FINAL MEETING SUMMARY

HANFORD ADVISORY BOARD
JOINT MEETING OF THE TANK WASTE AND BUDGETS & CONTRACTS COMMITTEES
November 6, 2001
Richland, WA

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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.

Introduction

Budgets and Contracts (BCC) Committee Chair Harold Heacock opened the joint meeting of the BCC and Tank Waste (TWC) Committees. TWC Chair Leon Swenson recounted that at the morning's meeting of TWC, members had prioritized issues on the TWC work plan. The committee chose to focus on five issues in the near-term so that committee members would be able to direct energy toward the Ad Hoc Task Force.

Committee Business

BCC approved its October meeting summary. Harold Heacock announced that he had a attended a meeting by the Department of Energy – Richland Operations Office (DOE-RL) last week about the proposed River Corridor Contract Draft Request for Proposals. He drafted a memo outlining list of issues for BCC to consider in its discussions today.

DOE-Office of River Protection Fiscal Year 2001 Budget and Baselines

Denny Newland commented that the issue managers are following the budget process. Jennifer Sands, Department of Energy – Office of River Protection (DOE-ORP), led the committees through a presentation of the DOE-ORP Fiscal Year (FY) 2001 funding status. She pointed out that the Waste Treatment Plant (WTP) has significant carry over, which was intentional because the project is funded levelly. Only about one-third of the carryover is committed.

- Committee members asked about the risks of funding the WTP with this approach. Jennifer Sands said there is always the risk of not getting funding; DOE-ORP continually has to sell this funding method and educate Department of Energy – Headquarters (DOE-HQ).
- Is this a form of pre-financing the WTP? In a way, but a formal pre-financing concept has been set aside.

Jennifer Sands explained that for CH2M Hill Hanford Group (CHG), part of the carryover was intentional. For the Tank Retrieval System (Project Breakdown Summary [PBS] #W-211), DOE-ORP may need to offset some of the cost. CHG was funded to the baseline level in FY01. It had to identify efficiencies in FY01 for carryover to fund some work in FY02 and FY03. For the first couple of years of the contract, there is a difference in the uncosted amounts.

- Ken Bracken expressed concerned that DOE-ORP develops and conveys a consistent story to DOE-HQ. He is worried that the message is lost between DOE-HQ and the Capitol.
- Roger Stanley, Washington State Department of Ecology (Ecology), said $60 million of $174 million carryover had already been committed, leaving $115 million in carryover in FY02, with more to be carried over into FY03. He asked how much of the remaining carryover money would be committed through early procurement activities. Jennifer Sands and Pete Furlong, DOE-ORP, said there is a schedule and table that shows procurement by fiscal year. Ken Bracken emphasized that the information should be summarized somewhere.
- Jeff Luke asked for an explanation of the "TW06 Privatization Phase I" work. Jennifer Sands explained that it for unobligated funds from BNFL that DOE-ORP is holding until it reaches agreement with BNFL on some items.

Jennifer Sands explained that she had provided the committees with the total DOE-ORP baseline as well as those for CHG and BNI. However, when added together, the CHG and BNI baselines do not equal the total DOE-ORP baseline because there are other small projects that DOE-ORP has, accounting for the difference of about $60 million.

CHG FY2001 Baseline Performance

Jennifer Sands described the cost and schedule variances for the CHG baseline. Of the work CHG completed, it was done 10% cheaper. However, they did not do 3% of the work. Work in the tank farms (PBS #W-314) is behind schedule, and the negative cost variance is due to CHG's attempt to meet schedules. Work on the Tank Waste Retrieval System (PBS #W-211) has a negative cost variance. There was work in FY01 that DOE-ORP decided not to perform. DOE-ORP is not pleased with CHG's cost performance.

- Ken Bracken noted that W-211 is critical to treating the waste.
- Leon Swenson pointed out that CHG appears to be ahead of schedule with the infrastructure.

- The committee asked if there are recovery plans for W-314 and W-211. Denny Newland, who is employed by CHG, said not yet, but there would be.
- Pam Brown expressed confusion on why CHG has requested a level of profit to receive the maximum fee allowed under its contract for the year.
- Doug Huston pointed out that CHG had two items with a positive schedule variance but everything else was behind schedule.
- Harold Heacock commented that the *Hanford Reach* has run a series of articles reporting that CHG projects are being finished ahead of time and ahead of cost.
- Jeff Luke observed that CHG was behind schedule in the Safety Issue Resolution category and suggested that was not a good topic to be slowly resolving.

Steve Wiegman, DOE-ORP, offered to provide a project update at the next committee meeting, since the CHG contract includes multi-year incentives.

Bechtel National, Inc. (BNI) FY01 Performance

BNI is on target with regard to cost. The schedule variance is due to redesign of the pretreatment facility, but DOE-ORP believes the schedule is recoverable.

FY2001 CHG Accomplishments

CHG has resolved all tank waste safety issues and deleted all problem tanks from the Watch List. It met all Consent Decree milestones on interim stabilization for Single Shell Tanks (SSTs), although one milestone was achieved a few days late. Melinda Brown, Ecology, explained that there were many factors contributing to delays in the project, but by working diligently, CHG caught up. Jennifer Sands commented that DOE-ORP has a problem with the cost variance and a few other issues. Other CHG accomplishments include transitioning the WTP to BNI, completing the infrastructure support for the WTP (at $9 million below budget and one year ahead of schedule), identifying $85.5 million total contract savings, and awarding the Cold Test Facility design and build contract (to support SST retrieval demonstrations).

FY2001 BNI Accomplishments

DOE-ORP approved the BNI baseline. BNI awarded the Operability and Commissioning support contract to CH2M Hill, submitted a Notice of Construction to Ecology, received a radioactive excavation air permit from Washington State, received DOE approval on WTP site layout drawings, and continued pilot low activity waste melter testing.

Other Aspects of FY2001 Year End Status

Jennifer Sands distributed a handout ("FY01 Carryover Workscope") summarizing the list of FY01 workscope being carried over to FY02. The estimated value for the work is about $11 million.

- Ken Bracken expressed concern that DOE-ORP was not effectively conveying a management overview of the River Protection Project (RPP). He could not see the continuity between fiscal years that could easily identify the resources needed for work.
- Leon Swenson requested DOE-ORP flag those items that carry the greatest risk to the project, including multi-year risks.

Jennifer Sands directed the committees to a listing of DOE-ORP TPA/Consent Decree milestones. Two milestones were missed – start of construction of the vitrification plant and pumping of Tank S-102 (which was only off by a couple of days). She then described the approved contract "lift" status and the Management Reserve Funding Sources and Uses. She explained that Stretch and Superstretch work are partially unfunded, but are part of the baseline.

- Denny Newland requested more detail on where the extra funding came from so the committee could evaluate whether infrastructure was properly addressed.
- Keith Smith asked how CHG identifies savings. Jennifer Sands listed the sources of some of the savings: Training, Waste Management, Administration, Financial control, Legal, Emergency Response, AP farms, Waste Treatment. She emphasized that CHG identified cost savings across the board.

Regulator Perspectives

Melinda Brown, Ecology, reported that Ecology wants to see the TPA milestones funded and the contractor incentivized to finish the work. Ecology receives updates at monthly meetings. For Tank Waste Storage operations, there have been many work shut downs. DOE-ORP declared some tanks interim stabilized based only on a month's worth of data, which is a risk if those tanks no longer meet the stabilization criteria in FY02. Ecology is also concerned about the completion of W-214 by 2005.

There is a TPA disconnect with the Immobilized Low Activity Waste (ILAW) facility. The contractor is incentivized to a schedule that exceeds the schedule of the milestones, so Ecology has been discussing the schedule and baseline with DOE-ORP. There was a milestone to get the ILAW permit by a certain time. Then DOE-ORP changed its plan so ILAW would not need to be operational until later and asserted that it would be wasteful to build the facility in advance, which would mean running the operational readiness plan more than once and having idle employees.

Roger Stanley, Ecology, reported that Ecology was disappointed that construction of the vitrification plant did not begin. However, Ecology is encouraged by the ramp up with CHG and BNI.

- Jim Cochran asked if Ecology was concerned about any of the carryover workscope relative to near-term TPA milestones. Melinda Brown, Ecology, responded that U-107 keeps getting delayed, but Ecology has been assured those delays will not affect the scheduled pumping of U-108. However, she is concerned with Tank to Tank Transfers because a transfer line failed its annual

test. If the SS-1050 transfer starts by mid-November, interim stabilization will not be affected. Suzanne Dahl, Ecology, expressed concern about the schedule in some W-211 projects. The upgrades to provide the WTP feed need to be in place. There are many upgrades that must occur before 2007.

Steve Wiegman, DOE-ORP, emphasized that the HAB should share that concern because due to procurement regulations, the CHG contract ends before the date of the first transfer.

Issue Manager Denny Newland wrapped up the discussion by commenting that the committee had wanted a more in-depth perspective on the projects. He requested more detail about where money was saved and used in 2001. He suspects a lot of money was saved on projects, but the scope is being changed. Jennifer Sands explained that the $41 million was saved on mostly non-project work. The committee would like to know the source of those funds.

DOE-ORP Recovery Plan

Roger Stanley, Ecology, reported that Ecology would submit comments on the recovery plan to DOE-ORP late next week. Ecology and DOE-ORP will work out differences between now and the end of the year. Public comment will begin in 2002. Gerry Pollet requested that Ecology share its comments with the committee at same time it gives them to DOE-ORP.

Ecology is cautiously optimistic. The budget piece is the largest issue associated with the recovery plan. Ecology's Final Determination said that the recovery plan had to document that DOE had sufficient FY02 funding. Ecology hopes there will be a final budget allocation letter soon. Jennifer Sands reported that DOE-ORP is already working on the letter, which may be available by the end of November.

Roger Stanley emphasized that there will be a problem if the budget is only allocated incrementally. Also, Ecology has the baseline schedule, but needs more information about the possibility of achieving the start date of hot commissioning by 2007. Ecology is also looking at whether there is adequate time to complete the permitting of the ILAW facility and the Canister Storage Building. In addition, some items in the baseline do not appear to be part of the recovery plan. Ecology wants the schedules to be as accurate as possible.

- Gerry Pollet asked Ecology what it would like for a target budget for FY03 and outyears. Roger Stanley said the optimal budget would include adequate funds for FY02 to carry over to FY03. Gerry urged Ecology to get a commitment from the Administration for funding through the Administration's four-year tenure. Roger Stanley noted that one purpose of the meeting between the TPA agency heads and Assistant Secretary Jessie Roberson was to assess her support for FY02 and FY03 funding. The committee noted that this issue has the potential to be the subject of future draft HAB advice.

- Maynard Plahuta asked about the status of the effort to secure multi-year funding. Roger Stanley responded that there has not been much work done on it recently, although the Cleanup Challenges and Constraints (C3T) "Gang of 4" (TPA agency heads) had identified multi-year funding as an important activity and the "investment strategy" was on the agenda for the recent meeting with Jessie Roberson.
- Steve Wiegman, DOE-ORP, commented that he was frustrated with the safety standouts and impact on projects. Work delays that occur during prime working season have a dramatic cost impact. He noted that DOE-ORP should be careful about balancing the various types of risk.
- Pete Furlong, DOE-ORP, commented that the recovery plan is based on approved CHG and BNI baselines. BNI has not requested any changes to its baseline, so its current work on some facilities (such as the pretreatment facility and the laboratory) is not within the approved baseline. He wondered if there would be future concerns from Ecology and the HAB. He added that DOE-ORP has encouraged BNI to submit baseline changes with their current ideas.
- Roger Stanley noted that Ecology is reluctant to send the recovery plan out for public comment if the plan says a Low-Activity Waste facility will be built, when it reality, it will not.

DOE-ORP Fiscal Year 2002 Budget and Baselines

Jennifer Sands informed the committee that the federal government is still operating under a fourth continuing resolution, which will be effective through November 16th. The budget is awaiting presidential signature. DOE-ORP will receive $1.035 billion; of that, Bechtel will receive $664 million from the appropriation, and CHG will receive $366 million. The Appropriations bill included a $92 million general reduction and a $20 million uncosted reduction. DOE-ORP's large uncosted balance is vulnerable. DOE-ORP should know by the end of November or early December how it will be affected by the reductions.

In January, DOE-ORP will be able to categorize all work by PBS. CHG will maintain the tank farms, perform ultrasonic testing on tanks, start interim stabilization pumping, design and start construction of Double Shell Tank (DST) feed delivery systems, continue with tank farm upgrades, initiate testing in the Cold Test Facility to support SST retrieval demonstrations, test the crawler for SST waste retrieval, provide WTP construction utilities, complete preliminary design of the ILAW interim storage facility, submit field investigation reports for specific waste management areas to Ecology, and initiate characterization of other waste management areas.

BNI has received limited construction authorization from DOE. BNI will initiate procurement of electrical equipment, continue receive concrete and rebar in FY2002, and complete filling the first high-level waste (HLW) prototype canister with glass, to be done by Duratec in Maryland. The current schedule has construction of the vitrification plant beginning in November 2002, but DOE-ORP may be able to push it up to July.

DOE-ORP does not believe it will miss any of the planned TPA milestones for FY2002; it has already achieved two. Steve Wiegman noted that DOE-ORP will have to think seriously about SST space and capacity if construction for the vitrification plan is delayed.

DOE-ORP Outyear Budgets

Jennifer Sands provided the committee with information on DOE-ORP's FY 2004 Budget Formulation. With the goal of providing the committee with information as early as possible, DOE-ORP's made a best guess at a reasonable range for outyear budgets. Normally in November, DOE-ORP would have an indication of the FY2003 budget allocation, but this year it does not. DOE-ORP would like to know if the HAB is comfortable with the ranges of numbers presented. The reason for this exercise is to provide a bounding case so DOE-ORP and the HAB can understand the ripple effect of deferring specific projects, safety trade-offs, and other impacts.

Jennifer Sands explained that the low bounding case is the FY2002 President's budget. Gerry Pollet suggested running a scenario for the most likely funding scenario, which he thinks is the scenario appropriated for FY2002 (not including the Congressional supplemental) – $1.035 billion. DOE-ORP wants to keep funding BNI at $690 million, so this funding scenario could be run to see the resulting TPA disconnects and impacts on CHG. DOE-ORP agreed to run the sensitivity analysis and bring the impacts to a January committee meeting.

Jennifer Sands also offered to seek additional input from the committee if she receives more information from DOE-HQ. She clarified that she will call a third case the "HAB Committee Scenario" for modified flat funding. Under this scenario of $1.035 billion, CHG would receive $341 million, Bechtel $690 million, and ORP Safety Regulation $4 million.

The committees discussed working with the Public Information and Communication (PIC) Committee to prepare for the public comment period on the budget. PIC will not meet in December, but the TPA agencies offered to put together a straw public involvement proposal. Gerry Pollet reminded DOE-ORP that under the TPA Community Relations Plan, the conference calls to decide the locations of public budget meetings have traditionally been held with people and organizations who are not all HAB members.

Additional Budget and Baseline Issues

In response to a request made in the morning TWC meeting, Steve Wiegman, DOE-ORP, had arranged a presentation to further clarify the current baseline.

Pete Furlong, DOE-ORP, explained that the current tank waste treatment baseline contains two phases. Phase I is the pretreatment phase, lasts until 2018, and would treat the waste in about 8-10 tanks. The Phase II baseline is still based on the privatization approach with design, construction and commissioning beginning in 2005. In Phase II two additional pretreatment facilities, two Low-Activity Waste, and one High-Level Waste facilities would be built, and the waste in about 168 tanks would be treated by 2028. The cost of Phase II is $11-$17 billion.

Since 1998, there has been a lot of discussion of what Phase II should look like, since the current Phase II reflects the privatization approach. Phase II is the balance of the mission, but DOE-ORP hopes to replace the existing Phase II because it does not assume full use of the capacity of the first vitrification plant built in Phase I.

Pete Furlong explained that rebaselining can cost $3 million, which could take money away from CHG work in the Tank Farms. However, an accurate baseline could build credibility with Congress for the project, since outyears are reviewed when allocating near-term budgets.

- Dave Johnson asked how long DOE-ORP could postpone creating a new baseline. Pete Furlong estimated DOE-ORP could wait until the middle of FY2003, because a new baseline will be needed for the FY2005 budget. Gerry Pollet noted that the associated TPA change would need to be done in 2002, and the Environmental Impact Statement (EIS) should have been done a year ago. Steve Wiegman said DOE-ORP is aware of those pressures and wanted the HAB to be aware of this problem.
- Gerry Pollet expressed confusion at why DOE-ORP cannot make a rough estimate correction to the baseline if it is so obvious that billions could be taken off of the outyear baseline.
- Harold Heacock observed that DOE-ORP does not seem to have enough information.
- Gerry Pollet pointed out that although it may be a waste of money to realign the baseline, it also a waste to study options that might not be legal or lack public support. He urged DOE-ORP to study other alternatives to get the site cleaned up by 2028. For instance, he noted that not doing pre-treatment would save money
- Doug Huston noted that the balance of mission concept proposed by Harry Boston is attractive because it does not involve a lot of design work or permitting.

The committees agreed that something should be done regarding Phase II. Committee members wanted to know what other options have been examined. Steve Wiegman said there is currently no schedule to revise Phase II because there are fundamental issues to discuss. DOE-ORP will not make any changes before going through the appropriate processes, but it is faced with the poor outyear credibility of the baseline.

Work Planning and Wrap Up

Harold Heacock asked members of BCC to identify issues on its work plan that are time critical between now and April. Further, of the time critical work, what overlaps the work of the Ad Hoc Task Force? BCC committee decided that only its work on the budget process and the River Corridor Contract are time critical.

The two committees noted that there might be some issues with CHG's performance. DOE-ORP will provide more information to the committees in January, which could be folded into discussions on performance incentives in BCC.

Denny Newland reminded the committees that Ecology might make a decision on the recover plan based on the commitment from the Administration on funding. Gerry Pollet suggested the topic be discussed at the December HAB meeting. He also requested a report on the meeting between the TPA agency heads and Assistant Secretary Jessie Roberson, specifically regarding the possibility of a multi-year funding plan from the Administration.

Handouts

- Draft Agenda for Joint Committee Meeting: Budgets & Contracts and Tank Waste, November 6, 2001
- Letter from Harold Heacock, Budgets & Contracts Committee Chair regarding DOE-RL Proposed River Corridor Contract, November 6, 2001
- ORP Baseline Element, November 6, 2001
- FY02 Carryover Workscope, November 6, 2001
- Presentation to HAB Joint Committee Meeting by Jennifer Sands, DOE-ORP, November 6, 2001
- Budgets and Contracts Committee Work Planning Table, October 10, 2001

Attendees

HAB Members and Alternates

Ken Bracken	Pam Brown	Jim Cochran
Harold Heacock	Doug Huston	Dave Johnson

Jeff Luke	Denny Newland	Maynard Plahuta
Gerry Pollet	Keith Smith	Leon Swenson

Others

Gail McClure, DOE-RL	Melinda Brown, Ecology	Kim Ballinger, Critique
Joe Cruz, DOE-ORP	Suzanne Dahl, Ecology	Carolyn Haass, CHG
Pete Furlong, DOE-ORP	Roger Stanley, Ecology	Jim Honeyman, CHG
Myrna Partida, DOE-ORP		Christina Richmond, EnviroIssues
Jennifer Sands, DOE-ORP		Ruth Siguenza, EnviroIssues
Steve Wiegman, DOE-ORP		Kristy Collins, Informatics
		Chris Chamberlain, Nuvotec
		Peter Bengtson, PNNL
		John Stang, Tri-City Herald