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March 18, 1997

Ms. Marilyn Reeves, Chair
Hanford Advisory Board
101 Stewart Street, Suite 1101
Seattle, WA 98101

Dear Ms. Reeves:

I am pleased to have this opportunity to respond to the Hanford Advisory Board's (HAB) Consensus Advice Letter #64, dated February 7, 1997 regarding "Renegotiation of TPA Milestones to Address Budget Cuts." The Department of Ecology shares your concerns regarding the impact of recent funding shortfalls on existing Tri-Party Agreement (TPA) milestones and requirements. I am particularly concerned that the apparent cause of the gap between identified workscope and funding levels is not solely the insufficiency of USDOE's budget request or Congressional action to fund that budget request.

As the Board noted in its Consensus Advice letter #65, the funding shortfall for Fiscal Year (FY) 1997 "...did not result from Congress' failure to appropriate the requested level of funds nor from unforeseeable new safety requirements." Instead, the shortfall appears to be caused by a combination of unanticipated workscope escalation, unplanned Project Hanford Management Contract (PHMC) transition costs, and increased overhead and indirect support costs. In our opinion, much of the cost escalation that is being experienced may well be caused by several key factors: 1) learning curve and management transition impacts of the new PHMC contractors; 2) the lack of a site-wide, integrated performance baseline; and 3) a reduced emphasis on cost and management efficiency in the FY 97 PHMC contract performance incentive structure.

Unless USDOE takes immediate and positive steps, the tendencies for uncontrolled or unanticipated cost escalation for the Hanford cleanup may well extend beyond FY 97. Continued cost escalation of this kind will certainly lead to additional pressures by USDOE to renegotiate key elements of the TPA, particularly those related to the Tank Waste Remediation System (TWRS) program.

As you are aware, the TPA was carefully structured to reflect more than the requirements stated in our environmental laws and regulations. It was written and, through the years, revised as needed to legitimately reflect evolving technical requirements. As a result of a carefully defined public involvement process, the TPA reflects the values of the public and Hanford's stakeholders.

As we have stated many times in the past, Ecology will cooperate with USDOE to effect changes to the TPA that make good technical and programmatic sense and which out-perform current TPA requirements, without sacrificing public and stakeholder values and expectations. We will



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continue to positively and constructively seek solutions to the current funding shortfall problems; however, before accepting any changes, we will consider the following:

- 1) The technical merit or improvement resulting from such changes;
- 2) The life-cycle technical, schedule and cost impacts of the proposed changes;
- 3) Impacts on other Hanford environmental activities;
- 4) Cost and management efficiency efforts; and
- 5) USDOE efforts to hold the PHMC and other contractors accountable and to balance technical, performance and cost performance incentives.

Please be assured that, while we cooperate with USDOE, EPA, stakeholders and the public to determine efficient pathways toward achieving our public health, worker safety and environmental protection goals, we also expect that USDOE and its contractors will meet existing TPA requirements. As necessary, we will pursue whatever means are necessary in ensuring the integrity of the TPA.

Sincerely,



Tom

Tom Fitzsimmons
Director

cc: Chuck Clarke, EPA
John Wagoner, USDOE RL
Alice Murphy, USDOE
Randy Smith, EPA
Oregon and Washington Congressional Delegations