

FINAL MEETING SUMMARY

**HANFORD ADVISORY BOARD
BUDGETS AND CONTRACTS COMMITTEE**

*November 13, 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 Gerry Pollet opened the meeting and welcomed the committee and guests. He briefly reviewed the agenda and goals for the meeting. He noted the purpose of this meeting was to become familiar with the new baseline structure in order to better understand the President’s forthcoming budget.

The October meeting summaries were adopted.

Department of Energy-Richland Operations Baseline Detail

Rich Holten, Department of Energy-Richland Operations (DOE-RL), introduced several representatives from Fluor Hanford, Inc. (Fluor) who were present to discuss the scope, cost, and schedule of each Project Baseline Summary (PBS). He noted that some factors such as the results of the M-91 negotiations have not been figured into the current baseline and the budgetary impact of these is still unknown. With the previous constraints, all Tri-Party Agreement (TPA) milestones should be met. Rich added there was nothing new that he could report to the committee on the River Corridor Contract.

PBS RL-0040 – Nuclear Facility Decontamination and Demolition

Doug Wertz, Fluor, stated that PBS RL-0040 encompasses a large geographic area and includes many near-term as well as closure activities. Some of the scope under this PBS includes facility surveillance and maintenance in the 100/200/300/400/600 Areas, decontamination and decommissioning of U-Plant and plutonium concentration facilities, and waste site remediation of all areas of the site from the river to the plateau. A large

amount of effort has been directed to the U-Plant feasibility study. This will be used as a process example for the major canyons. This PBS also includes disposition of the U-Plant canyon facility and the decontamination and demolition of facilities located at U-Plant canyon. Waste site assessment will be completed by 2024, which is compliant with the TPA.

The balance of accounts in PBS RL-0040 reflects the disposition of facility decontamination and demolition (D&D) efforts. This work includes the canyons, labs, and waste complexes. The disposition and surveillance of general-purpose facilities is also included, which reflects the transfer of D&D facilities from other contractors.

Doug briefly discussed the life cycle cost profile by control account. This provides a picture of the work that is being done each year and the associated cost. The work for this PBS will pick up in 2012 after the completion of the River Corridor Contract. This will also be when waste site remediation work increases.

Committee Discussion

- Gerry asked how shifting dollars and priorities could be affected by the contract. Rich stated that there is flexibility. He used the river corridor as an example: once this work is finished, money becomes available for other projects. Rich added that the baseline cost figures have increased because the landlord and service budget PBS has been removed and the money has been spread over all the PBSs.
- Maynard Plahuta asked if allocation of the landlord and service budget was determined using a consistent factor. Rich replied it was based on which PBS used the greatest portion of the budget. Because the facilities and waste sites under RL-0040 use most of the services, the majority of the budget was placed under this PBS.
- A committee member asked if CH2MHill Hanford Group (CHG) facilities would transfer to this PBS. Doug replied that a limited amount of infrastructure and support facilities would be transferred.
- Gerry asked if there is documentation for a range of cost estimates and how these may change if certain assumptions do not occur. Doug replied that such documentation is not available; the baselines reflect only what has been assumed.
- A committee member noted that some of the service costs escalate significantly. Rich stated this is because the service account is distributed differently over the PBSs each year based upon how much of the service work falls under each PBS. The escalation is just for this project; overall the budget is decreasing.
- Several committee members asked why the U-Plant ancillary facilities are a priority. Rich replied it is being used as a demonstration project to gain experience in closing a canyon. From a risk perspective, it is the lowest risk facility so it is easier to tackle and therefore a better learning experience. Nick Ceto, Environmental Protection

Agency (EPA), noted that there could be a budget gap and priorities may need to shift.

PBS RL-0011 – Nuclear Materials Stabilization and Disposition of the Plutonium Finishing Plant

Linda Maiden, Fluor, discussed PBS RL-0011, which encompasses Nuclear Materials Stabilization and Disposition of the Plutonium Finishing Plant (PFP). This PBS includes the stabilization and packaging of the PFP special nuclear material inventory. Once this is complete, the material will be sent to the Savannah River Site (SRS) for long-term storage and disposition. This baseline does not support alternate storage.

PFP systems and structures will be deactivated and dismantled to eliminate significant hazards to the workers, public, and environment. This will also minimize the need for long-term surveillance and maintenance. The packaging and stabilization of materials will conclude in February and after that time, the intent is to remove the legacy materials from the glove boxes and piping. Some of this material may be shipped to SRS, which will allow for the removal of the guards. The project is scheduled to be in slab-on-grade condition by 2009. The ramp-up to this project has been aligned with the deactivation of Spent Nuclear Fuels (SNF) to allow the movement of employees from one project to the other.

Linda provided the yearly costs for each component of the project. She noted that safety and security costs tail off because de-inventory will be completed in 2005. Maintenance facilities funding will also drop off because the facilities will no longer be in a condition where much maintenance is needed. Disposition of the facilities will start in earnest and then grow through 2005 and 2006. Funding of this element will drop off when demolition begins.

Committee Discussion

- Maynard asked what the current status is of SRS accepting the legacy materials. Linda stated that an initial shipment is planned for this quarter but a Record of Decision (ROD) and consolidation letter still need to be provided.
- Does slab-on-grade mean the cribs will be completed? Linda replied this means that everything above grade will be completed. PFP below-grade is part of the regional closure plan under PBS RL-0040.
- Gerry asked what will happen if the sludge removal milestones are missed. Linda stated that the performance of other projects is not impacting progress of this project.

PBS RL-0012 – SNF Stabilization and Disposition

Linda Powers, Fluor, alerted the committee that this baseline was developed last summer and then amended through change control. Fuel movements are not being completed in accordance with this baseline as the baseline is accelerated beyond what the contract required. The project must still meet the TPA requirements and hard work is being done to ensure that the next TPA sludge requirements are met. The intent is for sludge from K-East to be completed by August 2004 and from K-West by June 2005. FH is evaluating an option to grout and remove the 100-K Basin that, if accepted, would to accelerate final disposition by seven or eight years.

Beth Bilson, DOE-RL, added that the SNF project will move degrading spent nuclear fuel and radioactive sludge from wet storage to dry interim storage. The racks, debris, and water from the basins will be removed to safe storage and the facilities will be transitioned to the River Corridor contractor.

The budget is split among the 100 Area, the 200 Area, the Canister Storage Building (CSB), and the consolidation of site-wide fuel. The budget covers development work and construction for K-West sludge removal, deactivation and decommissioning work for basin transitioning work, and deactivation of 100 Area ancillary facilities. Project management is applied across the board and includes nuclear safety support, program management, general safety support, and training procedures.

Committee Discussion

- Gerry asked if River Corridor contract work is being moved into Fluor's contract. Linda replied that if this disposal was accepted there would be a BCR to change the baseline. Beth added that the BCR would allow for the removal the basins at the same time as the basin contents. This would allow faster access to the plume underneath and would help to save money from a contract perspective. It would be necessary to renegotiate some of the milestones because of needed changes in the technical approach but the final milestone, completion by July 2007, would not be impacted. Nick stated EPA has not heard anything about this proposed change.
- Al asked if a final disposition path has been chosen for the sludge. Linda replied that DOE Headquarters (DOE-HQ) has challenged the project to look at alternatives for handling the sludge. It is too premature to say at this time if those alternatives will be viable. Nick added that the current decision document directs the sludge to T-Plant for storage.

PBS RL-0030 – Soil and Water Remediation

John Perkins, Fluor, stated that this PBS includes the Groundwater Protection Program (GPP) work including 100 Area pump and treat, groundwater monitoring, well drilling, well decommissioning, and barriers. The intent is to address near-term risks first and then work their way out of business. An attempt is being made to integrate the GPP, the characterization of systems, the management of the waste sites, and geographical databases. The hope is to prevent further degradation of the groundwater by eliminating

artificial recharge conditions. The water lines in high-risk areas will be refurbished and wells in this area will be decommissioned.

A ramp-up will occur to deal with the high-risk areas such as the pipelines. All of the Fluor work taken together is relatively consistent and actually declining over time in total. As projects shift, so does their proportion of the services budget.

Committee Discussion

- Gerry asked where the soil remediation actions are. John replied those are under PBS RL-0040.
- Maynard asked if there is a category to prevent further degradation or if it is under a different PBS. John stated if a pipeline broke it would be under RL-0040 because it is a corrective action for a piece of infrastructure. The GPP portion will fade away by 2020 and the only piece left will be infrastructure, which will fall to PBS RL-0040. Rich added capital projects fall under PBS RL-0040 unless the project specifically addressed groundwater.
- Nick stated this baseline is very speculative because a groundwater ROD has not been written. Even though the source controls may have been completed, it does not mean that groundwater remediation is finished.
- Gerry noted this baseline only provides \$1.7 million for groundwater wells in 2004. He asked if this does not take into account the proposed change to 15 wells. Rich responded that some of those wells will be paid for by DOE -Office of River Protection (DOE-ORP), so this money is not shown in the Fluor baseline.
- Gerry noted these PBSs account for only two-thirds of the RL budget. He asked where the remaining \$300 million is allocated. Rich stated \$200 million is for the River Corridor Contract.
- Jeff Luke stated he would like additional information about the characterization of retrieved waste because he wants to ensure that characterization and retrieval costs are considered. It is important that the budget isn't under-allocating funds, which could result in work not being completed. Rich replied that much of Jeff's question is dependent upon getting an estimate for M-91 after the change package is completed. DOE-RL has given direction to Fluor to proceed with the transuranic waste (TRU) retrieval compliant with the new M-91. The budget estimate will not be ready for a couple of months yet.
- Jeff asked if the baseline budget will show the relationship between the costs for characterization of buried waste and the costs of degraded containers of mixed waste. There has been money set aside for characterizing drums. Gerry argued that all the waste needs to be meaningfully characterized but budget dollars are not available for that. He added that the most degraded material should be addressed first. Jeff

responded that it is sometimes better to start with something simple to better understand the issue and then move to the more difficult material.

- Melinda Brown, Washington State Department of Ecology (Ecology), stated Ecology is still waiting to learn about the impacts of M-91. It has been encouraging to see that work has begun before the planned start in the milestone. Ecology is currently in a holding pattern to see what comes out of the BCR's and M-91 negotiations.

The committee requested DOE-RL return to present similar information on the remainder of the PBSs, as well as provide the committee with a chart showing the budget profile of all the "other" activities.

Performance Incentives

The committee discussed the status of Performance Incentives (PIs) with Rich.

Committee Discussion

- Are Fluor's PI's reviewed if a project falls behind schedule such as with SNF? Rich replied the PI is not adjusted if the contractor fall behind schedule; however, if a performance issue causes a delay, the contractor will receive less money.
- Gerry asked if negative or positive incentives can be added to the contracts. Rich replied with a project such as SNF where there is negative performance, the PI's have been looked at to see if those could be changed. No final decision has been reached on this. If the end point is missed the penalty is severe because a large amount of money is reserved as a balloon payment on completion of the job. Gerry stated he is concerned that these balloon payments are inviting severe problems in terms of safety and risks to the work force. Rich added there is also a TPA milestone associated with the sludge and if this is not met there are penalties beyond the PIs. Gerry asked that the committee be notified of whether there is a financial penalty under the contract for missing the TPA milestone for sludge.
- A committee member asked for the current status of incentives in relation to recorded lost workdays. Rich stated that would be addressed by a Conditional Payment of Fee (CPOF). If a certain number of lost workdays occur, an assessment is triggered to look into any issues. The area of concern is reviewed to see if there were mitigating circumstances. The penalty can be eliminated or mitigated in total depending on the type of action taken. There is a review each month of potential CPOF situations: if a pattern of ineffective corrective actions is seen, the fine would likely be increased.
- Maynard asked how risk relates to the value of the contract; he noted a piece of work could be important but have a small dollar amount attached to it. Rich stated DOE-HQ, which approves these plans, focuses on the complexity of the work and the percentage of project completion it represents in determining PIs. Maynard added that what's missing then is incentivizing contractors to do high-risk work, even if it is cheap and simple.

- Gerry asked what happens if the contractor exceeds the budget. Rich stated the contractor cannot exceed budget. The PI's are spread across all the remediation projects, so if the contractor takes money from one area, it would hurt them for another. For example, the contractor could borrow money from PFP to do the SNF work but would have to cover PFP work at a later point. Every effort was made to balance funds so the priorities matched. A PI can be given up in one area to move on to another; however, a fine can be imposed if a TPA milestone is missed. Rich added the contractor proposed to do more work for less money if they could have greater flexibility.
- Gerry asked that Rich come back to the committee to discuss M-91 and M-24 budgets at a later date.

Regulator Perspectives

- Melinda stated she is interested to see if M-91 results in a reordering of priorities. (Rich replied he believes it will.) She believes some of the TRU shipping and retrieval rates will increase. Attempts are being made to find unallocated funds and allocate them.

Environmental Management Fiscal Years 2003/2004 Crosswalk

Janis Ward, DOE-RL, and Joe Rasmussen, DOE-RL, discussed the Fiscal Year (FY) 2004 Crosswalk structure. For 2004, the Environmental Management Office changed the structure of funding to reflect the Performance Management Plans at the sites. Site acceleration is now included as an appropriation. The table below illustrates the new structure and how it relates to the old one.

| New PBS | Old PBS |
|--|--|
| <i>2012 Accelerated Completion</i> | |
| RL – 011 Nuclear Materials Stabilization and Disposition | RL-CP03 Plutonium Finishing Plant |
| RL-0012 Spent Nuclear Fuel Stabilization and Disposition | RL-RS03 Spent Nuclear Fuel |
| RL-0041 Nuclear Facility D&D – River Corridor Project | RL-RC01 100 Area River Corridor Cleanup RL-RC02 300 Area Clean Up RL-RC03 Advanced Reactor Transition RL-RC05 River Corridor Waste Management RL-RC06 300 Area Facility Transition RL-SS01 Site Integration |
| <i>2035 Accelerated Completion</i> | |
| RL-0013 Solid Waste Stabilization and Disposition | RL-CO02 200 Area Materials and Waste Management |
| RL-0030 Soil and Water Remediation – Groundwater/Vadose Zone | RL-SS03 Groundwater Management and Monitoring |

| | |
|--|---|
| | RL-SS04 Groundwater/Vadose Zone Integration |
| RL-0040 Nuclear Facility D&D-Remainder of Hanford | RL-CP-01 200 Area Remediation RL-RC03 Advanced Reactor Transition RL-RS01 South Hanford Industrial Area Clean Up RL-SC01 Near Term Stewardship RL-SS01 Site Integration RL-SS02 Landlord & Site Services |
| <i>Cleanup Projects – Non Defense</i> | |
| RL-0042 Nuclear Facility D&D Fast Flux Test Facility Project | RL-CP04 FFTF Deactivation |
| <i>Safeguards and Security</i> | |
| RL-0020 Safeguards and Security | RL-SS-D Safeguards and Security |
| <i>Community and Regulatory Support</i> | |
| RL-0100 Richland Community and Regulatory Support | RL-SS01 Site Integration |
| <i>Non-Closure Environmental Activities</i> | |
| HQ-SNF-0012X Spent Nuclear Fuel Stabilization and Disposition – Storage Operations Awaiting Geologic Repository (scope begins in FY05) | RL-CP02 200 Area Materials and Waste Management |

Committee Discussion

- Maynard asked if funds in control points 2035 and 2012 can be moved without reprogramming. Janis replied this is the case.
- Gerry asked about who is responsible for program management and direction. Janis stated that DOE-HQ covers program direction; support costs are spread out through each PBS.
- Keith Smith noted there is a risk in having the flexibility to move funds to different projects. It is difficult in this method to chart progress in relation to finances.

Work Planning

- The committee reviewed their priorities for the year. Of concern is that the baseline cannot be shown to the public until it has been reviewed by DOE-HQ, but once DOE-HQ approves it, it is final. When does the public have an opportunity to ask questions and influence the baseline and the priorities it represents?
- The committee agreed this should be a major topic for the next committee meeting. It was noted DOE-RL has provided a baseline but DOE-ORP still has not provided anything. To have a meaningful discussion it is necessary to have both offices

present. The committee will work in December on identifying opportunities to influence decisions and present a process proposal to DOE to discuss their response.

- Yvonne Sherman, DOE-RL, commented that discussions have begun about the possibility of combining the State of the Site and yearly budget meetings. This discussion has resulted from the very crowded Public Involvement timeline for the late winter/early spring. The committee expressed concerns about having the right people at the meetings to discuss budget information, since usually it is the site managers who speak at the State of the Site meetings. Yvonne replied that someone would need to attend who could discuss the budget. She is looking for additional input from this committee as well as the Public Involvement Committee.

Handouts

- RL PBS Summary Life Cycle Descriptions, Janis Ward, DOE-RL, November 13, 2003.
- Environmental Management FY2003/2004 Crosswalk, DOE-RL, October 10, 2003.
- New Budget Structure Appropriation and Program Accounts, DOE-RL, November 13 2003.
- Budgets and Contracts Committee Briefing of the FH Life-Cycle Baseline, Fluor, November 13, 2003.
- PHMC Master Schedule, Fluor, September 29, 2003.
- Budgets and Contracts Committee Meeting Agenda, November 13, 2003.

Attendees

HAB Members and Alternates

| | | |
|----------------|-----------------|--------------|
| Allyn Boldt | Jeff Luke | Keith Smith |
| Earl Fordham | Maynard Plahuta | Dave Watrous |
| Harold Heacock | Gerry Pollet | |

Others

| | | |
|------------------------|------------------------|-----------------------------|
| Beth Bilson, DOE-RL | Rick Bond, Ecology | Liana Herron, EnviroIssues |
| Al Hawkins, DOE-RL | Melinda Brown, Ecology | Lynn Lefkoff, EnviroIssues |
| Rich Holten, DOE-RL | Max Power, Ecology | Penny Mabie, EnviroIssues |
| Joe Rasmussen, DOE-RL | Nick Ceto, EPA | Larry Hafer, Fluor Hanford |
| Yvonne Sherman, DOE-RL | Dennis Faulk, EPA | James Kelly, Fluor Hanford |
| Janis Ward, DOE-RL | | Linda Maiden, Fluor Hanford |
| | | John Perkins, Fluor Hanford |
| | | Linda Powers, Fluor Hanford |
| | | Doug Wertz, Fluor Hanford |
| | | Barb Wise, Fluor Hanford |