

**FINAL MEETING SUMMARY**

**HANFORD ADVISORY BOARD  
BUDGETS AND CONTRACTS COMMITTEE**

*March 11, 2003  
Richland, Washington*

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*This is only a summary of issues and actions in this meeting. It may not represent the fullness of ideas discussed or opinions given, and should not be used as a substitute for actual public involvement or public comment on any particular topic unless specifically identified as such.*

**Welcome and Introductions**

Committee Chair Harold Heacock welcomed the committee and guests. The summary from the January committee meeting was approved as revised.

**Budget Information: Fiscal Year 2003 (FY03) Department of Energy-Richland  
Operations Office (DOE-RL)**

Jeanie Schwier, DOE-RL, stated there are currently no final numbers for the 2003 budget allocation, though she expects these numbers to be available by the end of next week. DOE-RL has tried to obtain an indication of what the bottom line will be, but the budget is still waiting for approval from Assistant Secretary Jessie Reason at DOE Headquarters (DOE-HQ). Until that approval is received, no data for FY03 will be released. Jeanie expects to have better information for the April Board meeting, including information about reductions from the original allocations.

Janis Ward, DOE-RL, discussed DOE-RL’s cost to date and budget request for 2003. She reviewed the 2003 Project Breakdown Structure (PBS), which includes the carryover from 2002, the President’s request, the cost of operations through February, and the remaining balance. The costs are only slightly higher than those from 2002. One significant area of cost is the Spent Nuclear Fuels Program, which has expended 67% of

its FY03 budget to date. As a result, Fluor is proposing to reallocate their share of budget for 2003.

Other DOE-RL staff members discussed the new PBS structure for 2004.

Steve Balone, DOE-RL, detailed the 2004 budget request for the Plutonium Finishing Plant (PFP). There are now a number of work scope items, which have associated Performance Incentives (PIs). This reflects the stabilization of all of the packaging material, which should be completed by the middle of 2004. DOE-RL also expects to complete the packaging of the material currently stored in the vaults. Decommissioning and demolition (D&D) activities will continue as will storage and operation activities.

Steve also discussed the River Corridor closure activities under PBS RL-0041. The closure activities for the F and H reactors are ongoing. Safe storage for F reactor will be complete in FY03, and H should be completed by 2005. They have completed or are on schedule to complete all of the milestones, with the exception of Tri-Party Agreement (TPA) milestone M1903H, which is re-negotiation.

Paul Carter, DOE-RL, reviewed the Spent Fuels request for FY04. Due to the new PBS structure, it is not an apples to apples comparison with FY03. Also, new PIs have been added in 2005 for intermediate milestones and acceleration of activities. The work scope includes removal of fuel, putting the Multi-Canister Overpacks (MCOs) in long-term configuration, removing debris, and the consolidation and management of spent nuclear fuel sitewide. The Canister Storage Building and Interim Storage Area facilities will transition to another PBS in the waste management area when spent fuels projects are completed.

Gigi Branch reviewed PBS RL-0013, which used to be the waste management program. The FY04 budget request for this PBS is \$56.5 million. There is currently no new information on when the Solid Waste Environmental Impact Statement (EIS) will be released.

Mike Dobbs, DOE-RL, reviewed PBS RL-0030, which includes groundwater activities. A number of activities are in progress, including waste site remediation and the feasibility study work. Ecological assessments are being completed along the shoreline for the N Springs.

Gigi discussed PBS RL-0040, which includes the remediation of burial facilities and waste management activities. The budget request for this PBS is \$118 million. A Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) based remedial investigation and a feasibility study are in progress to eliminate the septic system discharges from U plant.

Paul reviewed PBS RL-0020: Safeguards and Security. Denial Basis Threat upgrades are part of this and were designed to deal with some of the conditions which resulted from

September 11. This provides for additional protective force and supports the security condition measures. The increase in funding for 2003 is about \$20 million.

Janis covered PBS RL-0100, Richland Community and Regulatory Support, which is where the Board money comes from, as does taxes to the local counties and grants to Washington and Oregon.

### **Committee Discussion**

- Gerry Pollet asked what would happen to the \$6.2 million request for the new PFP grout vault if the vault were not actually built. Additionally, if it were not built, would there be a process for the board to advise on where the money should be spent? Jeanie answered the money would be shifted to make up for areas which had budget reductions in 2003. The decision would be based in part on the Board's budget recommendations for 2003.
- Maynard Plahuta asked how much the security costs would be to store the PFP waste material on site. Paul Carter said the site would need some security, but it would be small in comparison to what is currently in place.
- Several committee members asked about the progress for awarding the River Corridor Contract. Jeanie said a single issue is holding up the award, and it is being evaluated and discussed with the Office of Management and Budget (OMB). She would not give specifics on the issue.
- Gerry asked what the spending level difference is between FY03 and FY04 for Community and Regulatory Support. Janis Ward replied it is about a \$1.1 million reduction. DOE-RL is hoping to receive some guidance from DOE-HQ on how to distribute the cuts. Gerry expressed concern that this area in particular has been singled out for budget reductions.
- Committee members requested several specific pieces of budget information:
  - planning numbers for PBS RL-0041 and actual expenditures for FY03, when available;
  - identification of pipelines already removed in other 100 areas (reference removal of 100 B/C pipelines)
  - costs for groundwater well installations (both FY03 actuals and FY04 planning);
  - a break out of DOE-RL's legal costs for 2003 and 2004, particularly legal fees associated with the decision to defund the Hanford Joint Council;
  - a breakdown of the \$500,000 for the Environmental Restoration Disposal Facility (e.g., how much is going for 100 Area waste disposal and how much for 300 Area wastes?).
  - a break out of budget for shipping transuranic waste, retrieving and treating suspect transuranic waste from Hanford burial sites, treatment and

disposal of mixed low level wastes, and receipt of transuranic wastes from offsite.

### **Budget Information: DOE Office of River Protection (DOE-ORP)**

Jennifer Sands, DOE-ORP, discussed the 2003 PBS structure. She went over what has been appropriated but does not yet know what effect the rescissions and Congressional reductions will have. There will be some carryover from 2003 into 2004, so after they see where the reductions are overall, this may be considered for a source of funding.

### **Regulator Perspectives**

Melinda Brown, Washington State Department of Ecology (Ecology), stated Ecology is concerned there is not enough budget data; however, they have found people willing to listen to those concerns. Ecology feels this administration is keeping too much information sequestered and would like to know what is going on in the 2003 budget so they can see how DOE-HQ has aligned with it. Melinda said it is very helpful to hear what the committee's vision is because they represent what the public would like. This gives Ecology a focus alongside their regulatory responsibilities.

Dave Einan, Environmental Protection Agency (EPA), stated the sequestering of information is very troubling to EPA, as well. It makes it difficult to do anything but speculate on whether or not the cleanup will be funded.

### **Committee Discussion**

- Maynard asked if DOE-ORP would lose funding because they have carryover. Jennifer answered that the carryover is so low, it's barely noticeable. The funding does drop from 2003 to 2004 for CHG but since the reductions were planned for, no reductions in programs are expected.
- Gerry asked how much of the CH2MHill Hanford Group (CHG) funding is planned for closure. Jennifer replied that CHG is still working on determining their baseline for the work. Gerry pointed out this timing denies the committee the ability to comment on the Accelerated Tank Closure EIS before the comment period is over.
- Todd Martin asked if CHG signed a contract to close a certain number of tanks. Jennifer responded they signed for a total funding level. Discussions are being held to see if CHG can continue with work at a lower funding level and still meet their commitments. DOE-ORP is making sure CHG's plans are in compliance with the contract. The final baseline is contingent upon review and approval by DOE-HQ.
- Gerry asked if there are independent cost estimates for tasks such as closing tanks to verify that the cost estimates given by the contractors are reasonable. Maynard wanted to clarify that the technical staff has assessed how much money is needed for the work to be accomplished. Jennifer answered there is not a detailed baseline yet, but there are general ideas. When the new baseline is ready, she would like to discuss

it with both the Tank Waste Committee and the Budgets and Contracts Committee in a joint meeting.

- Gerry asked about proposed changes to the configuration of the Waste Treatment Plant (WTP). How will funding be allocated if Low Activity Waste (LAW) has to be disposed of in new facilities? Will DOE-ORP or DOE-RL be responsible for coming up with the funding?
- Harold Heacock asked about further breakdowns by contract of the \$28 million for alternative technology studies. Erik Olds, DOE-ORP, said DOE, EPA and Ecology are trying to set up higher level discussions on the alternative technologies. DOE-ORP will be more than willing to give contract specifics after these talks. Gerry asserted it doesn't matter if the agencies have talked: the public has a right to advise Ecology on the contracts before DOE talks to them. The contracts are public and should be available.
- Todd asked the agency representatives what the best way is for the Board to influence the process and give its input. Jennifer feels the Board can have the most influence on the baseline. There is a fixed amount of funding for CHG but the baseline can be affected. If there is continuing advice on baseline management, then DOE-ORP would look to that when developing new baselines and the Board's input would be in place for any new contracts.

### **“Conditional Payment of Fee” Contract Mechanism**

Doug Shoop, Rob Hastings, and Shirley Olinger of DOE-RL discussed the Conditional Payment of Fee (CPOF) program. In the past, the primary way to fine a contractor for safety violations was through the Comprehensive Fee Evaluations. These were fairly subjective and the criteria could change from year to year. This method was not very effective and in some cases it drove or resulted in the wrong behavior.

The CPOF program establishes “safe” operations as the threshold the contractor must meet before expecting to earn a fee. DOE-RL does not want to give a fee to unacceptable contractor practices. The hope with this program is the self-identification of issues by the contractors. Penalties are proportional to offenses and are no longer subjective. There are three degrees of non-compliance, each with associated criteria and penalty.

Doug concluded by saying in the past DOE had a lot of data but not a lot of information on performance of contractors. They will now take all of this data and turn it into information to give to management to use in quarterly contractor evaluations. The hope is to change the feel that DOE-RL is unresponsive to safety concerns with contractors.

### **Committee Discussion**

- Maynard asked how is it ensured that the right process will be used for the type of program in place or the mistake that has occurred. Rob Hastings explained different examples of the degrees of variation. If the program in place is poor, that could also constitute a degree violation.

- A committee member asked what would be a “Type 3” investigation. Rob answered these are just criteria to help them manage what they should be aiming towards. The third degree is to ensure safety programs are implemented, working and being used correctly. If an accident happened, the contractor knew the accident happened, and didn’t inform the proper people, this shows a lack of faith and trust. Keith Klein, DOE-RL Manager, can take away 100% of funding at any time if he feels the contractor is in non-compliance. Rob went on to say that mitigating factors will be considered such as the degree of controls the contractor had or the effort made to anticipate the problem in advance and fix it.
- Gerry noted he didn’t see any mention of external or other findings of retaliation or discrimination against employees who come forward to report violations. Shirley responded such retaliation or discrimination would be viewed as non-compliance. Since a third-degree violation only has to be the contractor not in compliance with his contract, in this example the contractor would receive the penalty. Gerry added he would like the document explaining CPOF to be broad enough so it doesn’t become an issue of what action is not on the list.
- Melinda asked how employee concerns are tracked. Are they done by category or number? Does DOE-RL look at the timeliness of actions and then the detail? Doug stated they want to be really careful: they are concerned if they look only at the number of concerns, it may drive them under. What they really want to focus on is the particular issue.
- Gerry noted there is a large difference between the fee imposed under this plan and the Price Anderson Act penalty. Under this fee, the cost would be millions of dollars versus the Occupational Safety and Health Administration (OSHA) penalty where a near miss may only be \$10,000. Gerry asked if this raises the pressure not to report. Doug responded that the penalty is increased for not reporting. DOE-RL is hoping the contractors will do everything in their power to report. Additionally, the facility reps are on site and know what is happening.
- Maynard commented the manager still has the latitude to make decisions. Doug mentioned one of the things DOE-RL may not have been doing was evaluating the contractors’ overall performance. This is now being done every quarter to provide contractor performance feedback to management. These evaluations include employee concerns and whether or not the contractor took corrective actions.
- Several committee members expressed a belief that the CPOF is a good step forward and represents a more transparent process.

### **Board Advice on DOE Budget Process**

The committee discussed topics for advice. Much of the discussion focused on the lack of information from DOE and the role of TPA sections 148 and 149, which require that information be given to the regulators. Without this information, it is difficult for the regulators and the Board to identify priorities. Several committee members suggested advising Ecology and EPA to take action to enforce these TPA provisions.

The committee also looked at how DOE-ORP has changed project scope without the public's input. Decisions are being made before the possible budget impacts are known. Additionally, the contractors should not be setting the priorities for DOE.

The committee decided the advice should focus on two issues:

- 1) DOE-HQ embargoing information and the lack of communication about decisions.
- 2) The lack of communication on decision-making at the local level. Several examples of decisions made without public input on budget implications include:
  - supplemental technologies in the WTP
  - tank closures
  - WTP 3<sup>rd</sup> LAW melter
  - Cesium/Strontium
  - groundwater priorities
  - Tc-99 removal in the WTP pretreatment
  - soil cleanup actions
  - N Area Explanation of Significant Difference (How do we know it's too expensive without knowing what the priorities are and what won't happen instead?)

Gerry will provide language on the TPA for the advice; Maynard and Harold will work on the advice and circulate drafts to committee members prior to the April 3-4 Board meeting.

### **Committee Business**

Harold will work on coordinating a presentation of budget information to the Board in April. The agenda will be:

- budget process history / how we got to here
- what's published/available
- regulator perspective
- why it isn't enough
- Board questions

The committee discussed the budget timeline process, which was revised in 2002. It was decided this process would drive the committee's work in the future, so it's time to speak to DOE-RL and DOE-ORP about how it interacts with what is going on now. Committee members would like something in place that works as a basis and foundation on which to operate no matter the administration at DOE-HQ. This process document, what it captures conceptually and practically, will be the subject for much of the discussion at the next committee meeting.

### **Handouts**

- PBS Handout, DOE-RL, March 11, 2003.

- FY2003 Spending by PBS, DOE-RL, March 11, 2003.
  - Budgets and Contracts Committee Agenda, March 11, 2003.
  - FY2003 Budget Status, DOE-ORP, March 11, 2003.
  - Safety Oversight, Rob Hastings DOE-RL, March 11, 2003.
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**Attendees**

**HAB Members and Alternates**

Al Boldt	Todd Martin	Art Tackett
Jim Curdy	Maynard Plahuta	Dave Watrous
Harold Heacock	Gerry Pollet	

**Others**

Steve Balone, DOE-RL	Melinda Brown, Ecology	Nancy Myers, Bechtel Hanford
Gigi Branch, DOE-RL	Dave Einan, EPA	Liana Herron, EnviroIssues
Paul Carter, DOE-RL		Lynn Lefkoff, EnviroIssues
Mike Dewitt, DOE-RL		Barb Wise, Fluor Hanford
Rob Hastings, DOE-RL		Sharon Braswell, Nuvotec
Shirley Olinger, DOE-RL		John Stang, TriCity Herald
Jean Schwier, DOE-RL		
Yvonne Sherman, DOE-RL		
Doug Shoop, DOE-RL		
Michael Thompson, DOE-RL		
Janis Ward, DOE-RL		
Erik Olds, DOE-ORP		
Jennifer Sands, DOE-ORP		