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DEPARTMENT OF ECOLOGY

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August 26, 1996

Ms. Marilyn Reeves, Chair
Hanford Advisory Board
Confluence Northwest
800 N.W. Sixth Avenue, Suite 342
Portland, OR 97209-3715

Dear Ms. Reeves:

I would like to thank the Hanford Advisory Board (HAB) for its consensus advice #49 on the U.S. Department of Energy's (USDOE) budget development process. We agree that USDOE has made "great strides at opening its budget and priorities development process to stakeholders and the public."

As we stated in attachment 2 to our letter to Mr. Alvin Alm, dated May 23, 1996, we believe that, with a few of key improvements to the process, we all can be assured that USDOE's Risk Data Sheet (RDS) approach will provide better linkage between their planning, prioritization and budgeting processes. We believe that USDOE has made substantial improvement with the ultimate goal of expediting environmental cleanup progress in an effective and cost efficient manner.

The following is our response to the HAB's consensus advice:

1. ***Assumption of Changes to the TPA Before Negotiation:*** We agree that USDOE should not presume changes to the Tri-Party Agreement (TPA) in their Integrated Priority List (IPL) before such changes are agreed to by the tri-parties. To do so would put USDOE in a potential position of violating TPA paragraph 148A which specifies that USDOE must request funding levels required to achieve full compliance with the agreement. However, we also realize that today's budget reality may result in a situation where USDOE's "target budget case" could differ from a "full compliance case" funding level.

In such a situation, paragraph 148B requires the parties to "...attempt to reach agreement regarding workscope, priorities, schedules/milestones, and Activity Data Sheet funding levels required to accomplish the purpose of the agreement, provided satisfactory progress has been made in controlling costs in accordance with the cost efficiency initiatives."



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This provision of the TPA recognizes the very difficult constraints that today's federal budget situation places on all federal programs, including USDOE's environmental management program. However, we are not excused from our responsibilities to protect public health, worker safety and the environment in accordance with the law, and the values expressed by the stakeholders, the tribes and the public.

As we have stated in the past, while we intend to cooperate positively and constructively with USDOE to deal with a constrained and difficult budget situation, we will not view "funding driven" impacts upon the TPA lightly. Proposed changes to workscope, priorities, schedules/milestones and funding levels must make good technical and/or programmatic sense. Furthermore, they must be visible to stakeholders, tribal governments and the public through an effective, timely and responsive involvement process.

2. ***Inclusion of "Reproducible or Defensible" Prioritization Criteria:*** We also agree with the HAB's position that the IPL must reflect decisions that are based upon "reproducible or defensible criteria." As noted in our budget comment letter to Mr. John Wagoner, final IPL decisions were not based solely on Risk Data Sheet (RDS) ratings. Rather, the final decisions primarily reflected application of USDOE management criteria which were not sufficiently made clear to regulators, stakeholders, tribal governments and the public.

As final priorities are considered and before final decisions are made by USDOE's management, such criteria must be clearly defined and communicated to allow the most effective comment and advice from the regulators, stakeholders, tribes and the public.

3. ***Inclusion of Adequate Workscope Descriptions:*** We believe that, because of the complexity and difficulties associated with implementation of a new "risk-based" prioritization process, the Richland Operations Office was not able to fully identify and match workscope to priorities until shortly before submission of its budget request to USDOE Headquarters.

As a result, USDOE's difficulties in melding the Activity Data Sheet process (where workscope and schedule are usually defined) with the RDS process led to confusion over its priorities. USDOE must clearly and effectively define "what is being prioritized" prior to requesting review and comment from regulators, stakeholders, tribes and the public. Only then can we be better assured of the effectiveness of our comments and the credibility of USDOE's final prioritization decisions.

4. ***Disclosure of Overhead, Indirect, Management, and Support Costs:*** This area of costs represents approximately 40% of the total Hanford budget request. It is an area that is not very visible to regulators, stakeholders, tribes and the public. Yet it is the subject of much attention with respect to cost and management efficiency.

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We agree that the breadth and scope of such costs should be disclosed early in the budget process in a manner that can be understood by the public. Furthermore, USDOE's actions to maximize cost and management efficiency and productivity within their budget request should be outlined.

Because of the manner in which these costs are handled and controlled within USDOE's accounting/financial systems, we question whether this information can be effectively, simply and clearly disclosed within the IPL itself. Certain indirect or overhead costs are buried within individual "direct costed" program or project Activity Data Sheet's. Prioritization rules for activities that are primarily "management and support" related should be explained and understood.

To avoid downstream confusion and mis-understanding on how the HAB's request is met by USDOE, we recommend that members of the HAB Dollars and Sense Committee and USDOE's indirect/overhead cost staff meet to discuss the methodology and detail on how, in concert with the IPL, this cost information should be presented. Such clarification would help guide USDOE and ensure that the HAB's expectations are met.

5. ***HAB's Adoption of Department of Ecology Comments:*** We would like to again emphasize that our comments were meant to outline key areas of improvement that can make USDOE's budget and prioritization development process clearer, and increase the effectiveness of regulator, stakeholder, tribal and public comments.

We look forward to USDOE's response to both our comments and the HAB's consensus advice. We welcome the opportunity to discuss these areas in more detail with the HAB.

Sincerely,



Mary Riveland
Director

cc: Alvin Alm, Assistant Secretary for Environmental Management (EM-1)
Cynthia Kelley, Office of Accountability
Mike Grainey, Oregon Department of Energy
John Wagoner, Manager, Richland Operations Office
Ron Izatt, Deputy Manager, Richland Operations Office
Alice Q. Murphy, Chief Financial Officer, Richland Operations Office
Chuck Clarke, Director, EPA Region X
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