a 5% cost variance and a 0% schedule variance requirement.

12. HAB Advice:

"Recognize value of FY98 performance agreement requiring consistency and data integration across planning efforts."

RL Response:

FY 1998 PA CFO 4.1.1 was effective in focusing on consistency and data integration. The focus continues in FY 1999 PEP paragraphs B 6.4, B 10.1, B 11.3.

13. HAB Advice:

"Recognize value of FY98 performance agreement incorporating negative incentive for the contractor exceeding authorized costs."

RL Response:

Language concerning cost and encumbrance limitations has been incorporated into the contract.

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14. HAB Advice:

"Continue to tie subsets of related performance agreements to larger incentivized objectives, as appropriate."

RL Response:

In FY 1999, the larger objectives are incentivized by single PAs with more fee assigned to each one.

15. HAB Advice:

"Performance agreements should be finalized between DOE and the contractor at the beginning of the fiscal year, not after work has begun. Final incentive fee determinations should be made as soon as possible after the end of the fiscal year."

RL Response:

All but eight of the PAs were negotiated and signed by both parties by October 1, 1998; the remaining PAs were signed by October 13, 1998. The incentive determination for FY 1998 was issued on January 6, 1999, which was a vast improvement in timeliness over FY 1997.

Spent Nuclear Fuel Project:

HAB Advice:

"The following areas should be emphasized within the performance agreements for the Spent Nuclear Fuel Project: 1. validated baseline, including external review, 2. completion of safety analysis, 3. cost reduction, 4. acceleration of the schedule, 5. significant progress against the baseline, 6. management of budgets to enable continuation of work throughout the year, 7. no unresolved technical issues."

RL Response:

- (1) This area is incentivized in PEP paragraph B 3.
- (2) This area is incentivized in FY 1999 PA SNF 4.1.1.
- (3) This area is incentivized in PEP paragraph B 3.
- (4) This is incentivized in the increased performance section of FY 1999 PAs SNF 1.3.1 and SNF 4.1.1.
- (5) The work selected for the PAs is the most critical. In order for the contractor to earn fee under the PAs, there must be significant progress made against the baseline.
- (6) This area is incentivized in PEP paragraph B 3.
- (7) This area is incentivized in PEP paragraph B 3.

Tank Waste Remediation System:

HAB Advice:

"The following areas should be emphasized within the performance agreements for the Tank Waste Remediation System program: 1. waste retrieval, 2. waste characterization for vitrification and safety, 3. progress on readiness to proceed, 4. interim stabilization of tanks."

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RL Response:

- (1) This area is incentivized in FY 1999 TWR PAs 1.3.2, 1.3.3, and 1.3.4.
- (2) This area is incentivized in FY 1999 TWR PAs 6.2.1, 6.2.2, 6.2.3, 6.2.4, 6.3.1, 6.3.4, 6.3.5, and 6.3.7.
- (3) This area is incentivized in FY 1999 TWR PA 1.1.1, TWR 1.3.4 and 1.3.5.
- (4) This area is incentivized in FY 1999 TWR PA 6.4.1.

Plutonium Disposition:

HAB Advice:

"The following areas should be emphasized within the performance agreements for plutonium disposition: 1. progress on stabilizing of plutonium, 2. development of TPA milestones, 3. lifting of fissile movement restrictions, 4. development of validated cost/schedule baseline."

RL Response:

- (1) This area is incentivized in FY 1999 PAs FS 1.1.1 and 1.1.3.
- (2) FY 1999 PA FS 1.3.1, while not specifically calling out development of TPA milestones, will incorporate and address the development and establishment of TPA milestones as part of establishing a solid integrated baseline for Plutonium Finishing Plant (PFP).
- (3) This area is incentivized in FY 1999 PA FS 1.1.1.
- (4) This area is incentivized in FY 1999 PA FS 1.3.1.

Health and Safety:

HAB Advice:

1. "There should be performance agreements for health and safety on the site which emphasize the following areas:
 - progress on implementation of the Integrated Environment, Safety, and Health Management System (ISMS), including all applicable laws and regulations and reaching all workers on site to the lowest tiered contractor. Progress needs validation by baseline comparisons at the facility, contractor, program and project levels. To accomplish such validation, an accurate site roster must be established to add credibility to the baseline and worker/public health indices.
 - smooth transition of the occupational medicine contract.
 - improving the reporting climate for identifying health and safety problems.
 - development of an effective system of oversight by the medical director."
2. "Worker's rights should be protected, including a safety-conscious work plan and encouragement of open communication. Consideration of employee concerns should be enhanced. This should include the DOE, its prime contractors, and all their subcontractors."
3. "Safety performance should be carried out to the lowest-tier contractor and reflect inclusion of every worker on the Hanford Site in the safety performance statistics."
4. "Performance agreements should highlight the need for a good safety basis for K Basins, PFP, and TWRS."

5. "There should be more specificity on safety performance measures and non-TPA regulatory

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RL Response:

- (1)
 - (a) This area is incentivized in FY 1999 TWR PAs 5.1.1, 5.1.2, and SNF 4.2.1 and in PEP paragraphs B 1.1, B 2.6, and B 8.1
 - (b) The occupational medicine contract was transitioned by October 1, 1998.
 - (c) This area is incentivized in PEP paragraph B 8.1
 - (d) The medical director is responsible for the health of the workforce and reports to contractors and DOE on findings. All medical providers are required by the contract to conduct one field visit per month and report the findings to the contractors.
- (2) This area is incentivized in PEP paragraph B 9.
- (3) This area is incentivized in PEP paragraph B 8.1.
- (4) This area is incentivized in FY 1999 PAs FS 1.4.1, SNF 4.1.1, TWR 5.1.2, 6.1.2, 6.1.5, 6.3.1, and 6.3.4.
- (5) This area is incentivized in PEP paragraph B 8.7.

Environmental Restoration:

HAB Advice:

1. "Measurable cleanup and reduction of risk to the public, workers, users of the Columbia River, and the environment should be accomplished. In addition to the current measures of progress (i.e., cubic yards of soil removed or gallons of groundwater treated), this should be measured in terms of reduction of contamination levels in soil and groundwater, acres restored, or pounds of pollutant or curies removed. *(Note: DOE and the regulators are also urged to: (1) make timely decisions on what is to be done with contaminated soils that are not acceptable at ERDF and (2) expeditiously complete verification work and make timely decisions that will allow backfilling and revegetation after completion of soil removals.)*"
2. "Progress must occur on the groundwater/vadose zone integration project. Progress should be measured against work that is acceptable to the stakeholders. Contractors must do better in involving interested stakeholders in decision-making on this issue."

RL Response:

- (1) The Bechtel Hanford, Inc. contract contains a performance incentive for Land Disposal Restricted Waste at the Environmental Restoration Disposal Facility which calls for the start of treatment by March 30, 1999. RL has established dates for backfilling and verification of work at all soil removal sites for scheduled work in FY 1999. Revegetation is not appropriate for many sites and is only called out as a performance measure at one site.
- (2) The performance incentive for the vadose zone contains significant performance measures for public participation of stakeholders, regulators, Tribes, and other interested parties. RL is making major efforts to involve all parties in the decision-making process.

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Waste Management:

HAB Advice:

1. "The certification of WRAP for processing of TRU waste to meet RCRA requirements for storage should be included in performance agreements."
2. "Waste minimization and pollution prevention should be included in performance agreements."

RL Response:

- (1) This is included in FY 1999 PAs WM 1.2.1 and 1.2.2.
- (2) This area is incentivized in PEP paragraph B 2.5 and PA WM 2.2.1.

Facilities Stabilization

HAB Advice:

1. "Progress must be made on the 324/327 B Cell cleanout."

RL Response:

This area is incentivized in FY 1999 PAs FS 2.1.1, 2.2.1, and 2.3.1.

Integration of Science and Technology in the Cleanup

HAB Advice:

1. "The Hanford Deployment Center must be more proactive in providing outside vendors opportunities to apply their technologies onsite."
2. "The degree to which innovative science and technology are being integrated in the baseline should be incentivized. This should include an evaluation by a panel which consists, in part, of stakeholders and representatives of research universities."

RL Response:

- (1) This area is incentivized in PEP paragraphs B 1.3, B 2.6, B 3, and B 13.1.
- (2) This area is incentivized in the same PEP paragraphs as (1).

If you have questions, please contact me, or your staff may contact Paul Kruger, Deputy Designated Federal Official, on (509) 376-7387.

Sincerely,



James C. Hall
Acting Manager

PRO:GFC

cc: See pages 8 and 9

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