

**ENVIRONMENTAL MANAGEMENT ADVISORY BOARD
to the
U.S. DEPARTMENT OF ENERGY**

PUBLIC MEETING MINUTES

**AUGUSTA TOWERS AND CONVENTION CENTER
2651 Perimeter Parkway
Augusta, Georgia 30909**

March 22-23, 2006

TABLE OF CONTENTS

Meeting Participants.....	3
Additional Materials.....	5
List of Acronyms.....	6

March 22, 2006

Opening Remarks by Chairman James A. Ajello.....	8
Remarks by Assistant Secretary Rispoli.....	8
EM Program Update by Principal Deputy Assistant Secretary Charles E. Anderson.....	13
EM Human Capital Development Strategy by James Fiore.....	17
Roundtable Discussion.....	19
Waste Disposition and Strategy by Frank Marcinowski.....	22
Roundtable Discussion.....	26
Public Comment Period.....	28
Small Business Contracting by Barry Smith.....	29
Roundtable Discussion.....	32
Public Comment Period.....	34
Adjournment.....	34

March 23, 2006

Opening Remarks by Chairman James A. Ajello.....	34
Board Business.....	34
Public Comment Period.....	40
Adjournment.....	40

Appendix

Appendix A: EMAB Meeting Agenda for March 22-23, 2006.....	41
Appendix B: EMAB Charter.....	43

ENVIRONMENTAL MANAGEMENT ADVISORY BOARD
SUMMARY OF MEETING

The Environmental Management Advisory Board was convened at 9:00 A.M. on Wednesday, March 22, 2006, and Thursday, March 23, 2006, at the Augusta Towers and Convention Center in Augusta, Georgia. Mr. James A. Ajello, Board Chair, introduced the Board members for this meeting.

In accordance with the provisions of Public Law 92-463, the meeting was open to the public on both days.

Board members present:

- Mr. James A. Ajello, Reliant Energy Solutions
- Mr. C. Stephen Allred, Consultant
- Ms. Lorraine Anderson, Arvada City Council
- Mr. A. James Barnes, Indiana University (via telephone)
- Dr. Dennis Ferrigno, CAF & Associates, LLC
- Ms. Jennifer A. Salisbury, Attorney-at-Law
- Mr. David Swindle, IAP Worldwide Services, Inc.

EMAB Executive Director

- Ms. Terri Lamb

Others present for all or part of the meeting:

- James A. Rispoli, DOE Assistant Secretary for Environmental Management
- Jeffrey Allison, DOE Manager Savannah River Operations Office
- Charles E. Anderson, DOE Principal Deputy Assistant Secretary for Environmental Management
- Colin Austin, Energy Solutions
- Megan Barnett, DOE
- Nancy Bobbitt, U.S. Senator Johnny Isakson (GA)
- de'Lisa Bratcher, DOE Savannah River Operations Office
- Rebecca Craft, DOE Savannah River Operations Office
- Nick Delaplane, DOE Savannah River Operations Office
- Gerald Devitt, Savannah River Citizens' Advisory Board Member
- Dan Evans, Fluor
- Gerri Flemming, DOE Savannah River Operations Office
- Mark Frei, DOE Deputy Assistant Secretary for Business Operations
- Josh Gelinis, Augusta Chronicle
- Liz Goodson, Private Citizen
- Charles Hanson, Parsons
- Larry Harrison, Private Citizen
- Jim Hussey, U.S. Senator Saxby Chambliss (GA)
- Frank Marcinowski, Deputy Assistant Secretary for Logistics and Waste Disposition Enhancements
- Patrick McGuire, DOE Savannah River Operations Office
- Craig McMullin, BWXT-SRC

- Pairi Nettamo, Fluor
- Jim Moore, Westinghouse Savannah River Company
- Melissa Nielson, DOE Director, Office of Internal/External Coordination
- Joseph Ortaldo, Savannah River Citizens' Advisory Board Member
- Jack Surash, DOE Deputy Assistant Secretary for Acquisition and Project Management
- Ron Schroder, Stratag
- Rich Smalley, Duratek
- Don Sticiniski, Fluor
- Ed Wannamaker, Fluor Daniel

ADDITIONAL MATERIALS

Available on the EMAB Website: <http://web.em.doe.gov/emab>

PRESENTATIONS:

- EM Update by Charles E. Anderson, Principal Deputy Assistant Secretary for Environmental Management
- EM Human Capital Initiatives and Reorganization by James Fiore, Acting Deputy Assistant secretary for Performance Intelligence and Improvement
- Waste Disposition Strategy by Frank Marcinowski, Deputy Assistant Secretary for Logistics and Waste Disposition Enhancements
- Small Business Contracting by Barry Smith, Director, Office of Acquisition Management

LIST OF ACRONYMS

ANSI – American National Standards Institute	FEMP – Fernald Environmental Management Project
B&P – Bid and Proposal	FFTF – Fast Flux Test Facility
CO – Contracting Officer	FY – Fiscal Year
COO – Chief Operating Officer	GFSI – Government-Furnished Services and Items
CERCLA – Comprehensive Environmental Response, Compensation, and Liability Act	HLW – High-Level Waste
CPIF – Cost-Plus-Incentive-Fee	HR – Human Resources
CRB – Certification Review Board	HQ – Headquarters
D&D – Decontamination & Decommissioning	IDIQ – Indefinite Delivery, Indefinite Quantity
DAS – Deputy Assistant Secretary	INL - Idaho National Laboratory
DFO – Designated Federal Officer	IPABS – Integrated Planning, Accountability and Budget System
DNFSB – Defense Nuclear Facilities Safety Board	IT – Information Technology
DOE – Department of Energy	LANL – Los Alamos National Laboratory
DOD – Department of Defense	LBNL – Lawrence Berkeley National Laboratory
DPW – Department of Public Works	LLW – Low-Level Waste
DWPF – Defense Waste Processing Facility	LM – Office of Legacy Management
EH – Office of Environment, Safety and Health	LTS – Long-Term Stewardship
EIS – Environmental Impact Statement	M&I – Management and Integration
EM-1 – Assistant Secretary for the Office of Environmental Management	M&O – Management and Operating
EM-2 – Principal Deputy Assistant Secretary for the Office of Environmental Management	MAA – Material Access Area
EM-3 – Chief Operating Officer for the Office of Environmental Management	MLLW – Mixed Low-Level Waste
EM – Office of Environmental Management	MOU – Memorandum of Understanding
EMAB – Environmental Management Advisory Board	MPDES – Pollutant Discharge Elimination System
EPA – Environmental Protection Agency	NAPA – National Academy of Public Administration
FACA – Federal Advisory Committee Act	NAS – National Academy of Sciences
FEMA – Federal Emergency Management Agency	NGA – National Governors Association
	NE – Office of Nuclear Energy

NEPA – National Environmental Policy Act
NNSA – National Nuclear Security Administration
NRC – Nuclear Regulatory Commission
NTS – Nevada Test Site
OMB – Office of Management and Budget
ORP – Office of River Protection
OSD – Office of the Secretary of Defense
OSHA – Occupational Safety & Health Administration
PAR – Performance and Accountability Report
PBD – Program Budget Direction
PBM – Performance-Based Management
PBS – Project Baseline Summary
PMP – Performance Management Plan
RCRA – Resource Conservation and Recovery Act
REA – Request for Equitable Adjustment
RFP – Request for Proposal
ROD – Record of Decision
ROTC – Reserve Officers' Training Corps
RW – Office of Civilian Radioactive Waste Management
SBA – Small Business Administration
SCIENCE – Office of Science
SEB – Source Evaluation Board
SNF – Spent Nuclear Fuel
SNM – Special Nuclear Material
SSO – Safety System Oversight
SRS – Savannah River Site
TRU – Transuranic Waste
WBS – Work Breakdown Structure
WIPP – Waste Isolation Pilot Plant
WTP – Waste Treatment Plant

WM – Waste Management

Meeting Minutes: March 22, 2006

Opening Remarks

Mr. James Ajello, Chair of the U.S. Department of Energy's (DOE) Environmental Management Advisory Board (EMAB) called the meeting to order at 9:00 a.m. He noted that the Board had a productive site visit at the Savannah River Site. He also noted that this meeting marks the first time in a number of years that EMAB has visited a site, and called the experience enlightening. He then introduced Mr. James Rispoli, Assistant Secretary for Environmental Management at the U.S. Department of Energy.

Remarks by Assistant Secretary Rispoli

Mr. Rispoli thanked everyone for attending and asked the Board for its input on the effectiveness of having EMAB meetings at EM sites.

Mr. Rispoli noted that at last year's EMAB meeting, the Board emphasized the need to have a better focus on performance based contracts and supported the concept of a Deputy Assistant Secretary for Acquisition and Project Management. He introduced the new Deputy Assistant Secretary for Acquisition and program Management, Jack Surash, who will focus on both the pre-award activities as well as the execution focus that EM needs in managing projects through existing contracts, which EMAB recommend be a bolder performance based contract system.

Mr. Rispoli summarized other EMAB areas of comment from last year's meeting:

- EM's metrics are in disconnect. The gold charts don't flow down to the site level. Mr. Rispoli noted that the gold charts have become institutionalized and perhaps they are a good way to communicate with EM's outside stakeholders, but they don't flow down in a very real way to the sites.
- There are systemic disconnects between life-cycle base line and individual contract base line.
- There is a need to beef up risk analysis.
- There are issues with end states. This is a very significant part of what EM has to do. Determining the level of cleanup must be done before focusing on cost and schedule. To think it can be done without end states is probably not correct. EMAB was discussing ways that EM might do that better.

Mr. Rispoli noted that when EMAB first brought these issues up, he was fairly new in his position. Looking back, EMAB was "right on" with its analysis.

Mr. Rispoli summarized his main focus areas:

1. Safety
2. Risk Reduction
3. Project Execution
 - a. High Performing Organization
 - b. Acquisition Strategies
4. Organizational Alignment and Integrated Human Capital Management Plan
5. Feedback and Lessons Learned

Mr. Rispoli talked in depth about his focus areas.

In safety, it's not just operational safety. It's also safety in engineering. There are examples of EM not making timely decisions on safety, which resulted in significant setbacks. One of them was the Salt Waste Processing Facility, where EM is now looking at a two-year delay in the operational date of that facility. Mr. Rispoli talked about this project in both committee hearings as well as in members of Congress offices. Why would EM knowingly build a structure above ground level with radioactive materials passing through it and run the risk of those materials exposing the workers or the site or the public and the community, because it wasn't built to the appropriate standards? When expressed that way, it's clear why EM is currently in delay.

Safety is not just the operational safety to deal with the safety aspects of design, EM realizes that it ought to make better use of federal project directors, the contractors' expertise, and the project team that often brings expertise that no one person can have. It is necessary to perform these reviews and make the decisions early in the design process so that decisions won't need to be changed down stream.

For operational safety, EM operates probably one of the most inherently hazardous operations in the nation. If you were a nuclear power plant worker, whether you are controlling the operation or whether it be the operational part of the plant and you walk in every day on your shift, it is likely to be the same today as it was yesterday. You know what the hazards are. You know what the processes are and you know what you are dealing with. We don't have that.

In the EM environment, maybe there is a forklift driver that is moving drums every day, but one day he is lifting a drum and the bottom falls out, or maybe he is moving a drum and it goes on fire because it is not that same controlled environment that other nuclear workers deal with. That makes it incredibly more difficult to deal with the hazards, and yet EM managers can never lose focus on the fact that we are dealing with these nuclear issues and we have to protect the workers, the public, and the community. Every worker is a human being and they are entitled to go home at the end of the day in the same condition as when they arrived.

Clearly, we have got to do something different in safety. When you are in positions where you can directly affect the workforce, you not only use the incentives, but you also stress the downsides of not having a safe operation. You will not get another job with EM if you are not safe. I don't know if EM can do that easily but that would certainly get management's attention. Right now, management is subject to withholding a fee within the contract at all of our major sites, including Savannah River, within a contract. They are also subject under Price Anderson Act where they can then be fined. All of that is still not accomplishing or getting rid of things like having a lockout/tagout near miss every other day. So, EM needs to be more creative.

The workers don't work for EM; they work for a contractor. EM must come up with better ways to both incentivize and educate, but then there has to be some accountability because we are dealing with human beings and their safety and their lives.

EM's safety record is better than industry averages, but that is really not good enough because of the repercussions, the impacts of any of these events happening all over in our nuclear world. We must do better.

Second is risk reduction: getting the job done, identifying management risks, but then actually getting the cleanup and remediation done, not just managing it in place, but making a difference. EM does that through project execution. EM has its \$145 billion portfolio broken out into Project Baseline Summaries (PBSs). EM is still working to divert its attention to the fact that we are

managing the entire PBS. It is a project. EM must recognize that it is managing projects through our contracts. One day that contractor will walk out the door and another one will walk in. EM must know where we are as compared to where we want to be, and how much have we have spent against plan.

Pre-award, EM must focus on getting the best performance-based contracts and the best competitions. We must structure all of the procurements to optimize competition. All of this will now be under the purview of a new Deputy Assistant Secretary for Acquisition and Project Management. For pre-award, we want to work hard to insure competitive and open selection of the most qualified contractors through the most appropriate types of contract vehicles. We are committed to attracting the types of firms who can bring to the table the skills and expertise we need. For example, here at Savannah River, the idea is to put the future contractor focus on the largest risk across the complex, which is our radioactive tank work, and let someone else worry about the on-going operation of the site, the laboratory, the NNSA function and the more enduring functions. Different types of contractors can team or individually compete for those activities. Since the last EMAB meeting, EM has announced these acquisition strategies. It would be helpful to obtain EMAB's feedback on EM's approach.

Headquarters did not dictate this. It is important to recognize that the people who work those acquisition strategies developed them and sent them to headquarters. Headquarters reviewed them, but there were no major changes to the way that the acquisition strategies were proposed. This was an approach that was recognized by many professionals in the field as being a way to attract a broader range of contractors to EM's work. EM is also making deliberate decisions with respect to small business. Since the last EMAB meeting, we have awarded \$190 million in small business contracts.

In the post-award realm, EM is improving the management aspects of going the rest of the way to educate our own federal project directors, use integrated project teams and project management tools, nail down one life-cycle baseline and then ensure it is consistent with the contract baseline (presuming the contract is of full duration). The goal is to not have different numbers floating around and to know more precisely what we are managing to.

To improve our senior management focus on project execution, EM has a special program that was newly designed for our top-drawer executives. Just about everyone in the room was a site manager or a Deputy Assistant Secretary. It was a case study-oriented approach. We not only had environmental management case studies, but we had a case study on the attack aircraft that was cancelled because of project management problems and cost overruns. The case studies fit into a matrix that covered every phase of a project site. The idea was for our executives to read and discuss among themselves what went on in these case studies and what can be done better as executives to avoid those types of problems in the future.

There is more to follow. EM has made arrangements to enable our top-tier executives to attend the Defense Acquisition University at the next step with about half of our people, our executives, and half of the Department of Defense.

There was a three-year window for the DOE federal project directors to get certified. The completion date is May of 2006, right around the corner. We are laggards because we had a year-and-a-half delay before we started to propose our people for consideration. It is a very strenuous process, very stringent, very thorough with reviews and credentials, not a rubber stamp. Fortunately, all of the course work is available, so it is just a matter of getting the rest of EM's federal project directors to them.

EM must get its baseline validated. EMAB mentioned that there were too many inconsistencies. This is true. Currently, only 52% of the EM Portfolio of \$145 billion has been in the pink and validated by outsiders. It is not because EM hasn't been trying. How do you manage to something if you don't really know what the right schedule is, what the cost is? So, 52% is not a passing grade. EM had hoped to be at 70% by now. EM has to do better and eventually get to 100%. Once they are validated or even before, EM must better manage to those baselines. EM is managing such that only 60-70% of our portfolio is performing up to expectations.

EM's authorizers on the hill are the Armed Services Committees. They hear not only from DOE, they hear from DOD. One agency stated they are 105% of schedule. In other words, they are 5% better than the scheduled commitments they made to Congress and they are running under cost. Another program is 81% done with its cleanup. That is what these committees are hearing. EM then reports it is 60-70% on cost, on schedule. EM has to demonstrate that we can do better. Is EM's challenge more complex? Perhaps, because of the nuclear issues, but for the people in DOD, their challenges are also complex, and yet they managed to come up with more attainable schedules and costs and then delivered to those.

The lesson learned here is, what do you commit to as the most likely case to your stakeholders. It does not have to be the same thing to incentivize your contractors. If you do that and your contractor cannot obtain those stretch goals, then you look to all of the stakeholders as if you failed. In fact, we are not failing. In many cases, we are very low against those stretch goals. It is just that we committed to the most optimistic rather than the most likely case. So we must recognize that there is a difference between what you commit to, which has to be the most likely case, and what then you incentivize your contractors to do.

In the organizational line, including the capital management plan, EM has not only taken the step of having the new Deputy Assistant Secretary and his proposed organization, we have aligned it such that most all of the engineering and technology functions are under one DAS. That DAS is Mark Gilbertson, who will not only build a very appropriate high-quality organization of engineering and technical and scientific people in headquarters, but become the sponsor and advocate throughout the Department of Energy. Frank Marcinowski, who is here, now has the entire disposition function and all of the interaction with the regulators. That is a big challenge. Some of the functions, of course, can't change, the budget function, for example. The Department is putting a new focus on a five-year planning approach, which means that decisions on what fits in a five-year program will be made not by budget experts but by line management experts who know what the priorities are.

A few words about feedback and lessons learned. There has to be many feedback mechanisms and EMAB is one of them. It is a great way to learn. EM must focus on becoming that high-performance organization. EM needs EMAB's help by providing feedback, by being the independent sanity check. Please be frank with us and tell us what you think. EMAB has been right in much of its feedback. EM needs to find ways to even further enhance our implementation of your feedback.

Questions

Mr. David Swindle asked if EM was looking at repeating some of the models like DOD and some of the other agencies that gives some assurances to the programs and ultimately the contractor the ability to deliver on some of these long term projects?

Mr. Rispoli responded that there are two facets to that issue. One is that the five-year plan was actually not delivered in time for any of my first three hearings except for the House Appropriations Sub-Committee. The potential is great, because why would we start a new project or a new endeavor if it can't be supported within the five-year plan? It is the only vehicle that we really have. Look at each year individually without projecting out, and you would not know what the funding profiles look like. Without a five-year plan, individual projects cannot be optimized. For example, if you have a large project and you want it to start off slow and then increase the curve and then taper it back down, you could plan for that with a five-year plan, but there is no way to present context in the absence of a five-year plan.

I personally think that five-year planning is the way to go. I am absolutely convinced that it cannot be done by an annual budget. To get the reliable funding, you have to be able to articulate why your five-year plan needs it. So, I think that the two go together. The predictable funding, of course, is supported at the project level as is the overall program.

Mr. Dennis Ferrigno asked that when something is mission critical, should the Department be staging that procurement mission critical, should the first versus the support or should they be together? This is more of a policy generic question that when you have something that is mission critical, should you be focusing specifically on the mission critical first and then the mission support portion would be the same?

Mr. Rispoli noted that in some cases we're replacing single contracts with two, which adds another dimension to the problem of how do you time phase these issues? Industry does not want to see these two coming in lockstep because how do they best perform both? They would probably prefer to have one, then the next. The reality is that selection of high-level waste in a performance-based setting where you have to do certain cost analysis takes longer. So, even though the timing of selecting the source selection officials and appointing SCVs is beginning together, they won't stay together because the process of doing the evaluation will take longer for this high-level waste. So, I think, ideally, you probably wouldn't want both of them to hit the street at the same time. It might be that, ideally, you would want to do one before the other. Your point is, why not do this one before that one, but that is being driven more by the reality of the time it would take to do the evaluation.

So, as we get our own process in place and better organized, we will have a schedule with all the procurements coming up, and we can pick which ones go first and next and next. We can do just exactly what you are suggesting.

We are not there yet. It would be wonderful to be able to convert now, but the problem is the contracts are expiring. Some are very big, and we don't want to be pushing ahead without having the competition on the projects. So, we are transitioning to a new method.

Ms. Lorraine Anderson commented about Mr. Rispoli's commitment to EM's stakeholders. EM is right on target and not over promising things to them. I think that when you can't perform what you have promised then it destroys your credibility. You need to work with them, however, when you are changing expectations in partnership with them to really come to a conclusion that everyone can accept.

Mr. Rispoli agreed with Ms. Anderson's analysis. If you look at the accelerated program and its history, EM is still delivering much faster than we thought we would deliver five years ago. Look at the specific goals that your contractor was being incentivized to accomplish and didn't make. We looked like we had failed when, in fact, if you will go back a few years and look, it

may not be a failure at all. Another example is the Hanford Waste Treatment Plant. The original plant was only to process 40% of the waste by volume and 60% of the radioactivity of the plant's life cycle. There was supposed to be a second plant, whose cost was projected to be \$6.6 billion. Everybody seems to have forgotten about the second plant. Instead, we proposed one plant for all the high-level waste. We set these targets and then we didn't make them. In fact, the story may not be as big a failure because this plant can be brought to completion, and we don't have to build a second plant. But that gets lost when you lose the history.

There are many successes. Our people are dealing with tremendously complex technical challenges. We don't need to have our good people being beat up all the time. We need to find a way to convey a more realistic baseline and then be able to live within it so that our people won't have to bear the burden of being regarded as not being able to deliver.

Mr. C. Stephen Allred observed that there is a tendency by DOE to dilute the incentive contracts and make them look more and more like standard contracts. This depreciates the opportunity to get the kind of innovation that we really need in these programs. This is caused by Headquarters over reaction issues. What that is causing is the inability of the local people to make decisions because more and more of them are going to headquarters. When you do that, you move responsibility from the contractor and your line organization. That also causes a real problem with timeliness issues.

Mr. Rispoli stated that this is an issue EMAB may want to develop, but it is not his desire to call any decision making authority back from the field. If you are seeing something to the contrary, please provide specific feedback as to where you see that happening.

EM Program Update

Mr. Ajello thanked Mr. Rispoli and introduced Charlie Anderson, who is the Principal Deputy Assistant Secretary for Environmental Management.

Mr. Anderson noted that EM is the world's largest cleanup program. Sometimes we forget that and if we are doing our hearings and testimonies sometimes we end up trying to remind people we have 114 sites, 31 states, 2 million acres, \$6.5 billion dollars this year and a 34,000-person workforce. It is a large program by any standard.

Again, the leadership focus is on safety across that program, risk reduction and project execution. Some of the things that we are developing are our acquisition strategies and the identification and management of risks that have been an issue across the various projects of EM. Some places they identify them very well and that is the end of it. Some times we can look later and the risk is realized and we could have done some things to mitigate the risks and didn't.

Concerning feedback and lessons learned, I always say that if you didn't change something, you didn't learn a lesson; you only identified a problem. If you have a problem, what did we learn from it and what can we do differently?

Money is always the key to most everything in either personal or business ventures. We had \$6 billion in FY 2001 and we have increased that to deal with and close out some of the legacies that we have. As a consequence the budget and the budget requests have come down somewhat, with FY 2005 being the peak year.

We are continuing to evaluate our regulatory or legal requirements, our performance and part of that evaluation is looking to boards like EMAB to get some feedback about the changes that we have there.

Looking at our budget by state, the largest is Washington and South Carolina, which are also areas of highest risk management.

In terms of accomplishments, when you think about ten or fifteen years ago, the largest risk was that a lot of our nuclear materials weren't stabilized. Today, all except one amount of one population material, all of that material has been stabilized, all of that has been accomplished. What we are left with is our highest risk which is the tank waste. Tank waste in Washington state and South Carolina are our highest risks. We have put most of our money in those particular areas.

There are a number of other risks that we also have to deal with. Containers for plutonium metal and oxides, enriched uranium, the residues are measured in containers and kilograms and put in other uranium packages for disposition, not a final disposition, but it is now in a more stable, less risk environment. The tank waste, we haven't removed a lot of it, but we have reduced the risk in a lot of ways. In Hanford, they are removing the pumpable liquids. We have been packaging for final disposition the canisters in New York and also here at Savannah River. Spent nuclear fuel is being packaged for final disposition. For transuranic material, we have the disposition machine going. We are trying to get a shipment a month and everything is a struggle, and now our standards are raised as we build on that experience and we applied those lessons learned. A large amount of low-level and mixed low-level waste has been disposed of.

I am chairman of a complex-wide Nuclear Materials Disposition and Consolidation Coordinating Committee. I remind folks that there has been a lot of consolidation, mostly within a site. By the end of this fiscal year, we at Savannah River will be down to one material access area for this special nuclear material. At Hanford, we have made some progress in consolidating. It also has to be integrated with the weapons program as far as their weapons program consolidation for their operations.

We are scheduled to complete as many as nine sites in 2006. They are spread across the country. There are eight additional ones between 2007 and 2009.

Going back to our highest risk, tank waste, four sites have 90 million gallons and 700 million curies of tank wastes; Hanford, Savannah River, Idaho and West Valley. The Idaho material is in a more stable form, for the most part. It was acid based and it didn't have a lot of the tank issues that we would have that would cause some of the risk. The West Valley waste has been vitrified and there are some 300 canisters at West Valley. Much of the focus is on Hanford and Savannah River Site. Approximately 30% of our budget is devoted to tank waste.

For the waste treatment plant, there have been some lessons learned. A lot of that is putting all of the pieces into one plant, one area, 65 acres made up of 24 facilities. There has been a lot of progress made in construction. We have had to take a pause because we got ahead of ourselves in some of the design and in some of the engineering and safety issues. We are trying to apply that as lessons learned and go back and do a credible estimate both schedule and cost wise to complete this job. We will have a lot of review teams looking at this. It is a very complex project. When you look at the amount of materials and the scale of this project here, it would be like building two, two unit nuclear power plants simultaneously.

In terms of lessons learned, key issues are establishing baselines; reliable quantity, unit rate information; sufficient time between engineering and construction; cost and schedule contingency based on project maturity and technical risk; effective project management strategies; a strong competent DOE organization early in the project design phase.

A certified earned value management system should be included in project management/control strategy. One of the biggest problems with the Waste Treatment Plant is not that the cost is higher. If we have gone back and looked at it, the cost probably always was higher. We were very over optimistic in the earlier estimates, but we also didn't realize this early on. We didn't have the management systems or the data in place to tell us that, "Hey, you have got a real problem much earlier than when we saw it and how it escalated." That is a problem that we are working very hard to make sure that we fix. You can't take actions if you don't see the problems early.

Questions

Mr. Ajello noted that both Mr. Anderson and Mr. Rispoli focused on project execution and specifically the cost of the scheduled baselines. EMAB members have spoken about the life-cycle cost of the program being at least \$25 billion. Do you expect that that life-cycle cost definition will be improved as you further define this? In the life of this program, \$25 billion is a lot more money, but also an amount that we have all come to understand is part of this business in terms of the way things move around. So, how do you feel about that issue right now?

Mr. Anderson noted there are a couple of issues. One of those is realizing the real cost of doing business. The other is, if you add too much fat to something, you will spend that money whether it is needed or not. Part of management is getting more accurate numbers, not just larger numbers. We are breaking that growth down into two or three cases and trying to understand those. Some of them are truly new scope. It wasn't in the baseline. It is a new challenge. I think a lot of people can understand, "Okay, we are going to do a new area. This is going to be added. We need to cost it out. It is a new project."

There are others which are performance issues: we had an assumption that wasn't realized. So, going back and saying, "Okay, what is realistic? What do we know now from our interactions to the space that we can now put some intelligence back into this?" This is where there is some contingency. We still don't know yet, but we realize, here is a risk and how do we apply that contingency? In the past, a lot of that was put out in the environmental liabilities audit. When you have a 80% probability that that risk is not going to go your way and you are going to realize that risk, it probably shouldn't be in the liability audit. It probably ought to be in your baseline project.

Some of it is pure performance. We counted on a certain level of performance. We are not realizing it. It doesn't seem to be getting any better and so we have to adjust our standards. That goes both ways. There are places where we went faster than what we would be able to do. You want to factor that in, but there are others where it is a slow and tedious process. That is where we are spending a lot of time. We are going to coordinate quarterly project reviews with all of the projects. All of the site managers, Federal project directors, and key staff come in. Each time we address where we are. Have we underestimated? What is the curve? We have got to factor that into our five-year plan and our life-cycle plan and then that is where the numbers that you are seeing are coming from.

Mr. Ajello stated that this is a healthy process which is generating a lot more candor from my experience with the program.

Mr. Allred noted that the last time we talked a little bit about describing the risk that is in your baseline and it is my understanding is that you don't do that. I think one of the problems in perception with Congress and other people is that estimate was without contingencies. Failure to carry that contingency is a risk. I don't know if that has changed or not within the Department of Energy, but I think that carrying with contingency as an expression of risk is really an opportunity as you expressed them and set those expectations with Congress or anybody else.

Mr. Rispoli responded that one of the reasons why we have not been as successful as we would like toward getting our baselines validated is because we have not done too good a job in defining how we want contingency. It is one thing to say that you are not going to budget, but it is another thing to have a consistent method to identify how much there should be. So, it is presented to Congress and they know that this is the amount of risk that has been taken. You can't just blame the site people and the contractors because what we have learned is that we haven't put out a standard that says this is the way to do it. So, when I was reading these external reviews, what I was finding even on the same site, one PBS would have a very good approach to contingency and another would have contingency there with no backup whatsoever. Another one would have risk identified with no contingency. Headquarters hadn't done a good job in saying that this is the way that we do this. That doesn't mean that you have to budget for it. When I was managing the Navy's program back in the early nineties, we didn't have a separate pot of money for contingency. Much of our money was expiring, every year it would expire. So, you did no good to have it.

You could identify it and then as you are doing your quarterly reviews, you could move money from one project that was not on scheduled track and therefore not using the money, to the other. I think, generally, that would be the approach. We at headquarters have not defined that as well as it should be defined and therefore the sites don't have a specific approach. That is one of the reasons why we haven't been able to get enough of our PBS baseline managers to validate it. They are not validating it so they are just being reasonable in this long-term life cycle. It is a very important issue and we need to improve the way that we address it.

Mr. Anderson added that we have focused a lot of attention on the contract instead of on the project. Here's an example of where we shot a lot of our credibility. We may have had a previous project estimate of a billion dollars. We go out with a contract for \$500 million. Well, that changed our baseline to \$500 million. Then when it comes in at \$600 million we failed instead of being successful in cutting it back. We over-promised. We must focus on what the project level is, and then as we improve our contracts, we won't have to change that baseline at that point. Clearly, as we start to accomplish work in particular areas, we set new standards and get better in whatever our performance is.

Mr. Swindle observed that the capital equities market has a pretty standard approach of how contingency should be looked at. There is very little latitude with the capitol market on how you planned to develop your tornado chart through all the requirements of how you define risk. EMAB may want to look at the example of the capitol equity markets as a best practice is to be adopted. I have been associated with the program here on the contractor's side for the Board since the inception of the program before it was even EM. It is interesting that you can go back and almost year to year to year there are some of the same slides of the waste tanks and they haven't changed. I am worried for the success of the EM program and continued support from the public and the political side. It is important to always measure that progress against the

baseline. When I work other issues on the hill, just hearing DOE in general and not just EM, is they never get a consistent story of the changes and there are changes where there is risk. How it is packaged and presented on an on-going basis is crucial for that continued support.

Mr. Rispoli agreed, noting that if all of the waste treatment plants were removed, then the Department's capitol projects portfolio would be basically construction. Over 90% are performing on cost, on schedule. The same principles that got us from a low of 50% four or five years ago, got us to 90%. That is consistent management based on what you are doing. Now, we have got to complete that transition process to get all of our people focused on managing the baseline, because we have to do better than 60%. I think it can be done. We have to get the people at the management level, not just the site managers, to focus on that style of management. We want to get there within three or four years. We can't do it all at once, but we have to show steady improvement over the next few years to get there.

Mr. Ferrigno noted that here is a project at Hanford that has some additional cost that could be incurred to rightfully produce a treatment capacity to do risk reduction. We have limited budgets and in 2007, 2008, 2009, based on that additional burden to the Department's budget for WTP, have you looked to determine the impact on other programs and maybe raise or cut back because of paying for one, the others may have to cut back a little bit?

Mr. Anderson responded that it may be. We are factoring that in. One example is WTP. We made a conscious decision that we had to put more money on K Basin. We are working that and it is going to have an impact on WTP. We have had to look at hard decisions where we have had to say, "Look, we are going to have to move a project out." We are trying to do it in a five-year planning window. We are not there with the answers yet, but one of the things that is different over the past years is, we are really trying to face this hard decision. We have got to get a better model that we can use so we can determine what the real impacts are. We are not including baseline changes now with that understanding of what the life-cycle impacts were. That was a practice that we weren't doing before. We were making baseline changes on near-term decisions and we weren't identifying what those were.

Ms. Jennifer Salisbury commended the EM program on its disposition of transuranic waste. She noted, however, that it would be beneficial to do a lessons learned on the contract at INL, where the contractor could not meet its transportation deadlines to WIPP. The ripple effect the problem caused throughout your program may well be worth studying further so that you will avoid making the same mistake in the future.

I also want to congratulate you on really tackling the whole issue of improving and training your work force and the work force development issue. I am looking forward to EM bringing young people on board. Even if you only keep them for five years or so, their energy and new ideas will enhance EM.

Mr. Ajello called for a 10 minute break.

Break

EM Human Capital Development Strategy

Upon returning, Mr. Ajello introduced Jim Fiore, Acting Deputy Assistant Secretary for Performance Intelligence and Improvement.

Mr. Fiore noted that EM has to change the talent mix and the age mix of the people we have, and we can only be a high-performing organization if we really develop a well-trained, diverse work force. EM staff must be as technically competent as our contractors and be able to talk on an even level in terms of technical knowledge and technical competence in order to do effective oversight of them.

EM has a long-term mission and is here to stay. We need to have a career-oriented workforce. Folks need to look at EM as a place where they want to work and where they can work for a number of years. We are going to move out vigorously with respect to recruiting interns for the program. The average age of the workforce is over 50 and within the next five years over 50% of the EM Federal workforce is eligible to retire. One of our goals is to make EM the employer of choice within the Department and within the Federal government. We are developing an integrated human capital plan that will be released in April.

We've done some skill gap analyses over the last year both at the site level and at headquarters. We've identified needs in the contracting arena, particularly with all the procurements we have coming up in the project management area. In the case of project management it isn't as much getting more people, but getting those people to have the right skills and certifications. Cost estimating remains an important skill. And at a number of our sites, we believe that we could augment the technical capabilities that we now have in that area.

In response to the defense board concerns, there's a technical qualifications program that is in place across the DOE complex that identifies the technical safety related functions, and we're required each year to identify what the skill gaps are and how we will qualify people that do need to carry out safety functions at our sites.

EM is trying to do all this in a multi-pronged way. It's using the current staff that you have and developing their talents and their skills, as well as aggressively acquiring new skills and new people. One tool is to use case studies that help illustrate some of the project management problems that exist either in the Department or in other agencies and learn from those things. In addition, each employee should be working on continually developing and honing their skills and learning more and being a better employee this year than they were last year. From top to bottom in the organization, we're focused on development.

We are also looking for experienced people in this case to fill immediate needs in the contracting arena. We don't need entry-level people; we need some very experienced contracting officers and contracting specialists. And we're going through a recruiting action now nationwide to try to get some of those skills.

We have the Federal Technical Capabilities Program where you do an assessment every year about the skill gaps that you have. And in that case, we're looking at the best ways to do that. In some cases it's detailing people from certain sites to other sites. In other cases it might be using support contractors; in other cases it's hiring new and experienced people to fill some of our gaps. But we are vigorously moving out to try to address the currently identified gaps.

Something that was talked about before was the Closure Cadre. These are people who have worked at some of the sites like the Rocky Flats or Fernald that have experience that could be very valuable to the other sites.

We're going to vigorously recruit interns. If we can do that solely through the DOE program we may just do that. But we're looking very strongly at the possibility that we, like NNSA, may

need to augment what we can do through the Department's program with an additional activity that is totally focused on EM. I'm already in discussions with some of the universities that are already supporting the program, like Catholic University that does work for WTP or some of the universities associated with CRESO. We'll be looking at both summer interns and then the longer term intern program that typically stretches over two years or so with developmental assignments.

We are working with NAPA, the National Academy of Public Administration. We'll be looking at the EM program and doing a review. Some of you may know that NAPA did a successful review with the Office of Energy Efficiency. NAPA provided a lot of good recommendations and feedback and a good sounding board. For the EM program, NAPA will focus on management and organization, human capital, and acquisition. Every four months or so NAPA provides us an informal report, giving us an ability to recalibrate and shift our focus a little bit. And then their final report comes at the end of the 18 months.

An organization is only as good as its people. You cannot have an excellent organization if you only have good or average people. So you really need to focus on the human capital side of things. The reorganization has clarified the functions of some of the EM offices and we've worked on some operating procedures to again try to make it a little bit clearer for the folks in the field on who do they deal with, how do they move issues through for resolution in headquarters.

The reorganization should be in place in April. We're just finalizing the official package. We've done a lot of work with the employees and with the union in Washington, and with the DOE HR organization to explain why we're doing the reorganization, how it's going to be structured. So we expect that the last few steps in the process will not be difficult.

Roundtable Discussion

Mr. Ajello stated that the Board is pleased with the progress in human capital.

Mr. A. James Barnes (via telephone) praised Mr. Fiore's presentation. On the human resource front, EM seems to be incorporating absolutely best practices into that program. I was very impressed with the people that NAPA had assigned to those earlier panels that they did for DOE. It's clear that DOE had the benefit of some of the best minds in the Federal government who both came up with good suggestions. The only other thing I noted with some interest that you do have a number of intern programs that you're trying to develop. That's something that along the way I know that I and maybe some of the others on the Board would be interested in maybe contributing detail or ideas to. It sounds like the main pieces that you're putting in place are exactly the right ones.

Mr. Fiore noted that Mr. Rispoli is walking the talk on this. He agreed that the level of expertise at NAPA is excellent. With respect to specific ideas on intern programs, I would welcome specific input from folks that you could pass on to me off line. I've spent a lot of time in the last month or so trying to gather that input, whether it's from universities, from NNSA, or from people in the department that run intern programs.

Mr. Ferrigno was particularly impressed by a comment made by NAPA that reorganization is not a one-time thing. It's continually reacting and upgrading based on the situation of mission, the situation of where you're bringing the organization, and of course, playing out the values of the organization. The upcoming NAPA report will be a cornerstone and a base to build upon where you are already developing a good base. But it's always going to change based on the

circumstances. I guess the comment was, leadership deals with change. Project management deals with complexity. And both are necessary.

Mr. Swindle asked Mr. Fiore to discuss his goals from the staffing level? What's the gap, meaning what goals you have, obviously if you're recruiting, and then where are you at in an authorization level from an FTE standpoint with OMB?

Mr. Fiore stated that EM is below its authorized limit at a number of the sites. We are approximately 60 or 80 people below what our authorized number is with retirements, etc. So the gap is between 5-10%. We believe that there is a manageable number of gaps that can be addressed through aggressive recruiting and aggressive training for folks. But what we also have to do is feed the pipeline for that wave of retirements that we see coming down the road. We now just have to keep the recruiting pipeline and the intern pipeline filled up so that they can meet today's and the ones over the next five years.

Mr. Swindle noted that this will align with EM's five-year plan now based upon the skill system requirements to meet your mission requirements.

Mr. Fiore agreed, noting that each of the sites has gone through very detailed planning processes. At Savannah River, just in January they had issued a five-year work force plan that clearly identifies the skill gaps that they see today, and how those skill gaps change over the next five years. At each of the sites, major sites are doing those types of analyses.

Mr. Rispoli added that the NAPA EM group is not yet formed and that EM may have an opportunity to suggest additions to that panel. I'd like to ask them to try to compare us to comparable Federal agencies. Like EM, the Naval Facilities Engineering Command has an annual budget of \$6 billion, all of it basically performed by contractors. In addition, nearly all of their engineering design and construction is done by contracting. EM is authorized at about 1,500 people; they have 6,300. We have 60 contracting people; they have about 625. They have 4,800 engineers, and their chief engineer is kind of a sponsor throughout the complex. In order of magnitude, we are significantly different. They have 625 contracting people, but they have over 600 contracts. They don't have dedicated safety people on all of their contracts because it's done by the construction rep. Their safety challenges are different. They don't have the large either M&O or incentivized contractors that then manage through subcontracts. So it would be interesting to see if they can draw a cross walk for us that both considers the comparables and then looks at the differences. Right now, we're benchmarking against just ourselves.

Ms. Salisbury asked if it would just be Federal agencies where you could get that comparison? Are there other corporate examples, or state agencies?

Mr. Ferrigno called to mind large chemical companies that do operations in as significant capital: DuPont, Dow.

Mr. Ajello added that what EM is doing is good news. The bad news is that this is an industry-wide problem: the aging of the workforce, 50 plus in terms of age and the 50% eligible for retirement in the next five years. In our company we have several thousand operators that have exactly your age profile. The news is additionally grim because you are dealing with an industry that has not replenished itself over many, many years. We have not been training and replenishing the waste disposal industry in terms of the highest and most complex, and in fact, all of America is behind with respect to the nuclear industry, whether it be civilian or governmental related activity.

So I think that you're not only in a race to fix what you've got now with these good initiatives, but you're in a severely constrained and competitive environment that goes nationwide. So I think that we really have a challenge on our hands here. I would not understate the need to act with urgency on this.

I applaud the NAPA work. But 18 months is a long time. And even four months at a time is a long time. I would immediately move to go after some low-hanging fruit and take the 80/20 approach, which means when about 80% you act. And you don't wait for the last bits.

I would also suggest combining the internship program with a mentoring program. Once you have people squared away in an internship program, you're then going to develop them, and then your challenge is going to revolve around retaining them. Hence the mentoring program.

Another organizational suggestion is you need to get clear about decision making in the organization. I have found that clear delegations of authority well publicized, who can provide advice versus who makes a decision in an organization and who is responsible for making a capital commitment, operating commitment, hiring, firing, the whole bit can make for a lot of clarity and can speed up the process. This can be a refreshing aspect in your human capital development because it will clarify and de-frustrate the organization.

Mr. Allred noted that in his private career he had programs particularly with the Department of Defense and the EPA where we actually exchanged middle level managers. To me, that was extremely valuable, and I think the agencies found them valuable too. The key is to make sure people actually have responsibilities and are a part of the decision making organization that they go to. This is something I would encourage you to look at because I think that's an invaluable training. While it's difficult to do when you're understaffed, it was invaluable for future leadership.

Mr. Ferrigno noted that some basic things in military tactics were field operations and command control. There's a certain point where you turn it over to the command and control. The fear of operators, the concept of central versus decentralized. I'm a big believer in decentralized operations once clear lines of authority are given. However, when one is developing a five-year plan, the question that comes to mind is do I decentralize that implementation or the early phases of the implementation, namely the acquisition strategy? Where does that line of demarcation lie? And it's always going to be moving. I believe in setting strategy and then executing and putting theatre of operation control to the people who really are vested with that authority and responsibility.

Mr. Swindle noted that there is a perception in the marketplace because it's the Department of Energy and it's nuclear related, that the skill set to be an effective manager in DOE you must have that resume of a nuclear background. There are fewer opportunities to develop that skill set because the industry is not there to generate that. I think that the augmentation of the nuclear skill is just that. It's an augmentation. It's the skill set that's what's important to acquire.

Ms. Anderson stated that that EM's reorganization is critical to your relationships with your stakeholders and your local government. We continually have discussions at the Energy Communities Alliance about good managers and bad managers. And I think some of your successful managers probably need to dialogue with those sites that have more problems in dealing with your stakeholders; and I think the partnership then can be enhanced and make your job easier at each site.

Mr. Fiore stated that one of the things that Mr. Rispoli has encouraged us to do is have that dialogue among the sites, share both the good and bad things that have happened so that there is that flow of information from one site to another and from headquarters to the different sites.

Mr. Ferrigno asked for public comment or questions from the representatives that are here from the state - - communities. There were none

Mr. Ajello reminded everyone that there is another public comment period in the afternoon and offer an additional point. There will be another opportunity as well for all these comments. Any type of interaction you would like EMAB to have; the agenda is up to you relative to this NAPA work. Many of us are very keen to see this work. So we offer that advice as and when you would like to have it.

Mr. Rispoli responded by stating that since NAPA's panelists not yet locked up, and Mr. Barnes is a member of NAPA, it may be of interest to have some conveyance of EMAB's perspectives and insights into EM on that NAPA panel.

Mr. Barnes noted that he has a number of NAPA panels and has a lot of respect for the people and the processes that's used here today. Usually I get some both very good consultants and staff folks to look at issues. I can serve as an inside player or be active in reacting or contributing in whatever they do from the mission on the Advisory Board.

Mr. Ajello thanked Mr. Rispoli for attending and reminded everyone that EMAB's mission is to serve as an advisor to the Assistant Secretary for the EM program. It is at his pleasure and given the scope that he would determine for us. The Board will work on the specifics of how we might provide input. I do think there's a great opportunity here. NAPA people, although very skilled in this area, will not start with the knowledge that we have of the program and its people. I think one of the obvious areas to begin with is helping them come up to that level and I think the core expertise on human capital management will be theirs. But this is what this is entirely up to you.

Mr. Ajello adjourned the meeting for lunch.

Lunch Break

Waste Disposition and Strategy

Following lunch, Mr. Ajello introduced Frank Marcinowski, Deputy Assistant Secretary for Logistics and Waste Disposition Enhancements.

Mr. Marcinowski described management of logistics and waste disposition. This work will carry over with him into the new organization. He provided an overview of current operations.

One of the charges for the office is to understand complex-wide what the waste disposition movement is. What sites are disposing where, what receiver sites are getting their waste from what particular facility? Many sites are appropriately making decisions on what their waste disposal pathways are. But until now, I don't think there had been an understanding of the total picture of how waste movements are happening across the complex, and how decisions at one site may be affecting decisions that are being made at another site. The framework in which we looked at this is DOE Orders 435 and 413. We're actually looking at this as a project and managing it as a project.

The waste streams we've been focused on right now are low-level waste, mixed low-level waste, transuranic, and greater-than-class-C (which is a sub-category of low level waste). I'm not going to discuss high-level waste and spent nuclear fuel, although we have compiled inventory information on these categories. For these, the disposition path is Yucca Mountain. There are uncertainties right now on when that facility is going to be available to accept waste.

The waste movement and waste disposition comprise a significant portion of EM's budget. That is the end point of when we're done processing materials; there's a waste that comes out the back end. As we're digging up at these facilities, their soil volumes, their debris waste, that all has to have some place to go to for final disposition. We've been working with the sites, understanding their plans, helping them with orphan sources that currently have an unidentified disposition path.

The purpose of this effort is to integrate all those plans from all the various sites. We've started out by collecting updated inventory information from all the sites. Low-level and mixed low-level waste comprise the largest volume of material. We've collected information on all the EM waste projects, and we're looking at phase two where we would perhaps broaden it further for other offices as well.

We have compiled disposition maps. This is a very complex system. We affectionately call this the spaghetti map because if you picture all these lines as strands of spaghetti, if you pull on one of them, you're going to create tension somewhere else within the system. And if one of them breaks, then you've got an even bigger problem. If we lose a disposal site, then we've got to look at workarounds for how we're going to deal with this material.

That's the whole purpose of this. It's not to understand where each one of the lines goes to. It is understanding that it is a very complex system. The strategies that we're developing are going to integrate all of these various site plans so that we have an understanding of how the stresses and strains, whether they're regulatory or compliance driven, are going to affect how we make decisions in the future.

I mentioned the framework. DOE Order 435 is one of them. Our policy is driven by the Order as far as how we make waste disposal decisions. And for low-level and mixed low-level waste, we try to dispose of it on site where it is generated. If that is not a feasible option, we look at other DOE facilities. There are exceptions where if we can dispose of it in a compliant manner, if it's cost effective, and it's in the best interest of DOE, we can use commercial facilities. In the last year, we have made a significant use of commercial facilities. That's for a number of reasons. One of them is that we had issued a solid waste EIS in 2005 for use of the Hanford Facility. That facility right now is not an option for us, so we had to find a different pathway for all that material that we were going to sent to Hanford. And we have.

WIPP is only for defense TRU. Right now, we have no disposal option for non-defense TRU. So we're putting it in safe storage at whatever site it happens to be. High-level waste and spent fuel have the same problem. We're stabilizing it and keeping it in safe storage until we have disposal paths available.

Concerning disposal facilities, we had counted on two original disposal facilities, at Hanford and Nevada, for a lot of material. We had legal issues with the Hanford facility. Right now the Department has decided that it's not going to send materials or any kind of waste to that facility until those issues are sorted out, and there is significant uncertainty associated with that. In November 2005, under a RCRA agreement with the state of Nevada, we opened up the mixed

low-level waste disposal facility in Nevada. It is the only facility available to us for mixed low-level waste with intermediate carry content, ten to a hundred pico curies.

The Toxic Substances Control Act (TSCA) incinerator is a resource as well. The original plan was to close that facility in 2007. If we do that, we're going to orphan a fair enough amount of material that doesn't have another disposal or treatment path at this point in time. So we're going to keep that facility open for at least another couple of years until we can dispose of or treat the remainder of that PCP or TSCA waste, as well as make more use of commercial facilities.

There are three commercial facilities available to us right now for disposal. Energy Solutions; U. S. Ecology, which is up in Hanford site; and the Barnwell site which is going to be available to us only till 2008. And there are commercial processing facilities for mixed low-level waste. We use all of these sites on a regular basis. We are also hoping to use the Waste Control Special Facility in Texas in the near future. They are in the process of trying to get licensed. We are storing certain material there. In particular the biggest issue right now is we've got 11(e)2 silo material from Fernald stored there. They need to obtain a disposal license so we can be finished with that particular material. If not, we're going to have to find another facility to accept that as waste. We can't leave it there beyond 2007 under the current agreements.

If you look at the bottom line, 2.6 million cubic meters in that five-year time frame, and then 4.2 million for 2035. These are large volumes, but compared to what we've been doing over the past few years, these are actually declining volumes. We've disposed of the bulk of the waste in the last few years. During last year, we did over one million cubic meters. So we've peaked in terms of waste volumes.

For orphaned material, what we find is that we have the largest problems with the mixed low-level waste in terms of orphaning and not having disposal pathways for. There are just some treatment technologies that aren't available to deal with some of this material. We're working to try and develop those types of technologies. Last year, we held the FEDRAD workshop and we're going to hold it again this year. The sole purpose is to get all of the sites together to figure out how we can dispose of this orphan material. Last year's workshop was pretty successful. We worked off a significant volume of what until that point had been orphan material. By bringing folks together and getting that synergy going between all the contractors and waste managers at the various sites, we were able to deal with a portion of that material that hadn't had a disposal path.

Mr. Rispoli asked Mr. Marcinowski to discuss issues with the Nevada Test Site

Mr. Marcinowski explained that the agreement with the state of Nevada on this is that under the original design for the facility, we had 30,000 cubic meter capacity remaining. And that they wanted this disposal facility closed as well. The agreement that we struck with the state of Nevada was that we would close it within five years (in December 2010) or when we reach 20,000 cubic meter capacity. Whichever one we need first, we have to close at that point in time. With the higher activity mixed low-level waste, we're looking at utilizing all that capacity because at this point in time, there is no other facility available to accept this material. We've got five years to utilize this facility, and at some point between now and then, we need to come up with an alternative.

Mr. Rispoli added that this issue speaks to the problem of optimistic assumptions in many of the baselines that had been established but not verified. It assumed that all these things would be resolved. Mr. Marcinowski is finding that when we had to get Columbus closed, we couldn't

bring the waste to Hanford. We had to bring it somewhere else, and then we'll have to move it again. And so you incur extra costs and set up a whole program. In many cases assumptions didn't pan out and perhaps just couldn't pan out. We're trying to get more realistic baselines so that we can solve the problems. Then we'll beat our baselines. But when you know that you're not solving these because these assumptions are not valid, we've committed to things that in some cases will not be brought to closure. That's why this is so key in understanding the challenge to the environmental management program.

Mr. Marcinowski added that at some of the larger closure sites, Rocky Flats and the Ohio sites, that the original estimates on low-level and mixed level waste that we signed up with a contract and the original contract was well below what the final volumes were. So our original estimation of the waste volumes was seriously in error. We are working with Rocky and the Ohio sites to understand how they estimated their volumes and what can we apply to our new contracts so that we can improve how we make these estimates.

Regarding life-cycle cost analyses, in October 2005, the GAO issued a report which criticized the Department because it doesn't in all cases utilize life-cycle cost analyses in making disposal decisions. Congress reiterated that and requested that we submit a report to them, which we did back in February, on what we're going to do to correct that situation. By this summer we're going to decide on what kind of additional guidance to issue to the sites. But in lieu of that guidance, we're actually working with the sites to, in effect, use this system to make those decisions. And we've actually recently done that with Paducah in the scrap metal that they've got there.

For the national strategy, in addition to getting inventory estimates, we are preparing a report and will make it available for public comment. It's in the final review within the Department right now. We don't see this as a one-time report, but rather as a living document that is updated annually, because situations change faster than you can imagine as far as waste volumes and disposal facility capacity.

For the data that we're collecting, we've got a public Website that we're developing through Florida International University. We're going to update data on a continual basis. The Website will be available in six weeks. This will be a tool that you can look at the information that we have. You can look at it from the generator site or disposal site perspective; by waste stream or waste type, or in a consolidated fashion. It includes the updated waste maps. And then it gives us a status - red, green or yellow. Is there some risk associated with it, or do we not have a disposal path at all? This is the tool that's going to be available to everybody.

There is not a large amount of greater-than-Class-C waste. We are in the process of trying to identify that entire inventory. In 2004, EM was designated as the organization that had responsibility to identify a disposal facility for this material. Technically, GTCC only applies to NRC licensed material, but we're also including in the inventory DOE GTCC-like material. In May 2005, we published an advance notice of intent to prepare an EIS. We're planning this year to issue the notice of intent. We've got certain requirements on the Energy Policy Act that was issued last year and we've got a couple of reports that we're required to submit to Congress in the August and September timeframe on the cost and scope of that EIS.

We're proud of where we are on TRU disposition. We are fine tuning operations, improving efficiencies and volumes of waste that are being shipped. 36,000 cubic meters of contact handled TRU have been disposed of so far. We've removed all shippable legacy TRU waste from 17 sites, including Rocky Flats. We've disposed of approximately a quarter of the TRU waste. In

terms of waste volumes, Idaho has the lion's share, and we have a good plan for moving this material. Idaho is going to be getting a lot of the resources. We had a compliance milestone of 6,000 at the end of 2005. We didn't make that milestone on that date, but we made it on February 21. We're ahead of schedule to meet the next compliance milestone at Hanford. Other resources are going to be devoted primarily to Los Alamos, Hanford and Savannah River. And the small sites will be done on a campaign basis as needed. Another big issue this year is the permit modification that we're hoping to get from the New Mexico Environment Department to allow us to dispose of remote handled waste. We need to optimize waste shipments by getting approval to use shipping containers for some of the larger boxes. The Advanced Mixed Waste Treatment Plant (AMWTP) is a large resource for us. The TRU facility down in Oak Ridge is another one that we're hoping to get. It's already started operations out there. We need to get regulatory approvals in order to allow them to ship.

Mr. Rispoli needed to leave the meeting. He again thanked the EMAB Board for their efforts.

Roundtable Discussion

Mr. Allred noted that the waste disposition issue probably is the most misunderstood part of the program. He asked about efforts to resolve the issue of non-defense TRU waste.

Mr. Marcinowski replied that EM does not yet have a solution. We're going site to site with a process to determine TRU: defense or non-defense.

Mr. Swindle asked for comment on acquisition strategy. Several years ago the Department found that on one hand when it started putting national contracts in place that the sites lost visibility to the individual cost elements. Consequently, they didn't manage the generation of waste quite to the rigor it needed. On the other hand, the Department would get the benefit of volume discounts. You're now getting a handle on things and clearly the number of commercial vendors is shrinking as the market consolidation occurs. With the data that you now have, do envision modifying how the sites are individually paying out of their own budgets for waste disposal but yet using a national contract or individual contracts at the site level?

Mr. Wolfe responded that he had not heard of any national type contracts. We currently have one in place that we used out at the Ohio sites. It currently is an asset that any site that wanted to use it could tap into. That's the only one that I'm aware of.

Mr. Swindle noted that the consolidation of the marketplace is limiting competition in one aspect, but at the same time, again, you're getting a much clearer handle with the baselining of what the potential waste generation elements are. In your planning and evaluation, how does current generation from ongoing operations that are not EM? They're competing for some of the same storage space or disposal capacity. How is that being worked now within the Department since a lot of that current operations stuff is being pushed back to the Atlanta organizations?

Mr. Marcinowski responded that legacy waste is significantly larger in volume than newly-generated waste, or mission-generated waste from future projects. Newly generated waste is also accounted for at least in some of the categories. We try to give the sites guidance on how to separate them. NNSA is supposed to deal with their newly generated waste, so there is some segregation, and that hasn't been sorted out now as of yet. But there is a magnitude difference in volumes between the two.

Mr. Ferrigno noted that EM was experiencing larger volumes than forecast at a number of sites, and I think this was a comment that we had made a couple of years ago. When we looked at some of the waste generation, we knew like in the case of WIPP, the transportation and disposal was paid for at one account but yet the generator was under a different account. And the efficiency of volume reduction, waste minimization, if we have a cost contract we are obviously incentivized on keeping the costs as low as possible. And the result of that reward is a higher fee. But the reality is that if larger volumes are generated, this puts a burden on another piece of the Department's production that is essentially at the destiny based on someone else's either efficiency or lack thereof. Is there any further thought as far as how the cleanup contractors at the sites might be incentivized? Any further thought of how to couple as opposed to decouple the disposal and transportation costs related to that?

Mr. Marcinowski responded that he is not involved in all the acquisition strategies that are put together. His piece is fed into what's being considered. As far as the waste volumes being generated, we are working to better understand how we could better estimate those waste volumes. Granted, we're not going to get it perfect, but we can do a better job than being off by a factor of two or three which is what we found at Fernald and Rocky. We can build some of that into the front end of the contract and work at the incentivization. We haven't done it as yet.

Mr. Ferrigno asked about the TSCA incinerator. We're talking about a fairly mature facility and now we have a two more years of operation. Can it take another two years? Do you have to do some changes? Do you have to do some added maintenance to keep it going for another two years?

Mr. Marcinowski agreed that it is an aging facility that needs upgrades to keep that facility operational. We've got to change the way we blend the waste that we feed into it for burn rates and to meet the current emission standards that are going out the stack. But the alternative is we've got waste that's sitting there with no place to go. We think the best course is to make those upgrades and operational changes in order to tend to the waste that needs to be taken care of. We think we can do that. Beyond two years or so, it's going to get extremely difficult. We established this two-year timeframe because we know the map and the air standards from EPA are just going to make it impossible to continue to operate the facility.

Ms. Anderson asked if EM is doing R&D to reduce the volume of waste, perhaps doing some separation and using some of the materials.

Mr. Marcinowski noted that it's difficult to do this for LLW and MLLW, so EM is using it as fill at some sites, or disposing of the volumes of it for certain newly generated waste. On the TRU side, we are beginning to separate the MLLW and the higher-activity MLLW.

Mr. Ajello noted that EM's process is a classical paradox analysis. What do we do if this happens or that happens? It sounds like a very elaborate exercise in contingency planning where you've got to have a lot of alternatives to surprises or events that may not turn out exactly as you first anticipated. How far do you think you are along in this process of defining all the plans specifically in identifying all of the unknowns that you started talking about here?

Mr. Marcinowski responded that the initial report and Web site should be available in the next few weeks, but this is not the final word. We are continuing to work to develop the strategies as well. And that's what we're hoping to get input from a variety of groups on, be focused so we can refine that. I think we're pretty far along right now. We've been working on this for the last nine or ten months and now it's coming to, it's culminating right fairly shortly.

Mr. Ajello asked if Mr. Marcinowski believes there's some upside in the way EM will operate once you've identified these options in the acquisition process? Do you think that will bring you a little more flexibility than you had?

Mr. Marcinowski believed so. It has not happened yet, but communications with the acquisition folks is going to happen soon.

Ms. Salisbury noted a complaint that has been heard from the states, that the eight-week rolling schedule and the schedules that you put together for the transportation side just don't seem realistic yet.

Mr. Marcinowski believed that EM is getting a lot better at this. There had been a significant rescheduling on that eight-week schedule. And some of that was out of EM's control; some of it would be better in our control. But I think now that AMWTP is operating more efficiently, granted there's weather issues that come up there. We're getting a pretty steady stream of waste coming out of Idaho, the smaller volumes of waste. But I think that we're at a point where the operation is stabilizing which will stabilize the eight-week rolling schedule as well. I understand the state's frustration. We're frustrated with it as well. But it's the best we have at the time.

Ms. Salisbury asked if Mr. Marcinowski had thought about where the Board could be helpful to you in the disposition area.

Mr. Marcinowski asked for feedback on current strategies: Should we be looking at something else? Is there some better way of doing it? So far, it's been an internal exercise and we would like some feedback from outside organizations about a better way to look at this. Maybe there's something we're overlooking. And we need a sounding board at this point in time.

Mr. Anderson added that he'd like to know if the strategies document is a good communication tool; is it understandable to interested parties.

Mr. Allred expressed concern that the current disposal policy with regard to the lower limits is encouraging material to go to places where it otherwise might not need to go. Are you looking at that? Is that a concern?

Mr. Marcinowski responded that the for the mixed low-level waste in Idaho, the whole concern and the reason there was this blending of material is because we didn't have an option for it at that point in time and how we've got NTS. And so we want to fully utilize that. And Idaho's identified over 20,000 cubic meters that's currently managed as TRU waste that doesn't need to go into wet. And we're doing that at Savannah, we're looking at it at Hanford. So yes, I think we are doing that.

Public Comment Period

Mr. Ajello asked for any public comments.

Mr. Wannamaker (Fluor Daniel consultant) asked if EM is working with nuclear materials folks to look at the volumes of materials that are currently stored as surplus nuclear materials that could potentially become declared waste and in turn into your waste forecasts? For example, all the uranium materials that were relocated to Portsmouth and the drums of completed uranium at our Savannah River site that are not currently declared waste or are still in the surplus nuclear

material inventories, but potentially could impact your program in the future if they were declared waste.

Mr. Anderson responded that EM is looking at those materials where there's a pretty good indication it will become waste. Where it's not, we are going back through all of the nuclear materials list and it's going to be tedious and take some time to identify every one of our materials and make a determination. There are four categories: There's a disposition we know about that fully documented; a disposition that everybody knows about but it's not documented; multiple dispositions that we just haven't decided yet where there are several options; and a fourth category where we don't have a clue, don't know what we're going to do with it, orphan materials, those types of things. So we will be going down and going through all of these to make that determination.

Depleted uranium has multiple paths. It goes from continuing to be used as a strategic material to being blended with other wastes to make it into final waste forms. That's why we're trying to identify each one of those. And as that occurs, EM's forecast will be revised to reflect that.

Mr. George (member of the Savannah River Site Citizens Advisory Board) noted that he will be taking excellent information back to his Board. He asked where Savannah River site fits into the big picture.

Mr. Ajello noted that EMAB has obtained a better understanding of Savannah River site's role. One of the things that the Board believes it needs to do going forward is visit other facilities and complexes. And specifically, although we do as much as we can in terms of sending out notices to people, we realize that we need to be more proactive in reaching out. One of the things that is on our agenda to consider is, when we do go to various places, to actually form specific appointments and meetings with people who are local to the site that we visit and actually speak out proactively the opinions.

Charlie Hanson (former federal employee, works for Parsons) commended the Board on raising the issue on human capital about the importance of leadership, and making sure EM recruits and retains good Federal employees. He also thanked Mr. Rispoli for the leadership he has demonstrated on the retention of Federal employees.

Mr. Ajello agreed that Mr. Rispoli has been decisive in this commitment to retaining Federal employees, especially in light of the A-76 process.

Mr. Ajello called for a short break.

Break

Small Business Contracting

Following the break, Mr. Ajello introduced Barry Smith, Director of the Office of Acquisition Management, to talk about small business contracting. Mr. Smith noted that issues of small business contracting really revolve around how do you account for small business subcontracting? There's a great deal of confusion on prime contracts for the Department and subcontracts to the Department's primes. The Department and the Federal government actually have ways of tracking both of those separately.

I would like to start off with an update on small business contracting performance. We typically had 2 – 3% of our small business contracts being prime. The Department has tried to make strides in the last several years to increase those numbers of prime contracts that report directly to the Department. And over the last several years, we have awarded probably 11 significant prime contracts. These are contracts beyond the typical IT or janitorial services. We have awarded four contracts at Portsmouth and Paducah to small business primes. We have awarded cleanup contracts at Columbus and Ashtabula. We had a laboratory services contract at Hanford that was awarded to a small business concern. And on site here, we had recently a project that's just closing out, the Glass Waste Storage Building Two, was a prime contract to the Federal government. The awards have ranged anywhere from \$3.8 million to almost \$200 million, with the larger ones being the Portsmouth and Paducah contracts.

The FFTF procurement had gone out, had been proposed for award, protested and gone back through the cycle again. Then the Department believed that there were other priorities on the Hanford site that really needed to be addressed first, which has put the FFTF award on hold for the time being.

The other vehicle that we have employed is the indefinite delivery and indefinite quantity task order contract where we pre-qualified 22 vendors to do environmental remediation, waste management activities, and non-contaminated D&D. We have 22 contracts awarded under that task order arrangement and we're beginning to place some of those contracts right now. Four of the largest are about \$20 million.

Concerning performance in prime contracting, we established annual goals for prime contracts as well as subcontracts. This year, our prime contract goal is about \$208 million, or roughly 3.35% of our total projected contract obligations for prime contracts. Our goal for 2005 was about \$172 million, or 2.5%. We actually are at \$203 million dollars, or 3%. So we did make an improvement in that regard.

The Federal government would like us to raise our prime contracting goal to 23% over a 20-year period. This would give us an opportunity over a longer period of time to bring small businesses on board and develop the requisite capability to manage some of the more difficult work that typically has been bundled as an M&O contract. Twenty years is a long time and it will be a significant challenge to get there. We also are going to need to build the capability within the Federal workforce at our sites to be prime contract managers and that includes safety management, as well as a whole gamut of things that the M&O typically has done in small business contracting.

There have been questions about just how successful the Department has been, particularly in its accounting for subcontract awards made by our M&Os. In May, the GAO issued a report that looked at 13 Department of Energy facility M&Os and tried to assess small business subcontracting performance. They went out and looked at statistics over a four-year period. They also looked at the kinds of contracts that were being placed, and exclusions that are allowed under the law in calculating those percentages. One of the findings was GAO's belief that our prime contractors were inappropriately excluding some procurements that they were issuing from their base, which would in turn inflate their reported percentages of performance on small business subcontracting. There really are only two exclusions allowed: an award to an affiliate and an award to a foreign entity. Those are excluded from the base. GAO found that exclusions were being taken for things that the M&Os believed could not be competed in a small business community, such as utility services on a site, credit card purchases, procurements directed by law, GSA task orders. GAO found that this was not appropriate, and that if you recalculated the

percentages adding those back in, very few of the contractors were meeting their subcontract goals, which typically run 40% of all of the contracts that they let.

DOE responded by saying it was using historical practices. The Department also felt that there were some things that you possibly couldn't subcontract out to a small company, such as utilities. Despite all that, the GAO did find that in FY2004 we did make available \$3.3 billion through our small business subcontracting. GAO recommended that we remind our contractors of the limited exclusions and indicated there would need to be additional guidance reminding prime contractors of their obligations for subcontracting and the appropriate methodologies. GAO also stated their belief that percentages don't mean a lot, and absolute numbers were a better indicator. The Department accepted most of the findings and disagreed with one in part: the issue of reporting out the achievements on the basis on the total site budget. As it turns out, we are agreeing to accumulate the data and have the data reported back to us so that we can make that calculation. But in reporting out our accomplishments, we'll continue to stick with the methodologies that the SBA has mandated. We also sent a letter to the contract community in FY 2006 asking that they certify that they were only taking exclusions for the two items that were allowed. We also sent a small business programs acquisition letter which addressed the small business prime contracting and subcontracting methodologies and practices in the Department.

The GAO touched on the fact they thought there was unfocused management in dealing with small business contracting that was hurting the implementation of small business contracts. They felt that there was a breakdown in communications between the office that has been set up specifically for that tasking, and the line program offices that are tasked with implementing it. In response, the Department has set up the small business working group comprising headquarters and field and line programs. In FY 2006, EM has also reviewed each of the subcontracting goals provided by its contractors, and we have verified that they are committed to only taking the authorized exclusions.

The GAO is about to publish another report on small business contracting. It is in draft and I think that probably will be out in another month or two. We just got a copy of that the other day to take a look at.

Congress is interested in small business contracting as well. And in the last year's emergency supplemental appropriation, there was a requirement that the Department work with the Small Business Administration to try to develop a memorandum of understanding on how we were going to report our accomplishments. In the end it's all about the number of small business placements you make. Whether it's a prime or subcontract situation, what we really want to do is make sure that we foster the Federal policy of making available to small business awards where they show requisite capability. That MOU has been developed.

Between the year 2000 and 2004, DOE had increased its prime contracting to small businesses by over \$400 million. The Department did start to take action to try to increase the number of primes, and it continues to do so. It's a priority for the Department and for EM.

The way we agreed that we would report small business participation on prime contracts was pretty straightforward: the dollar value of the small business procurements that we place divided by our total procurement base in the Department. That's going to show a 3.5 – 4% participation range. What has changed is that DOE and the Small Business Administration agreed that in certain representations they will allow the Department to represent its participation by combining both its prime subcontract dollars and M&Os subcontract dollars divided by the total amount of money available in the Department. They don't track us in that regard. We are still being tracked

by separate prime goals and subcontract goals (which are typically 40 to 50% of total subcontracts placed). However, in some representations, we will be allowed to combine those two to obtain a more accurate reflection of the total amount of dollars going into small business contracting.

The new Deputy Assistant Secretary for Acquisition is Jack Surash. We are developing acquisition strategies for the major procurements at Hanford and Savannah River. Any award over \$3-4 million has to come back to the Department's Office of Small and Disadvantaged Business Utilization for a justification on why it's not awarded to the small business. That's a pretty low number. We are developing acquisition strategies for those procurements. We will have to make those justifications to small business. We anticipate that acquisition will go out with requirements for small business subcontracting among the primes. And our negotiations and discussions internally will evaluate what those commitments will be. Is it going to be in the 40 or 50% range? Is it going to specify a dollar value? Those things are under development right now.

We recognize that awards to small business are good business for the Department. We're learning. We are learning from some of the small business prime placements we've made on how to manage those contracts. The people here at Savannah River I think did an excellent job with the Glass Waste Storage Building Project, which is concluding. It came in under cost and ahead of schedule. We're learning some from our IDIQ process where we have somewhat smaller procurements, but a lot of the same issues on managing security interfaces and safety interfaces. We need to do what makes sense. We need to provide opportunity and we need to make sure that the mission gets accomplished. And I think there's a win in that for everybody.

Roundtable Discussion

Mr. Ferrigno noted that there is an upcoming small business conference in Seattle on 27-28.

Mr. Swindle noted he has been watching EM and the Department as a whole try to take a small business and put them in a billion dollar category, which is not a small business. It's misleading to try to force a small business to grow overnight with such a large volume of activity. The only effective way to accomplish this is through a mentor-protégé program. At the end of the day, the ability of small businesses to partner with a mentor in my experience has been absolutely critical in order to achieve the type of sustainability so that small business doesn't fail by becoming a large business. What are EM's or DOE's plans relating to mentor-protégé.

Mr. Smith responded that his office has had discussions with the Office of Small and Disadvantaged Business Utilization about mentor-protégé. On one upcoming procurement, EM had some fruitful discussions on how to implement a mentor-protégé relationship. It is a bridge to get a small company qualified, but not having to bear the burden of so much that they'll just collapse. We're developing these strategies and will continue to have discussions. We're going to be considering it seriously where it's appropriate.

Mr. Swindle noted there is another alternative where a small business mentoring relationship can perform a joint venture and get credit for small business consideration. There are multiple models. DOD has formed a task force for its business advisory board that's trying to tackle that same thing. The goal is not to put a small business in play so it can fail. It's to put business into a small business that can grow and graduate and then be a large business. And that is the best success story. He offered EMAB's input to be a sounding board.

Mr. Ajello asked about performance contracting for IDIQ contracts to achieve EM's goal for small business.

Mr. Smith responded that EM's approach for procurements has been to identify specific goals that are to be achieved. One of the recent contracts, the River Corridor Contract, actually specifies some hard numbers for those goals. In that sense, it's a performance-based element. Mr. Ajello noted that there is a lot of room for growth in IDIQ and performance contracting.

Mr. Swindle added that the number one issue for any small business is that by taking on a larger contract is the ability to manage cash. The prime has to carry that burden of cash flow that is typically more than 60 days for payments.

Mr. Smith proposed two possible solutions to this problem. One is to process payments promptly. Two is to look at letters of credit, lines of credit that can be extended. It's not uncommon with the M&O community. It's something DOE can look at for smaller businesses as well.

Mr. Ajello noted that his business uses letters of credit. We use lock boxes such as escrow accounts. We actually support working capital accounts that the small business or minority business would have with a local bank. And we also have gone to weekly payments in some cases and advances on invoices for which there is a credit based on milestone achievement.

Mr. Ferrigno noted that there have been cases where small businesses have cash payments that are due to the organization and not to the project, and they will essentially borrow money on receivables. They then cover other debts for other projects and may become extended with some of their subcontractors. There are mechanisms like escrow agents that you pay a little bit of a premium. But in that premium you protect government.

Mr. Allred asked about the effect of proposal costs on small businesses, especially on large contracts. When a contract is not awarded or drawn out because of other circumstances, isn't that a real disincentive to small businesses?

Mr. Smith agreed that this is a disincentive. The DOE policy is pretty clear that contractors cannot recoup costs, but there has been discussion to change that.

Mr. Swindle noted that there is a provision in the FAR that basically if audited, a small business must be able to show that they contributed substantially, something like 50 plus percent of the cost of the preparation of the proposal. I've seen protest situations where an award has been overturned when it's been determined that a large business partner has been found to have carried a larger share of the proposal burden.

Mr. Smith noted that Mr. Rispoli is interested in streamlining the process and not keep people hanging in for extended periods of time.

Mr. Ferrigno asked if there is a burden on the EM Federal workforce and the staff on having additional direct line contracts, changing the role possibly in certain sites where all of a sudden you're in an almost management integration role as opposed to the current roles that we are in now. Mr. Ferrigno also asked how the small business plan integrates to the current five-year plan.

Mr. Smith responded that at the present time, the five-year plan has not integrated a small business strategy for the larger sites. The goals for increasing small business participation will be developed as a part of individual procurement acquisition strategies and become the site strategy for how it moves along. Regarding the burden on EM workforce, there haven't been enough of these projects to really understand or to quantify what the burden has been. We've assumed it's going to be a large one. It's a role that Feds typically did not play, the integrating role. EM doesn't have a lot of experience yet in that. EM will capture lessons that we've learned, such as the project at Savannah River that worked well. EM needs to capture how it approaches that, how it did the interfaces. But relative to oversight of safety, provision of security, integration of quality assurance, EM is going to have to capture that. We just do not know yet.

Mr. Anderson added that a number of the Federal employees were energized by the new role in oversight of some of these prime contractors. They learned a lot about programs that they should have already known. Instead of a burden, it's a benefit for the Federal workforce.

Mr. Swindle noted that in DOE, M&Os get primes to execute. But in their execution, the primes turn to small businesses. But there's no credit for that in the system. M&Os are in essence an extension of the Federal work force in many ways, and there is recognition that there is a lot more small business subcontracting being done below that M&O level.

Public Comment Period

Mr. Ajello asked for any public comments.

Mr. Wannamacher stated that he appreciated the complexity of the small business issue, and as EM is planning for upcoming acquisitions, there's an opportunity to challenge EM's contractors in helping you fix this problem and come up with a solution as to how to better integrate small business into execution of the scope of work.

Adjournment

Mr. Ajello recognized the support and effort that EMAB has received during this visit, in particular the Savannah River staff and Terri Lamb, EMAB's Executive Director. He then adjourned the meeting at 3:22 p.m., to be reconvened at 9:00 a.m. on March 23, 2006 in the same place.

March 23, 2006

Opening Remarks

Mr. Ajello reconvened the meeting at 8:55 a. m. on March 23, 2005. All Board members were present except Mr. Winston and Mr. Barnes. Mr. Ajello asked the Board to approve the minutes from the Board's meeting of September 29 -30, 2006. The Board approved the minutes.

Mr. Ajello then called for discussion of any new business.

Board Business

Mr. Allred noted that he was appreciative that the Department was very responsive to EMAB's comments from the last meeting, and that the briefings the Board requested were completed.

Mr. Ajello agreed that it has been a productive meeting, starting with the site visit at SRS and the Lab, and has stimulated a desire to see more of the facilities in the field so that the Board can learn more. In addition, over the last two or three years, the issues that the Board has been identifying and focusing on are the ones that have become also the program's focus.

Mr. Allred stated that he would be interested in the Department providing a brief status of the regulatory relationships, i.e., where are the conflicts in the complex with regard to regulators, at the next meeting. He stated it was something the Board had not dealt with, but as he looks to see what some of the constraints on the Department are, this is one area where the Board has some background that could assist the Department.

Mr. Ferrigno suggested a wording change. Rather than focusing on "conflicts," he suggested the Board focus on "challenges" and areas that need attention.

Mr. Allred accepted this change.

Mr. Ajello added the words "balanced discussion," noting that while there are challenges, there are also things that are done very proactively and productively. So he would like to get a balanced sense of that.

Mr. Allred agreed that there are a lot of success stories with regulators out there. He also discussed challenges as opportunities to build on relationships with regulators.

Ms. Salisbury noted that EM has had successes with regulators, such as at Rocky Flats. These would make excellent case studies for teaching EM's staff on how to deal with the regulators in a productive manner.

Mr. Anderson stated that he would be interested in hearing EMAB's perspective, because there have been some performance successes that eased or overcame regulatory challenges.

Mr. Ferrigno asked what outcome the Board anticipated.

Mr. Allred noted that when you have common objectives with the regulators, who are to some extent a constituent, you are going to have less conflict. And even when there are things going on as there are in Idaho with the lawsuit, the ability of the regulators to work closely with DOE does not have to be impacted, and he did not think it was. On a day-to-day basis, the working relationship between DOE and regulators is better than it has been for a long time. As you go around the complex and you look at this, it needs to be recognized. He stated that he knew there are all kinds of contacts with ECOS and others, and the Board should not replace that, but he thought there is an opportunity here to communicate better.

Mr. Ajello noted that there has been more progress made than is generally known. Perhaps the Board can help facilitate the dissemination of those successes with their meetings, and encourage DOE to talk more about its successes. He thought it would also help the morale of the people in the program. He also thought it would assist in the retention issues among staff. He also thought it could change how the program is viewed, including within the political process and Capitol Hill.

Mr. Swindle agreed that it would be very beneficial to the Board to have the Department come back and give its perspective. Historically, the regulators were often much better at communicating among themselves to look at common solutions areas in dealing with the

Department. Now, the Department is coming in and giving its perspective in its five-year plan. We know that plan can only be achieved if the regulators are in support. And if there are areas that as a result of coming back to this Board that do get flagged as areas that need discussion, we have accomplished something important. And so we would heartily endorse hearing back from the Department.

Mr. Ajello asked if EM had a list of accomplishments it used in briefing the Hill.

Mr. Anderson replied that EM does have these accomplishments, but the key is describing EM's accomplishments against plan. EM must be clear about what its five-year plan is, so the Hill can get a view where the program is coming from and also where it is headed. This is what EM has to communicate.

Ms. Anderson noted that it is natural to have tension between the regulators and the Department. Disagreement between regulators and the Department is not necessarily a bad thing.

Mr. Allred noted that one of EM's most effective tools in improving the relationship has been the baseline cost and schedule, because that has allowed the regulators to see an overall picture, not just a snapshot in time.

Mr. Ajello agreed that it is all about performance against objectives. People can clearly identify against that. It also enhances credibility. It sounds like there is a sense that a perspective on the regulatory progress or the challenges is a theme is that the Board can help with. The next step is for the Board to get an update from EM, without prejudging or presuming any depth of activity. It is really just a status.

Mr. Allred agreed.

Mr. Anderson clarified the Board's position is to have EM provide EMAB with a regulatory status, with opportunities, challenges, and case studies. The result may be a topical area that EM might want EMAB to pursue more, or simply some recommendations or advice on how to better manage EM's regulatory interactions.

Mr. Anderson also noted a related topic: how to communicate better. EM is looking for specific information here.

Mr. Ferrigno noted EMAB's mission is policy and oversight. For the same reason the Board would not come in and tell EM how to design the Glassifier for high-level waste treatment in Savannah River, he would be as much concerned about telling EM how to go through the regulatory approval process of XYZ. As long as it is within the confines of policy and oversight, he is in favor of it. But to get past that, he would probably draw the line.

Mr. Ajello clarified by stating that EMAB is not making the plans, but basically commenting on them for the benefit of policy and oversight. It is advice.

Mr. Allred noted there is another function EMAB can help the Department with: perception. When one looks at these sites where there are multiple organizations, it is hard to understand what is DOE's overall mission or goal. When you look at some of the sites where EM is so prominent, the success of EM will not just affect EM. It will really impact the ongoing mission. EMAB can assist in some of the communications or suggestions on how the Department deals with perception. Most people do not know what EM is. They know what the Department of

Energy is. And so when you talk about EM, or NE, or other organizations, they are thinking DOE. That is a real challenge for the Department: Sometimes even among ourselves, we lose the understanding that we are really talking about to some extent, the future of the Department of Energy; not just EM.

Ms. Salisbury agreed that communication is important. She noted that during EM's presentations, she did not see the communications function listed.

Mr. Anderson responded that that the communications function is not clear. In the past, there has been a communications office. By default, it goes in and out of EM's strategic planning group. He plans to review communications and determine if it needs to be pulled out separately.

Mr. Ferrigno noted that DOE and its structure has a communication box. Is EM essentially getting that service? If it was a private company, it would be G&A, general and administrative services, that you are paying for.

Mr. Anderson recognized that it is more than public affairs.

Mr. Ajello clarified that there is a staff function in DOE that responds to queries, but what he is hearing is that there is value in potentially clarifying the mission, being proactive, talking about the plans and the baselines, and laying things out in a way that is not just answering a letter or responding to a query or complaint.

Mr. Anderson recognized the importance of dialogue in communications and that there is a lot of room for improvement in this area.

Ms. Anderson said that from what she hears from local governments and SSAB's, this is a huge problem. EM may be communicating with some people, but probably not the right people. It goes back to perception of what the Department's about. So it is not a narrow issue. It is a huge, broad issue.

Mr. Anderson stated that he did not want to leave the impression that EM is going to end up with a new box – communication. The focus needs to be on function, not organization. This is also an integration issue. From the Department's standpoint, there is the Office of Congressional and Intergovernmental Affairs, which communicates on a certain role; and the Office of Public Affairs that communicates on a certain role. But there is a multitude of communications in trying to look at broad perspective and bring all that together, such as speech writers that are in various organizations throughout the Department. How do we bring all that together and say that we are looking at the overall communication process?

Mr. Swindle noted that EM has suffered from changes in leadership in a very short window of time. Consequently, the confidence in the ability of EM to deliver is always in question. So part of the communications strategy is to put a consistent way of delivering EM's image in the public space, regulatory space, etc.

Mr. Ajello stated that this is an area where the Board should decide whether to recommend clarifications of EM's communications. The sense of the group seems to be that this is an important issue.

Mr. Swindle noted that at the previous Board meeting, EMAB received an update on the acquisition programs status. Now that Jack Surash is on board and acquisition strategy is

becoming such an integral part of the EM program, the Board might want to ask for a descriptive informational update on the acquisition strategy and approach.

Mr. Ferrigno added that the Board should reiterate that it has spent a lot of time reviewing acquisition issues and is available to help the new Deputy Assistant Secretary.

Mr. Ajello agreed that the Board should package up the materials that it spent a fair amount of time on and make them available to Mr. Surash. He asked Ms. Lamb to assist, and noted that much of it is on the EMAB Web site.

Mr. Ajello then brought up an issue relating to the governance of the Board itself. By historical standards, the Board is relatively small. Given the busy schedule of the chair, he proposed establishing a vice-chair position. Mr. Ferrigno has volunteered to serve in this position.

Mr. Swindle thought that having a division of responsibilities as well as a fall back position is good, especially as EM makes better use of the Board.

Ms. Salisbury also agreed.

Mr. Ajello also asked about the need for additional skill sets on the Board, noting that the Board has discussed with the Assistant Secretary about having a maximum of ten people on the Board.

Mr. Ferrigno wondered if it would be helpful to have a former member of either NRC or DNFSB, to get his/her perspective.

Ms. Salisbury proposed that the Board review topics that it may want to take up over the next couple of years while this President and our Assistant Secretary are still here, then look at the skill set against the list of potential nominees and see if there are any gaps there.

Mr. Allred wondered if the Department has looked at skill sets that are available on the Board versus what they think they might need.

Mr. Anderson responded that EM had done some of that. Right now EM has not identified any real holes.

Ms. Anderson wondering if the Board should be looking for somebody who has a more futuristic outlook in order to obtain new ideas, thinking outside the box.

Mr. Ferrigno agreed and thought somebody who does not have a conflict of interest in the chemicals business, maybe a retired or current executive from a chemicals operations company that gets into biochemistry, biotechnology, chemicals production, petrochemicals, etc.

Mr. Ajello proposed to take up this issue in working session. His summary was that the current Board was not too big. The Board needs to have all the skill sets to support the advice that it needs to give the EM program, yet the Board also wants to be nimble and productive.

Ms. Lamb added that the Board has quite a few candidates from the Secretary of Energy's Advisory Board, which was just disbanded. She agreed to share the biographies of these individuals with the Board. Mr. Rispoli was interested in seeing the backgrounds of those former board members. There also are some retired EM employees with quite a bit of experience whom the Board might want to consider.

Date for Next Meeting

Mr. Ajello discussed the date and location of the Board's next meeting. The Assistant Secretary wants the Board to summarize its viewpoint of what it has heard. Given the success of the meeting at the Savannah River Site, he asked for consensus on which site should be visited in the next meeting, sometime in September.

Mr. Swindle proposed Hanford as the site for the next meeting.

Mr. Anderson thought Hanford would be a good choice, noting it might be a good idea to alternate east and west. After Hanford, Oak Ridge and Idaho would be good choices. These are the larger sites where EM has a lot of the focus on what it is trying to accomplish over the next three years.

Mr. Ajello added that in addition to a site tour, it might be proactive to visit the local citizens' advisory board, or whatever the input group might be, to have conversations and receive input. Although the Board tries to give ample opportunity, there is typically not a lot of public input. So it is incumbent upon the Board to reach out. The Board should focus on the site as to what the Board would want to see, both technically operationally as well as communications, as to whom EMAB might want to talk to, so they can plan that trip with precision. This current trip was very productive, but EMAB can be even more precise and productive in the future.

Mr. Anderson cautioned that with an initial visit to a site, it may be invaluable to get a broad perspective, particularly since Hanford is an EM site for all practical purposes.

Mr. Ajello concurred with Mr. Anderson's suggestion, and noted that the Board should try and get administratively organized with badges, safety briefings, etc. done ahead of time.

Ms. Lamb agreed to handle these issues.

Ms. Salisbury recommended that the Board tie the site visits to the key issues that the Assistant Secretary asked the Board to look at.

Mr. Ajello agreed, noting that the key issues are: safety, risk reduction, project execution, organizational alignment, feedback, and lessons learned. He also noted that the key issue of acquisition strategy can be folded into project execution. This is a useful framework for the Board to follow.

Ms. Lamb asked whether there are plans to have a meeting at DOE Headquarters as well those mentioned by Mr. Anderson - Hanford, Idaho, Oak Ridge. Is EMAB going to meet at DOE Headquarters in-between all of them as well?

Ms. Nielson suggested that the meeting of intergovernmental groups in Washington in November would afford EMAB the opportunity to hear updates on EM activities.

Mr. Ajello noted that EMAB could send one or two representatives to this meeting, who in turn could update the other Board members.

Ms. Anderson agreed with this approach.

Mr. Ajello stated that he would approach Ms. Anderson and Mr. Winston about attending. He added that the Board has some catch-up to do with regard to understanding what is happening at the sites, so the first priority is on additional site visits. The Board can conduct administrative business anywhere. He stated there would be additional discussion on this topic among the Board members.

Public Comment Period

Mr. Ajello asked for any public comments.

Mr. Larry Harrison, a private citizen recently retired from the Savannah River Site, was concerned that EM's plans and schedules can easily be derailed by "show-stoppers." He cited as an example the potential of a very long lead time for EM to procure a spare glass melter, which would delay the entire DWPF. EM should look at the longer-range concerns, the risk such that if there is a failure, what are the consequences, and what is in place? What can be done? Because if one particular piece of equipment goes down, it has a ripple effect because everything else has to shut down.

Mr. Ajello noted that many Board members have worked on large projects in the past and appreciate Mr. Harrison's comments.

Mr. Swindle agreed that critical path items are key.

Mr. Ajello added that this is also an indication of the complexity of what EM does.

Concluding Remarks and Adjournment

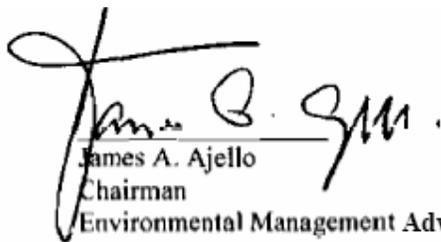
Mr. Ajello thanked the Board, the EM team, and Ms. Lamb for their efforts. He asked for a motion for adjournment.

Mr. Allred motioned for adjournment.

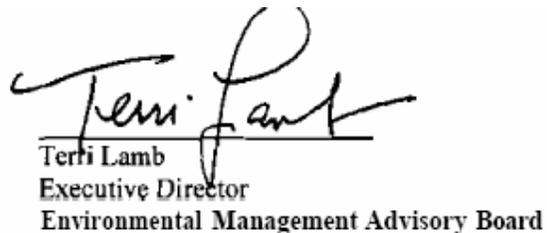
Mr. Ferrigno seconded the motion.

Mr. Ajello adjourned the meeting at 10:15 a.m.

I hereby certify that, to the best of my knowledge, the foregoing minutes are accurate and complete.



James A. Ajello
Chairman
Environmental Management Advisory Board



Terri Lamb
Executive Director
Environmental Management Advisory Board

These minutes will be formally considered by the Board at its next meeting, and any corrections or notations will be incorporated into the minutes of that meeting.

APPENDIX A

**ENVIRONMENTAL MANAGEMENT ADVISORY BOARD
U.S. DEPARTMENT OF ENERGY
Meeting Agenda
March 22 –23, 2006
Augusta, GA**

Wednesday, March 22th

- 9:00 a.m.** **Public Meeting Opens**
Welcome and Remarks
❖ **James Ajello, *EMAB Chair***
- 9:15 a.m.** **Opening Remarks**
❖ **James A. Rispoli, *Assistant Secretary for Environmental Management***
- 9:45 a.m.** **EM Program Update**
❖ **Charles E. Anderson, *Principal Deputy Assistant Secretary for Environmental Management***
- 10:15 a.m.** **Break**
- 10:30 a.m.** **EM Human Capital Initiatives and Reorganization**
❖ **James Fiore, *Acting Deputy Assistant Secretary for Intelligence and Improvement***
- 11:00 a.m.** **Roundtable Discussion**
A. James Barnes and Dennis Ferrigno, *Board Members (Discussion Leaders)
- 11:45 a.m.** **Public Comment Period**
- 12:00 p.m.** **Lunch Break {Working Lunch for Board Members}**
- 1:00 p.m.** **Waste Disposition and Strategy Presentation**
❖ **Frank Marcinowski, *Deputy Assistant Secretary for Logistics & Waste Disposition Enhancements***
- 1:30 p.m.** **Roundtable Discussion**
Jim Ajello, *EMAB Chair* & Stephen Allred, *Board Member (Discussion Leaders)*

- 2:15 p.m. Public Comment Period**
- 2:30 p.m. Break**
- 2:45 p.m. Small Business Contracting**
❖ **Barry Smith, *Director, Office of Acquisition Management***
- 3:30 p.m. Roundtable Discussion**
❖ **Dennis Ferrigno, *Board Member (Discussion Leader)***
- 4:15 p.m. Public Comment Period**
- 5:00 p.m. Adjournment**

Thursday, March 23, 2006

- 9:00 a.m. Public Meeting Open**
❖ **James Ajello, EMAB Chair**
- 9:10 a.m. Board Business**
- ❑ **Approval of September 29-30, 2005, Meeting Minutes**
 - ❑ **New Business**
 - ❑ **Roundtable Discussion**
 - ❑ **Set Date for Next Meeting**
- 11:30 a.m. Public Comment Period**
- 12:00 p.m. Adjournment**

(*) Jim Barnes will call in to the meeting.

APPENDIX B

Department of Energy Charter for the Environmental Management Advisory Board

1. Official Designation:

Environmental Management Advisory Board.

2. Objective, Scope of Activity, and Duties:

The Environmental Management Advisory Board will provide the Assistant Secretary for Environmental Management with information and advice on corporate issues. The Board will be informed of the progress on the Environmental Management projects at regular intervals to be determined by the Assistant Secretary.

The Board will perform the following duties:

- a. Advise the Department of Energy on Environmental Management strategies;
- b. Issue reports and recommendations;
- c. Recommend options to resolve difficult issues faced in the Environmental Management program including; contracts and acquisition strategies, public and worker health and safety, integration and disposition of waste, regulatory agreements, roles and authorities, risk based end-states activities and risk reduction, cost-benefit analyses, program performance and functionality, and science requirements and applications.

3. Time Period Necessary for the Board to Carry Out Its Purpose:

Since the task of the Board is to advise agency officials on a series of Environmental Management strategies and strategic advice on corporate issues, the time period required to carry out its purpose is continuing in nature.

4. Official to Whom this Board Reports:

This Board will report to the Assistant Secretary for Environmental Management.

5. Agency Responsible for Providing Necessary Support for the Board:

United States Department of Energy.

6. Description of Duties for Which the Board is Responsible:

The duties of the Board are solely advisory and are stated in paragraph 2, above.

7. Estimated Annual Operating in Dollars and Person-Years:

The Department of Energy will provide resources sufficient to conduct its business as well as travel and subsistence (per diem) expenses for eligible members. The estimated costs are \$400,000 and approximately 4 permanent staff members.

8. Estimated Number and Frequency of Board Meetings:

The Board will meet semi-annually or as deemed appropriate by the Assistant Secretary for Environmental Management. Specialized committees of the Board will meet as deemed appropriate by the Assistant Secretary for Environmental Management.

9. Termination Date (if less than 2 years from the date of establishment or renewal):

Not applicable.

10. Members:

Members of the Board shall be appointed by the Secretary of Energy for 2 years to achieve continuity in membership and to make use of the acquired knowledge and experience with Environmental Management projects. Members may be reappointed for additional terms of 1 or 2 years.

11. Organization and Subcommittees:

The Board shall report to the Assistant Secretary for Environmental Management or other officers of the Department designated by the Secretary of Energy.

The Board is authorized to constitute such specialized committees to carry out its responsibilities as the Assistant Secretary for Environmental Management finds necessary. Committees will report through the Board.

Individuals with specialized skills who are not members of the Board may be consulted by the Board or specialized committees, as appropriate.

12. Chair:

The Assistant Secretary for Environmental Management appoints the Chair of the Board from the Board membership.

Date: MAR 23, 2004

/s/

James N. Solit
Advisory Committee Management Officer

Date Filed: MAR 23, 2004