March 18, 1997

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

Dear Ms. Reeves:

The Department of Ecology is pleased to submit our response to the Hanford Advisory Board’s (HAB) Consensus Advice Letter #65, dated February 7, 1997 regarding “Unacceptable Program Impacts Under FY 97 Budget.”

In our FY 97 budget comment letter to John Wagoner, dated February 4, 1997, and in other previous Hanford budget-related correspondence, we expressed many of the same general concerns as the Board has in its Consensus Advice Letter #65. We generally agree with the concerns stated in your letter. Our specific response to the key points of your letter are as follows:

1. Causes of Unfunded Work Scope in FY 97: Ecology shares the Board’s alarm regarding the projected $160 million gap between available FY 97 funding and new workscope projections. We note that the significant increase in costs to achieve planned workscope, particularly in the overhead and indirect cost area, has occurred since takeover of the Hanford cleanup by the new Project Hanford Management Contractors (PHMC).

   We believe that two key elements must quickly occur to guard against unnecessary or unjustified workscope escalation and cost overruns. First, an integrated, site-wide technical, schedule and cost baseline must be established for the Hanford cleanup as soon as possible. Until this is accomplished, the most effective and efficient path to achieve progress will not be identified. In this situation, there is no optimized baseline for effective planning, performance measurement and cost control. The baseline should be independently validated with participation by regulators, public and stakeholders.

   Second, it is very important that the U.S. Department of Energy (USDOE) balance technical and schedule performance incentives with well designed cost and management efficiency incentives. Without such a balance, the natural tendency for contractors will be to mitigate technical and schedule performance risk in order to increase their chances of maximizing their profit or fee. In such situations, cost and management efficiency performance may not be viewed as important as achieving the technical or schedule performance incentive goals. USDOE must establish a balance between technical, schedule and performance in its PHMC incentive plan.

2. Shifting Cleanup Funds: As we have stated in previous Hanford budget comment letters, we believe that use of Environmental Management (EM) cleanup funds to subsidize a clearly defined Defense Program and/or Nuclear Energy activity is inappropriate. We agree with the Board’s recommendation.
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3. TPA Milestone Compliance Viewed Casually: We share the Board’s concern that compliance with TPA milestones does not appear to be a priority to USDOE management, their contractor program/project planners and budget developers. We have seen iterative effects of budget shortfalls on TPA milestones over the past four budget development cycles. We have noted USDOE’s Hanford Mission Planning Guidance which does not place top priority on compliance with regulations and state/federal cleanup agreements, and does not require identification of a funding case for compliance.

We believe that the TPA reflects what is needed to protect human health, worker safety and the environment, and that it generally reflects public and stakeholder values. The TPA has been carefully formulated and revised over the years with extensive involvement by the public and stakeholders.

Although we have stated that we will cooperate with USDOE to identify and implement the most efficient technical pathways and schedules to achieve an effective and efficient Hanford cleanup, we will expect USDOE to meet and achieve all key TPA milestones. USDOE must not presume, in its budget formulation and prioritization decisions, that regulators will agree to renegotiate TPA milestones.

Proposals to change existing TPA milestones must be submitted and reviewed through the established change request process. We will favorably consider change proposals only if they demonstrate technical/schedule approaches that outperform the existing TPA, or make good technical and programmatic sense. USDOE must also demonstrate that they are maximizing cost and management efficiency. We agree with the Board’s recommendations.

4. Vadose Zone Characterization: We generally agree that Tank Waste Remediation System (TWRS) vadose zone characterization must be adequately funded. It is clear that further characterization work and accompanying funding is needed for the TWRS program; however, characterization funding requirements must be weighed against TWRS program priorities as a whole.

We thank the Board for its views and advice in the above areas, and we look forward to working closely with the Board and USDOE to achieve sensible, workable answers to your stated concerns.

Sincerely,

Tom Fitzsimmons  
Director

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