

U.S. Department of Energy

Meeting of the
ENVIRONMENTAL MANAGEMENT ADVISORY BOARD

Thursday, September 29, 2005

VOLUME I

Forrestal Building
Room 1E-245
1000 Independence Avenue
Washington, D.C.

A G E N D A

Thursday, September 29, 2005

AM Session

- 9:00 Public Meeting Opens
Welcoming Remarks
James Ajello, EMAB Chair
- 9:15 EM Program Overview
Charles E. Anderson
Principal Deputy Assistant Secretary
for Environmental Management
- 9:45 Site Operation Overview
Ines Triay
EM Chief Operating Officer
- 10:15 Break
- 10:30 End State Presentation
Mark Gilbertson
Deputy Assistant Secretary for
Environmental Cleanup & Acceleration
- 11:00 Roundtable Discussion
Tom Winston & Jennifer Salisbury
Board Members
[Discussion leaders]
- 11:45 Public Comment Period

PM Session

- 12:00 Lunch Break [Working Lunch for
Board Members]
- 1:00 Contract Strategy and Management
Presentation
Barry Smith, Director
Office of Acquisitions Management
- 1:30 Roundtable Discussion
James Ajello, EMAB Chair
Dave Swindle, Board Member
[Discussion Leaders]

AGENDA [Continued]

- 2:15 Public Comment Period
- 2:30 Break
- 2:45 Project Management and Oversight
Presentation
Karen C. Guevara, Director
Office of Project Planning and
Controls
Jay Rhoderick, Director
Office of Performance Assessment
- 4:15 Public Comment Period
- 5:00 Adjournment

Environment Management Advisory Board

Mr. James A. Ajello [Chairman]
Reliant Energy, Inc.

Mr. C. Stephen Allred
Consultant

Ms. Lorraine Anderson
Arvada City Council

Mr. A. James Barnes
Professor

Dr. Dennis Ferrigno
CAF & Associates, LLC

Ms. Jennifer Salisbury
Attorney-at-Law

Mr. David Swindle
IAP World Services, Inc.

Mr. Thomas Winston
Ohio Environmental Protection Agency

1 P R O C E E D I N G S

2 [Time noted: 9:05 a.m.]

3 CHAIRMAN AJELLO: I am Jim Ajello, I am with
4 Reliant Energy and I am also the Chairman of the
5 Environmental Management Advisory Board. And given that
6 our meeting was duly noticed and we have a quorum of the
7 directors present, I would like to call the meeting to
8 order, and, as I say, welcome you all this morning.

9 We have a full board in attendance that is
10 morning and I will go around and I will introduce the board
11 briefly and also some of our speakers this morning as we go
12 through the day.

13 I would like to make note of the fact that the
14 presentations that you will be receiving this morning are
15 available to the public on the table on the side of the
16 room as you enter.

17 We would like you all to sign in, if you will, as
18 well.

19 In addition, the agendas are available on the
20 table as well as the organization charts. That might help
21 you more fully explain who is speaking and their topics.

22 A couple of background matters before we get to

1 the agenda and I'll go through that in a minute.

2 First of all this morning we have two new board
3 members with us. I would like to spend a moment giving you
4 a bit of a background on the two new members that we have.
5 Stephen Allred and James Barnes. I would mention, too,
6 that all of the bios for the board members are available on
7 our web site which is www.em.doe.gov/EMAB. So that I won't
8 spend a lot of time, but I'll refer you to that because I
9 think you can get a fuller appreciation for kind of the
10 quality board members that we have and the diverse
11 backgrounds that they represent.

12 But first, for our new members Steve Allred has
13 had, it's fair to say, significant public and private
14 sector experience. He retired last year in June of '04 as
15 the director of the Idaho Department of Environmental
16 Quality and he has a long background in environmental and
17 land use issues. He also spent a significant amount of
18 time in the private sector, 17 years at Morris & Knutsen in
19 environmental and government service practice. He
20 currently owns a management consulting and regulatory
21 affairs consulting firm. And Stephen is from Idaho.
22 Welcome this morning.

1 Our next new member is James Barnes. Jim is a
2 professor of public and environmental affairs and adjunct
3 professor of law at Indiana University in Bloomington's
4 School of Public and Environmental Affairs. Jim has a long
5 career in teaching as well as public service. From 1988 to
6 2000 he served as the dean of the School of Public and
7 Environmental Affairs at Indiana. He was previously in the
8 middle '80s the deputy administrator of the U.S. EPA. From
9 '83 to '85 he was EPA's general counsel and he participated
10 in the formation of the EPA actually back in the '70s and
11 he was, at that point, chief of staff to its first
12 administrator, Bill Ruckelshaus.

13 He was also general counsel at the Agriculture
14 Department from '81 to '83. And he's had a wide background
15 and variety of experiences in environmental issues across
16 the board. He began his career earlier in private
17 practice, environmental law, commercial litigation in a
18 large firm here in D.C.

19 So I welcome both of you to the board this
20 morning. It's a pleasure to have two members with such
21 great backgrounds and experience. It adds a good deal to
22 our ability to accomplish our mission.

1 The other members of the board, I believe, the
2 community at large probably knows a fair amount about.
3 I'll refer you again to our web site. But Dave Swindle,
4 Jennifer Salisbury, Dennis Ferrigno, Tom Winston, and
5 Lorraine Anderson have been members for the last couple of
6 years plus. So I think you are probably all familiar with
7 them.

8 Okay. What I would like to do next is just
9 before we get into the presentations, of which we have a
10 number this morning, is really indicate what I would hope
11 our objectives are for the meeting this morning. The board
12 has not met in a while. So I think it's probably incumbent
13 upon us and I've asked some of the folks in that program to
14 help us gather some information on the key issues that we
15 are to address going forward. We would like to accomplish
16 some priority setting and some project work as we get into
17 day number two. And we would like to also talk a little
18 bit about our future plans. And that's really what we'll
19 do.

20 The other thing that I would like to do before we
21 get into the agenda this morning is to mention two
22 individuals, one of whom is not with us anymore, and that's

1 our former executive director, Jim Melillo. Jim retired
2 after many years of service and he was with this board
3 since its formation, really, in 1989. Jim has done a great
4 job and is happily enjoying retirement right now, as I
5 understand it.

6 However, we are very glad to have Terry Lamb
7 sitting on my left. Terry is our new executive director
8 and as all of the board members know, she has been great in
9 terms of helping us get prepared and informed and serves as
10 a terrific liaison to the board, the Department at large,
11 and the EM program. So, Terry, thanks very much for your
12 help.

13 So what are we going to do today? Well, I would
14 like to briefly run through the agenda. And consistent
15 with our objectives of trying to gather some information we
16 are going to receive presentations and have some discussion
17 on a number of topics. The agenda is posted up on the
18 board here and it's on the table as well.

19 We will first begin with Charlie Anderson who is
20 the principal MR. for Environmental Management. Dr. Ines
21 Triay will talk to us next about site operations. We will
22 discuss end states and starting with the end states

1 discussion we will have a format where we will have a
2 roundtable discussion with the board. We will then have a
3 public comment period because I think there will be a fair
4 amount of substantive issues discussed at that point in
5 time. Break for lunch, of course, returning to a topic in
6 the afternoon at 1:00 around contract strategy and
7 management. Follow that again with a roundtable
8 discussion. Also provide a comment period thereafter.
9 Next get into, in the middle of the afternoon, a discussion
10 on project management and oversight. Karen Guevara and Jay
11 Rhoderick will help us do that. We will follow that with a
12 roundtable discussion, another public comment period and
13 then we will adjourn at 5:00 this afternoon.

14 We will reconvene in the morning at 9:00 for
15 those of you planning your schedules. We will begin that
16 meeting with Jim Rispoli who couldn't be with us today, but
17 is the Assistant Secretary -- the newly appointed Assistant
18 Secretary for Environmental Management. I talked to him
19 last evening and he is very excited about the opportunity
20 of working with us. And he'll be with us tomorrow morning.

21 We will then do some planning for the projects
22 that we intend to take up tomorrow and take care of some

1 formal business around minutes and the like.

2 So that's kind of a preview of what we intend to
3 do over the next day and a half. And I hope that we'll
4 have a very active and open discussion, a fair amount of
5 public comment as well, and I look forward to that.

6 Our first presenter this morning is Charlie
7 Anderson who is the principal Deputy Assistant Secretary
8 for Environmental Management. Charlie is going to give us
9 an overview of the program. As some of you know, Charlie
10 used to be the Deputy Director at the Savannah River site
11 and he was selected by the Secretary to be the principal
12 MR. for the EM program in May of '05. So Charlie is a
13 fairly recent addition to this particular position, but a
14 long-standing professional in the program.

15 I believe Charlie's experience in the field will
16 give us a great deal of insight into the program, but I
17 also look forward to getting his perspective on the
18 Department from a headquarters' perspective as well. So I
19 really look forward to that. Charlie.

20 MR. CHARLES A. ANDERSON: Good morning. This is
21 my first opportunity to address the Environment Management
22 Advisory Board. I really want to emphasize EM's focus and

1 elaborate on a few areas where we will see us focusing our
2 energy in the next couple coming months and years. It
3 really is about where we put our energy as far as what we
4 end up accomplishing.

5 I hope that this will provide you a better
6 understanding of our expectations of building on the
7 momentum of delivering risk reduction that is safe for the
8 worker, protecting the environment and respectful of the
9 taxpayer. Key issues as we look at our momentum.

10 Jim did want me to pass on his apologies for not
11 being here on the first day. He will be here tomorrow. He
12 is very interested and supportive of the Environmental
13 Management Board. He is working very hard to also get out
14 at a number of the sites to get a good feel for the issues
15 we have there. Today he's at West Valley and I'm sure that
16 will be on your screen sometime during your deliberations
17 also. He would like to hear your feedback, you know, when
18 he gets back.

19 I will say a little bit about myself, even though
20 Jim's put the things on the table. I have been with the
21 Savannah River site since 1990. While at the Savannah
22 River site I worked in a multitude of program elements.

1 Once being, for a little while, a nuclear nonproliferation
2 program, actually a headquarters employee at Savannah River
3 site during the transition days when the dual hat authority
4 was a question.

5 During the past three years I've been actively
6 engaged with focus on the EM program on risk reduction
7 rather than risk management. There's major changes when
8 you look at the history of the overall environmental
9 management program. It's an effort that I think those who
10 have been involved should be proud to be a part of. It's
11 been painful in certain ways, but we've set a new standard
12 both for performance of our contractors and performance of
13 the federal work force.

14 While we have made significant advances, we have
15 to continue to build on both the momentum of doing these
16 and the results, the momentum of the results. Continuing
17 to see closures and risk reduction. We all know
18 circumstances and conditions surrounding our work change
19 without leadership, which we depend on the Environmental
20 Management Advisory Board. This will lead to doubt and
21 confusion. Two detrimental qualities we must take active
22 steps to avoid.

1 Secretary Bodman has repeatedly emphasized his
2 commitment and our responsibility to address the
3 environmental legacies, more so than any secretary that
4 I've heard before. Let me be clear on what we have to
5 accomplish though in the next few years to be successful in
6 this mission, to summarize it.

7 We have to establish what I refer to as a
8 "disposition machine" for our 90 million gallons of
9 radioactive liquid waste in approximately 200 tanks; for
10 our 2,500 metric tons of spent nuclear fuel; and for
11 thousands of kilograms of special nuclear material.

12 We need to continue to expose the transuranic and
13 low-level waste. That's a momentum that we have to
14 continue to have results to show. And we need to continue
15 to decontaminate and decommission those facilities no
16 longer needed by the Department and remediate the soil and
17 groundwater contamination left from the cold war.

18 In short, as far as sites, by 2008 we need to
19 take across the finish line 14 sites. You will hear me
20 refer to not adding things new to the plate until we take
21 them across the finish line. Starting with Rocky Flats and
22 some of the smaller sites, we have a population of sites

1 that we have to focus on. There will be a number of issues
2 that come up as we really reach closure. That's one thing
3 to start with closure being several years away, it's
4 another thing to be at the point of closure when we start
5 then to really embrace some of those issues that we
6 possibly thought we had the answer set for.

7 This is a significant challenge that requires us
8 to deliver four key elements. Safety is paramount.
9 Particularly when there's doubt and confusion, as we can
10 see at WTP in the last couple of weeks, we have to
11 constantly see how do we continue to keep a focus on
12 safety.

13 Delivering on commitment, second. The Secretary
14 has emphasized that the Department has had a habit of over
15 committing and under delivering. We don't want to be there
16 and we want to make sure that we are delivering the
17 commitments that we make.

18 Third is what I refer to as a sound technical and
19 business basis. Our decisions need to be based on sound
20 science and engineering principals. We need to planning
21 our work and working our plan. We have to make sure our
22 project management is on a solid basis.

1 Assistant Secretary Rispoli is bringing to this
2 a background with project management. Also from delivery
3 both with the Department of Energy and my prior life at the
4 Tennessee Valley Authority as far as planning our work and
5 working our plan through to make sure we are delivering our
6 commitments. This will involve [unclear] value and risk
7 management. I expect that you all will be involved in some
8 of the risk management reviews when we end up as we look at
9 the projects and our task of setting the disposition land
10 and delivering on true and low-level waste and bringing to
11 closure those 14 sites.

12 The fourth is acquisitions. I think you will
13 hear from Jim Rispoli some discussion about us being an
14 acquisition organization. We get most of our work done
15 through the contractive efforts of a large population of
16 people. Our goal is make sure that our site contracts are
17 designed to drive outstanding performance and to pay for
18 that performance. Looking for all those interested to come
19 forward with new ideas and innovations including small
20 businesses. I repeat that over and over because we
21 constantly get questions about, what do you plan to do with
22 your acquisitions? This is our goal. So whatever actions

1 we take, whatever suggestions we get are to get around that
2 goal.

3 By taking these steps we think we can alleviate
4 some of the issues we have encountered in the recent past.
5 We've designed that program to shift away from risk
6 management to risk reduction, but we have witnessed that
7 some of our assumptions will need to be modified or refined
8 based on lessons learned. We have to adjust that both in
9 the public arena and with the Congress.

10 Today you will be hearing from some of my direct
11 reports on target areas that we feel you can make a
12 contribution. You will hear about project management, in
13 states, contract strategy, you will look at how we do
14 things. Those are key components to solving our cleanup to
15 moving ahead.

16 At a recent meet and greet in environmental
17 management program I was asked, "What is the biggest
18 challenge facing EM?" And I answered by saying
19 "communication." You talk about coming from the field and
20 then looking at it from this side also, it's communication
21 inside the department, between contractors and EM and even
22 between EM and our skeptics. We want to share ideas, learn

1 from lessons of the past and build on the momentum that we
2 have worked diligently to accomplish with taxpayer funds.
3 Focus is key as we will accomplish the goals on which we
4 spend our time and our energy.

5 I would say that we haven't learned a lesson if
6 we aren't changing something to improve, we've only
7 identified a problem. I look forward to hearing from you
8 and ask that you engage us in order to achieve our cleanup
9 objectives to really point out where our problems are and
10 provide proposed solutions for what the lessons learned
11 would be. The only way we can see it is with all parties
12 working together.

13 If there are any questions based on that, I would
14 be glad to take those.

15 CHAIRMAN AJELLO: Questions for Charlie?
16 Stephen.

17 MR. ALLRED: Charlie, just a question of sites
18 which you're still operating sites. One of my concerns is
19 I watch EM and I'm not heavily involved, not so that I see
20 the ongoing mission going, of course, independently of EM.
21 And yet what EM does -- and vice versa -- what EM does to a
22 great extent is [unclear] the attitudes and the support for

1 the ongoing mission. How do you achieve that kind of
2 integration? I know you're trying to do it at the site,
3 but how does it happen at headquarters?

4 MR. ANDERSON: One of the reasons I am here is
5 because of that action having worked in the different
6 programs. I spent a good bit of my time trying to bridge
7 some gaps that I think were maybe created in trying to
8 change [unclear] program to a risk reduction program in the
9 future. I haven't worked on any site for a little while
10 [unclear] we spend a good bit of time trying to bridge
11 across those.

12 We do have a difference in sites that will have
13 ongoing missions versus those that are truly closures. You
14 know, they're going to come to a closure. So you will hear
15 the terms closure and completion and they're really two
16 different things. Even though they both have an in-state,
17 whether it's an interim in-state or final in-state.

18 When we look at completion at an operating site,
19 we've got to think about it in the context of what's the
20 future mission, or what's the potential future mission.
21 The EM program is to eliminate a legacy. I'll give an
22 example of if we were going to do certain processes in the

1 future, we probably wouldn't create some of the legacy
2 waste types if we cut it in half. And I spend a good bit
3 of time trying to make sure that any considerations look at
4 that. We don't want to create large amounts of legacy
5 high-activity waste. Are there steps that we could take to
6 make those separations or treat that material in [unclear].

7 I think you will see some of our newer facilities
8 where we are not actually creating groundwater problems
9 that were created in the past. We are basically stopping
10 and asking ourselves the question, let's make sure we're
11 not creating new legacy problems, you know, for the future.
12 It takes a lot of communication. Everybody has a real
13 knowledge base in their particular area, but we have to
14 look across the board as far as what do we do with our
15 specialty materials. What do we do with our spent fuel?
16 And to make sure that it's an integrated view between EM,
17 RW, science, NE, and NNSA.

18 I will say that the Secretary has shown this by
19 example. And I have seen, since he's been here earlier
20 this year, that that example is filtering down. You see it
21 through the deputy, the under secretary, down through the
22 assistant secretary. I would say, watch us, make comments

1 if [unclear].

2 CHAIRMAN AJELLO: Dennis.

3 MR. FERRIGNO: Charlie, I applaud the
4 administration with regards to taking the projects over the
5 finish line. That is so critical. Kudos there.

6 Two questions. One is, with regards to competing
7 budgets as far as funding, we see possibly energy, fossil,
8 other forms, additional funds, some of the crises that we
9 are seeing and some of the other efforts. The first
10 question is, with regards to that, is there, you think,
11 impact to budget to be able to either complete what's on
12 the finish line, or close to it of some of the actions and
13 the plans that we have?

14 And I have a second question that ties to that.
15 So I apologize, but it's a two-fold question. And that is,
16 with regards to possibly the plutonium consolidation and
17 the complex, as far as what it may do, do you see any
18 forecast of impact to the EM program?

19 So it's two questions, one budget on existing
20 issues to complete mission. And the second is the issues
21 of consolidation, does that impact the program?

22 MR. ANDERSON: In regard to the first one, and

1 that's one of the reasons -- I know some people may have
2 heard this several times, but I talk about establishing a
3 disposition machine, you know, laying out the key aspects
4 here, disposable transuranic, low-level waste, D&D of those
5 facilities no longer needed, remediation of soil, and also
6 the 14 sites that I referred to. It's a strategy we
7 factored into our budget as far as listing priorities. If
8 their budget impacts for whatever reason, and I'm not sure
9 you're asking about any particular case.

10 MR. FERRIGNO: No, I'm not.

11 MR. ANDERSON: But we would be looking at our
12 overall priorities. You emphasized actually the closure of
13 the sites. There may be some small budget issues about the
14 closure of our sites. I emphasize the closure here though
15 because I don't think that's going to be the real drivers.
16 I think it's going to be closing out regulatory issues.
17 There are issues on the table that it's easier to talk
18 about when it's two or three years down the road, when you
19 are actually trying to close out the paper, like closing
20 out any project, all of a sudden it gets a lot more
21 difficult and you've got to keep a strong focus on that.

22 So I don't see that quote/unquote "budget" will a

1 big impact there. It will be an impact for not adding
2 anything else to the plate. And quite frankly, we want to
3 keep that focus on finishing before we start adding a whole
4 lot more to the plate.

5 In regard to nuclear materials disposition and
6 consolidation, because you can't talk about one without the
7 other, they definitely have an impact. And you can't talk
8 about the EM program without talking about NNSA programs.

9 We are working hard to try to determine a
10 strategy board that has a lot of obviously state equity
11 issues that are related to it and also that we'll have to
12 deal with. The costs that come in there obviously is
13 dealing with our design basis threat issues.

14 We have tried very hard and actually have made a
15 significant amount of progress about reducing material
16 access areas within the environmental management program.
17 So we are getting close to having two, one at [unclear] and
18 one at Savannah River. And obviously we would like to have
19 one, but, you know, that's a big change, I think, from
20 something like 13 to 14 a few years ago now to getting down
21 to the one MAA. That's a huge cost savings.

22 I mean, that's one of the big drivers that you

1 have there is, if you can break away from having a guard
2 force and even in a particular site having one MAA reduces
3 a huge cost for transportation. You don't have to be
4 moving the material on a site under high security
5 conditions.

6 Don't have an answer there. We do get a lot of
7 input. We are trying to factor a lot of that input in,
8 take a lot of data for what the materials are, what the
9 packages are for transporting this material. What it would
10 take for certifying those kind of packages. And all of it
11 is not created equal. Some of it truly is material that
12 needs to be dispositioned into a waste form very quickly
13 and the other is a much higher, purer content that may be
14 utilized in another form.

15 [Simultaneous conversation.]

16 MS. SALISBURY: Charlie, you mentioned that your
17 biggest challenge is communications and specifically you
18 talked about communications between EM and your skeptics
19 and EM and contractors. I'm just curious if you can talk
20 about any specific steps that EM is taking to overcome the
21 distresses out there?

22 I don't know if you were at the meeting a year

1 ago in Chicago that Paul Golan led. There was a lot of
2 discussion about the distress that just is out there. I'm
3 glad that you identified that as a challenge, because it
4 certainly is and it was certainly represented well at that
5 meeting. So if you have anything specific you can talk
6 about --

7 MR. ANDERSON: Sure, I guess the first specific
8 is that this is the first time there's been an EM-1, 2 and
9 3.

10 [Laughter.]

11 MR. ANDERSON: And all three of us are
12 communicating. I mean, our state on the Hill out with the
13 people that, you know, we're talking with. I know when I
14 say this, somebody says, well, you know, none of you all
15 have come talk to me yet. You know, that is a case, it's
16 always a difficult thing to identify as many people to sit
17 down and talk and understand. Understand other people's
18 positions and to get people to understand where were are.

19 So there is a tremendous amount of effort being
20 spent by both Ines, myself, and Jim and the rest of the
21 deputy assistant secretaries now, Frank, Mark, Martin, you
22 know, as far as getting out more, talking with people

1 sometimes in smaller groups, understanding what the issues
2 are and getting people to engage in, okay, what's the
3 solution? Where do we go from here? I mean, it's a real
4 focus along those lines and trying to be clear with, this
5 is our path forward.

6 I mean, we've run into issues like people say,
7 well, I need more money in a particular area. We don't, we
8 try to communicate, okay, this is the strategy behind how
9 we have developed our budget. You know, instead of just
10 jumping to a number real quick, let's go back. Is there a
11 flaw in this strategy that we put our budget together that
12 we need to address first. I think those kind of
13 interactions help. They do take a lot of time and it's one
14 of those things, I wish I had more time in each day to do
15 that more than anything else. To just spend more time
16 talking with people about how do we straighten up our
17 lakes.

18 MS. SALISBURY: Can I just follow up for one
19 second, Jim, Mr. Chairman? I'll just go ahead and do it.

20 CHAIRMAN AJELLO: You've got the microphone, go
21 ahead.

22 MS. SALISBURY: I've got the mike. I think

1 that's great. Communicating with everybody and as many
2 people as you can is really important. I just want to
3 emphasize one thing and that's collaboration with your
4 partners and with your stakeholders. It's more than just
5 talking to them and telling them what your strategy is.
6 It's really collaboration. It's meaningful input where the
7 stakeholders feel like they're part of that whole process.
8 So I just want to encourage that as well. And that has
9 come out of all the meetings and everything we've ever
10 dealt with, with this board that collaboration is really
11 important.

12 MR. ANDERSON: Yes, and let me emphasize, we're
13 not there yet, but we are working hard at it.

14 MS. SALISBURY: Keep doing it.

15 CHAIRMAN AJELLO: I think Lorraine was next then
16 Dave and then Tom.

17 MS. ANDERSON: I am glad that you're looking at
18 communication and Jennifer's questions were right on. But
19 I'd like to have a more specific answer as it pertains to
20 communicating with local government at the site and
21 specifically more in the field, maybe between managers and
22 local government and what's going on specifically.

1 MR. ANDERSON: I think one of the things at the
2 site that we had the discussion this week is at times --
3 not times -- in general we have not included our site
4 managers well enough as a part of the corporate team. We
5 are trying to take some steps to make that better and part
6 of that is, when we talk about communication, communication
7 is first with them. I mean, they are on the forefront with
8 the local and state governments. And a lot of times we
9 don't arm our site managers with a broader corporate view.

10 And one of the steps we're going to take there is
11 we're going to be walking down through the overall strategy
12 with our site managers about our budget development. And
13 that typically doesn't happen until a budget is released
14 and they get to hear it just like everybody else. They get
15 questions they don't really understand because they haven't
16 had the opportunity to ask those questions, digest,
17 collaborate on it, you know, up front, ahead of time. So
18 that's one thing, we've got to make that communication a
19 little better. I know that we set up some senior
20 management retreats that included the site managers in the
21 past. We have something I refer to it as, you know,
22 something less than 50 senior executives managing a \$7

1 billion business. And that includes all of the site
2 managers and the site assistant managers and senior people.
3 They are part of the corporate team and we just have to
4 make sure that we continue to emphasize that and work that
5 in action. I mean, that emphasis has to translate into
6 action.

7 MS. ANDERSON: If I could just point out maybe
8 some specifics, some of our sites, the local governments
9 are getting form letters rather than, you know, a telephone
10 call to the mayor or a telephone call to the county
11 commission, whatever forum the government takes. An
12 inclusion in communication back and forth, it's a simple
13 thing, it seems to me. But it would certainly go a long
14 way to helping the credibility of DOE and working with the
15 local community.

16 CHAIRMAN AJELLO: Let me interrupt. Charlie, Jim
17 Rispoli just called a meeting and actually wants you to
18 attend.

19 [Laughter.]

20 CHAIRMAN AJELLO: So I'm sorry to be the one to
21 bring those good tidings. But you need to leave now.

22 [Laughter.]

1 CHAIRMAN AJELLO: I know we have a few more
2 questions.

3 MR. ANDERSON: This is the typical day there, but
4 --

5 CHAIRMAN AJELLO: I'm sure we'll have a chance to
6 talk. I know we had a couple more questions, but I think
7 it's probably imperative that we do that. So I'm sorry for
8 interrupting you, but I know that's the need.

9 MR. ANDERSON: I appreciate it.

10 CHAIRMAN AJELLO: No problem.

11 [Simultaneous conversation.]

12 [Laughter.]

13 CHAIRMAN AJELLO: And, again, we will look for
14 your input.

15 MR. ANDERSON: Sure.

16 CHAIRMAN AJELLO: Thank you.

17 Okay. Thanks, Charlie.

18 Next on the agenda is Dr. Ines Triay. Just a few
19 words about her background. If you don't mind so I can
20 orient the group a little bit.

21 Prior to her appointment as EM's chief operating
22 officer, her current position, she was acting manager of

1 the Carlsbad field office. She's received her bachelors
2 and doctorate's degrees from the University of Miami. In
3 1985, I believe it was, when you started working in Los
4 Alamos --

5 DR. TRIAY: Yes.

6 CHAIRMAN AJELLO: -- as a post-doc staff member
7 in the isotope and nuclear chemistry division. She has
8 held a number of other positions including deputy director
9 of the Chemical Science and Technology Division in 1997 and
10 1998. She was the Los Alamos environmental representative
11 to the Air Force at the Pentagon and a leader in the Los
12 Alamos Isotope and Environment Geochemistry Group.
13 Obviously a good deal of scientific and operating
14 background. So we are very happy to have you this morning.
15 And you were the lone representative who was not summoned
16 to the meeting.

17 DR. TRIAY: I was summoned to the meeting. We
18 are taking a risk here.

19 [Laughter.]

20 CHAIRMAN AJELLO: You're taking a risk.

21 DR. TRIAY: Yes, exactly.

22 CHAIRMAN AJELLO: Okay.

1 DR. TRIAY: I am taking a risk. I mean, I felt
2 that probably one of us should stay down here while the
3 rest go to this other meeting. So hopefully I will still
4 have a job after they come down and I wasn't up there.

5 [Laughter.]

6 DR. TRIAY: I guess that I would like to just
7 tell you the summary perhaps of some of the things that are
8 concerning me and then I will quickly go through this
9 presentation because I think that I have met many of you in
10 the past and to the extent that we can have an interactive
11 discussion as I'm going through these comments, please feel
12 free to interrupt me. That's probably the best way to chat
13 this morning with you.

14 So as the chief operating officer all of the
15 field managers in the complex report to me. As many of you
16 know, I was the acting field manager in Carlsbad because I
17 was the deputy chief operating officer here and I was asked
18 to go back to Carlsbad. But I had been in Carlsbad for
19 five years as the manager. So essentially all of the
20 lessons learned from trying to integrate a huge program
21 like the transuranic waste was essentially some of the
22 thoughts that we wanted to bring here to headquarters.

1 In the big picture, you know, when you asked me,
2 you know, Ines, what is it that you are trying to
3 accomplish day-to-day at the environmental management
4 program? I would have a very succinct answer, I think,
5 which is that we want to embrace all the concepts of
6 acceleration. However, have the project management rigor
7 that we need to have in order to deliver on time and on
8 budget. And have an operation that is safe, secure, and
9 fully compliant. It is that simple of a statement, and
10 yet, you know, when of course you try to implement that,
11 that is not as easy as sometimes we think it is.

12 So, let me just kind of summarize in terms of the
13 big picture items so you know where we're going. In terms
14 of operational challenges which I am sure that you want to
15 hear about we start with how to finish a cleanup. And you
16 have been reading in the paper, I'm sure, at Rocky Flats,
17 the General Accounting Office gave us a very good review of
18 our efforts and that cleanup is going to be on time, in
19 fact, ahead of schedule, under budget.

20 We obviously have to take the lessons learned
21 from that cleanup and I think that I can definitely chat
22 with you about what are those lessons learned and apply it

1 to the other cleanups that we want to finish ahead of
2 schedule and under budge just like we have finished this
3 one.

4 The second issue in the big picture is what to do
5 with the wastes; right. Some waste is mixed low-level
6 wastes in that area between 10 and 100 nano [unclear] per
7 gram. Transuranic waste, some of the waste is remote
8 handled waste, and, of course, ultimately the high-level
9 waste.

10 And the classification of the waste, I'm sure
11 that you have read all about the gradations on waste
12 classification. And the fact that some of our waste at
13 some of the sites, some of the liquid waste is indeed, we
14 have to treat it, remove the highly radioactive fraction.
15 That highly radioactive fraction is high-level waste, and
16 we want to disposition the remainder of the waste after we
17 have removed the radioactivity as low-level waste.

18 We have a path forward in South Carolina and
19 Idaho. We don't have a path forward in Washington state.

20 Transuranic waste now moving from high level
21 waste to transuranic waste, we still don't have a path
22 forward for remote handled waste.

1 We have some needed upper-rim modification
2 [unclear] department, the Environmental Protection Agency
3 has approved where remote-handled waste, waste
4 characterization, but the New Mexico Environment Department
5 is now looking at the current modification and we are
6 hoping that we can open the pipeline for remote-handled
7 waste next year.

8 In terms of what is it that concerns us the most,
9 and I don't know if you have access to the viewgraphs. Oh,
10 let's go to the next viewgraph so that we can -- very good
11 -- so that we can get an idea of the magnitude as well as
12 what is it that right now is in front of us.

13 When you look at this cleanup snapshot and you
14 look at the last bullet there which is the number one
15 world's largest cleanup program. We start with high-level
16 waste, go to transuranic waste, low-level and mixed low-
17 level waste. Of course, you already were talking to
18 Charlie about the actual nuclear material, right, like
19 plutonium. Is plutonium a commodity or a liability for the
20 United States government, essentially? That's what it is
21 at the heart of this decision.

22 And then ultimately after you disposition of the

1 waste or deal with the nuclear material in a manner that
2 you are going to, how is it that you are going to deal with
3 anything that is left behind like the contaminated solid
4 media like the contaminated water and the contamination and
5 decommissioning of surplus facilities.

6 So that's kind of our charter. And in this
7 viewgraph what I would like to point to your attention is
8 what are the issues remaining with the classification of
9 liquid wastes, the issue remaining with transuranic waste
10 which is the remote-handled waste disposal, the mixed low-
11 level waste in the area of between 10 and 100 [unclear] per
12 gram. Remember that our path forward was to send it to
13 Hanford and to [unclear] this site. [Unclear] at this site
14 may open for a limited amount of time the Hanford path if
15 indeed under litigation, I'm going to say. As you know the
16 state passed I-297 which essentially prohibits any waste
17 importation into Washington state.

18 When it comes to the actual nuclear material,
19 again, you were chatting here with Charlie and you probably
20 know the Department has a lot of focus on that area. You
21 know, there has been nuclear material disposition and
22 consolidation for a meeting that has been formed at the

1 highest levels of the Department to deal with exactly what
2 are we going to do with the plutonium as well as the
3 uranium. And when it comes to the contaminated soil and
4 contaminated water, the question is, how effective some of
5 the technologies that we are applying, for instance, they
6 have the Hanford site to prevent contamination from
7 reaching the Columbia River, how effective those
8 technologies are and will be.

9 So that's just to give you a snapshot. This is
10 what we have to deal with and these are the problems that
11 we have associated with each one of those areas. Just kind
12 of to point you to some of the things that we are trying to
13 do.

14 Next.

15 CHAIRMAN AJELLO: May I ask a quick question?

16 DR. TRIAY: Yes, sure, absolutely.

17 CHAIRMAN AJELLO: You mentioned technology as
18 being a very important issue and that, in fact, maybe some
19 of the technologies either haven't been identified yet. I
20 don't think you said "developed" I think maybe identified.

21 My recollection from the past two or three years
22 since I've been involved was that budgets for technology

1 development have been scaled back. Do you feel, given the
2 challenges that you identified, that there's enough --

3 [Tape break.]

4 CHAIRMAN AJELLO: -- [in progress] -- [unclear].

5 DR. TRIAY: I think that we can make a lot of
6 progress with the resources that have been identified.

7 And, as you know, that National Academy of
8 Science published an interim report on the solid waste
9 processing at the Savannah River site which is one of
10 these, in that first category what I'm saying is that there
11 are 88 million pounds of liquid waste between South
12 Carolina, Idaho, and Washington state. And they actually
13 encourage the department to invest in research dealing with
14 waste removal. So, I think that you are going to see a
15 focus on using our resources in the most focused and
16 efficient manner to go towards the development of any
17 technologies that we need.

18 You can always use more research dollars. When
19 you have been in school for nine years like I have been
20 doing research in chemistry, it's very difficult, you know,
21 for me to say anything different that you can always
22 explore a field and become better. Having said that, I

1 think that the country has tremendous needs right now in
2 other areas as we all know. And those needs essentially,
3 if anything, are getting bigger in some of these other
4 areas. So for that reason I believe that it is incumbent
5 upon us to try to think innovatively about how we are going
6 to spend the dollars that we do have in terms of solving
7 these problems and prioritize the problems so that we can
8 actually be solving the problems that have the highest risk
9 associated with it and focus our dollars towards those.
10 And the things that can wait or are not as critical to
11 result right away, that we do not kind of spread our
12 resources around, but more focus our resources towards the
13 highest waste problems.

14 Yes.

15 MR. ALLRED: One item I see as a major challenge
16 which wasn't on your list is work force restructuring.
17 Which at the sites that I'm familiar with is a big dollar
18 amount. And yet I don't see, and I realize this may not be
19 in your decision matrix, but I don't see DOE dealing with
20 that issue. And that is money as politically explosive as
21 the [unclear]. That is money that could be going into the
22 cleanup. Do you have any comments about how you're dealing

1 with that in light of the other matrix that you have, I
2 would appreciate it.

3 DR. TRIAY: I think that you are going to see
4 that the assistant secretary is extremely aware of the
5 issues associated with work force restructure and he does
6 believe that our people are our biggest asset. So I think
7 that you are going to see him paying a tremendous amount of
8 attention to what is going on there and weighing in on how
9 best to press forward.

10 Let me just make a couple of comments that deal
11 to some extent to what you are talking about and to some
12 extent to the previous question.

13 The assistant secretary truly believes that even
14 though I think that the reason we were using in the end
15 words like, "we're going out of business in 2035," you
16 know, we need to end this, that those were useful from the
17 point of view of focusing everyone in we have to clean this
18 up. You know, this is not a program that cannot show clear
19 results in an effective manner in a timely manner. That on
20 the other hand to the extent that that has kind of
21 prevented us from attracting the best talent from
22 developing our people, from making sure that our people

1 have the best training and that we can recruit the best,
2 that from that perspective I believe that he's extremely
3 concerned about that and he's going to be placing a
4 tremendous amount of emphasis on turning that around.

5 MR. ANDERSON: That's a perfect segue.

6 DR. TRIAY: I figured as much. I guessed what
7 the meeting was about. I guessed what the meeting was
8 about, so let me see whether I'm right.

9 MR. ANDERSON: In light of communication and
10 trying to get this out as quickly as possible, however I
11 know people have Blackberries in this room, so some of them
12 are probably already aware. The A76 study and competition
13 has been cancelled for the environmental management
14 program. It's in light of a lot of, you know, looking at
15 the issues that we have and basically I don't think I need
16 to say anything else. I was listening to what Ines was
17 saying there and was just about looking at the people and
18 the development that we have to do from there.

19 So that was the reason for trying to call some
20 folks together and go from there.

21 CHAIRMAN AJELLO: I've got to ask, what do you
22 think the rationale is for that? Because that was a pretty

1 active consideration for a long time.

2 MR. ANDERSON: There's a series of factors that
3 play into that. One of them is there's already a
4 significant reduction in the environmental management work
5 force when you look back when it was first started.

6 The second is, we examined some of the issues we
7 have with executing our projects here.

8 CHAIRMAN AJELLO: Right.

9 MR. ANDERSON: We look at the oversight. I can
10 just pick WTP for instance right now, you know, the
11 increased engineering oversight, the increased project
12 management oversight, and the increased contract oversight
13 that we need to have. You know, we still have a
14 significant challenge here. It's not a matter of just
15 numbers of people, but also making sure that we develop the
16 skills. Contract management is going to be -- when we talk
17 about project management, when you heard me say and you're
18 going to hear more, I know, from Jim talking about this
19 being an acquisition organization.

20 You are going to hear a whole lot more about our
21 contract management and our contract management skills. We
22 have a lot to be working on there. We have a lot of new

1 acquisitions coming up. We've got a lot of new
2 acquisitions just awarded that we've got to execute. You
3 know, once awarded that's the first step. So there will be
4 a lot of work looking at that. When you look at the skills
5 that the study was looking at, it is just not the right
6 thing to do.

7 MR. FERRIGNO: I don't know whether this is the
8 right time in this meeting or even in this forum. Are you
9 going to or is someone going to address in light of risk
10 reduction, in light of technology application -- which was
11 a forum which we were just discussing, Charlie, before you
12 came in -- WTP and the issues there? And it may be very
13 early in a public forum to talk about this and I understand
14 that. So I'll table it if we need to. But is anybody
15 going to address the risk reduction issue and budgeting
16 with WTP and some of the things that are going on there?

17 DR. TRIAY: Well, we what can definitely and
18 definitively say is that the Secretary of the Department of
19 Energy understands the risk, as I said, with that liquid
20 waste, highly radioactive liquid waste in those tanks and
21 that he is extremely committed to the waste treatment plant
22 completion.

1 MR. ANDERSON: Without a doubt.

2 DR. TRIAY: So we can tell you that. With
3 respect to the changes that are going to be made, in order
4 to bring the project to completion, we are not assessing
5 whether the project should move forward because we know
6 that it needs to move forward. We are not assessing
7 whether there's a need for the project. We know that there
8 is an absolute need for the waste treatment plant to come
9 to completion.

10 The only thing that we are doing is revamping the
11 project management controls so that we can deliver the
12 project for a given dollar amount. That is a big-ticket
13 item as you well know. As well as we can deliver the
14 project on a schedule that is agreed to between the
15 Department of Energy and obviously the President and the
16 Congress.

17 MR. WINSTON: Actually, I was going to ask
18 Charlie this before and Ines who is very similar in her
19 presentation and I appreciate the comments about waste
20 management because I still see that as one of your biggest
21 challenges because of the fact that, as you said, you need
22 to integrate a lot of factors. You have federal

1 disposition options, you have commercial disposition
2 options, there's transportation components related to that.
3 There's regulatory components and there is, maybe first and
4 foremost, there's political considerations that all play
5 into that.

6 So, I guess, what is your game plan in terms of
7 integration? How do you achieve that integration both
8 internally and externally? And when I mention externally,
9 one of the challenges the department has is having a high
10 visibility and high transparency. When I talk to states,
11 for example, then other stakeholders that are interested in
12 the Department and watch the Department, one of their
13 concerns is, what is the overall picture and how does my
14 piece of the puzzle, do I have a disposal site in my state
15 or my community, how does that fit into the overall
16 picture?

17 And years ago I think there was probably maybe
18 more interaction between the Department and various groups.
19 And I think some of that transparency has been lost. I
20 know that the site-specific advisory boards had recommended
21 that there would be a national forum. And I'm not saying
22 that a national forum is the right answer. But there is

1 this thought of, am I being treated fairly as a local
2 community or as a state and how can the Department build
3 that transparency that gives people a clearer picture of
4 where they fit into the overall national challenge?

5 DR. TRIAY: That's very interesting that you
6 bring this up. Because --

7 MR. ANDERSON: I am going to have to go to
8 another meeting. I just want to make sure you all heard
9 that.

10 [Laughter.]

11 MR. ANDERSON: I am glad to hear that what we are
12 saying is the same. I mean, this is the first time we've
13 had a one, two, and three making sure we also --

14 DR. TRIAY: It's the first time that we have
15 chaired [unclear] here.

16 [Laughter.]

17 MR. WINSTON: Well, this is a good task for you
18 and your passing, so that's great.

19 DR. TRIAY: When the assistant secretary almost
20 the first day that he was in the office, I was tickled
21 almost because the first thing that he said was, you know,
22 he called a couple of us, you know, and he said, "Do you

1 guys remember those waste disposition maps? I think that I
2 still have a copy, you know, of my waste disposition maps."
3 You know, and he pulled them out and he gave them to MR.
4 Marcinowski [ph] and to me and to others that were in the
5 room and I think that it's because exactly on the point
6 that you are trying to make.

7 In other words, we need to be transparent, but
8 also forthcoming with this is the extent of the problem and
9 these are the options, you know, that we can use to
10 actually disposition of this waste. And I think that he
11 was thinking about the waste disposition maps almost as a
12 tool to be able to do exactly what you're talking about
13 which is to have a frank and candid discussion with all the
14 states saying, this is what is in my mind, you know. What
15 is in yours? Because, I mean, clearly we need to deal with
16 this waste. I mean, there's no other way.

17 So I think that that is exactly why he has the
18 waste disposition maps. That was one of the things that
19 was in his mind because he also wanted to see what was the
20 waste movement just like you were saying. You know, so
21 ultimately that can be utilized to make a compelling case
22 to the states that they are not being treated unfairly, if

1 you will, with respect to the amount of waste that is
2 coming in or out of their states. You know, so I think
3 that that is exactly where we are going.

4 I believe that one of the things that needs to be
5 clearly done is to try to figure out whether the states
6 almost can help us with that which is your point. You
7 know, almost help assist us in trying to figure out, this
8 is the extent of the problem, how do we truly solve it?

9 MR. WINSTON: Well, when people feel like they
10 are part of the solution, and I know it sounds like a
11 cliché, but if they are part of the decisionmaking and they
12 share the burden of the ultimate success of the
13 decisionmaking process they are a lot more able to, you
14 know, be receptive, if you will, for some of the pain or
15 some of the difficulty that goes along with that particular
16 decision whether it's political or whatever.

17 And I appreciate your comments and I would also
18 say that you led one of them ore successful efforts in
19 terms of, and it may have seemed like a minor detail, but
20 shipments to WIP. And it was out of I don't know how many
21 conference calls over the years where dealing with the
22 details of that, but you were an open book and I really

1 would encourage the Department to do that really across all
2 levels of waste management. And even in the bigger picture
3 of how the various pieces and parts can be integrated.

4 Because as we learned at Frienold [ph] in the last year and
5 a half, you know, that alignment and the success of whether
6 it's transportation or the political or the regulatory, any
7 one of those, if there's a problem in that regard, can
8 bring a major roadblock or delay. And ultimately we were
9 able to work through that, but there are some lessons
10 learned there in terms of alignment of all the processes
11 that go into this. Good luck.

12 DR. TRIAY: This is just a reminder where we have
13 been. You have been a party to all of this timeline that
14 we have here, but I think that the point that I would like
15 to make is that we want to have an aggressive cleanup
16 strategy, but at the same time we want rigorous project
17 management so that we can actually, when we say, it is
18 December the 31st of 2006, that is what it means. It
19 doesn't mean January the 1st of 2007. It means December
20 the 31st of 2006 or earlier. That's, I think, one of the
21 assistant secretary is a gentleman, he's a leader, he has
22 so many good qualities that I cannot even begin to describe

1 them. But one of the reasons that he is now in charge of
2 the environmental management cleanup is the fact that he
3 has done similar work on project management. And that is
4 essentially, we need to take those concepts that we have
5 worked so hard to implement in this project and now have
6 the rigor to deliver and make the commitment that we
7 absolutely are seeking to work on.

8 Next viewgraph, please. Oh, I'm sorry.

9 Okay. I can't help but brag about the
10 accomplishments of this project because there have been
11 many. And I believe that we continue to make progress.
12 Every day, you know, sometimes working here in the
13 Forrestal Building, especially when you are a field person,
14 it's hard on you because you know you almost go home
15 thinking that your project is paper, you know, it's just
16 memos, you know, e-mails.

17 [Laughter.]

18 DR. TRIAY: Your Honor, golly, you know, and how
19 is that a good thing. I notice Melissa Neilson is back
20 there, you know and is one of the people that you deal with
21 and she's excellent. But many times, you know, we used to
22 work together and I tell [unclear] what am I now, a paper

1 pusher. I mean, how is this a good thing? And she would
2 quickly always remind me that, no, you know, real progress
3 is out there in the field and you are trying to facilitate
4 what is going on out there in the field and coming up with
5 those guiding principles that make the field jobs easier.

6 So in light of that I really cannot help but brag
7 about all that we have accomplished. I mean, when it comes
8 to consolidated nuclear materials, true, clear
9 accomplishments with respect to the spent nuclear fuel.
10 You know, we're done with the spent nuclear fuel in the K-
11 basins at Hanford. We have removed them all. That is a
12 huge accomplishment.

13 We have removed all of the nuclear material from
14 Rocky Flats. We stabilized and packaged all the plutonium
15 and residues at Hanford.

16 We removed all the Plutonium 238 from Mound. In
17 that case we sent it to Savannah River site. So we really
18 have done a lot of work and we are very proud of what we
19 have accomplished.

20 Next viewgraph please.

21 So, the liquid waste. I believe that when you
22 talk about the waste versus the nuclear materials for the

1 spent nuclear fuel, obviously what concerns us the most is
2 that 88 million gallons of tank waste that is in three
3 states, South Carolina, Idaho, and Washington state. And
4 as you know, we have cleaned up all the tanks at Idaho. We
5 have made a lot of progress in the Office of River
6 Protection. We are actually removing the waste of tank
7 five at the Savannah River site this week. You know, that
8 operation is going to be starting. So, we are making
9 progress, but in this particular case we have had huge
10 legal and regulatory setbacks over the years. And we
11 believe that in South Carolina and Idaho we are now on the
12 right path. I am assured that Assistant Secretary
13 Gilbertson can give you a lot more of the details on this.
14 But we worked extremely hard on making those waste
15 determinations of the waste in the tanks that after removal
16 of the highly radioactive fraction could be dispositioned
17 as low-level waste.

18 Those waste determinations in South Carolina and
19 Idaho are part of Section 3116 framework of the National
20 Defense Authority Section Act. And as you know when you
21 start a new process there are all sorts of details that
22 need to be worked out in trying to make that process

1 successful. The process in 3116 gives NRC a consultation
2 role with the Department of Energy and it takes some time
3 before all of the issues, as I said, with the assessment of
4 the performance of the waste that is actually going to be
5 left at those states, South Carolina and Idaho can actually
6 be clearly demonstrated. This is an area where DOE was
7 self-regulated and even though we are still self-regulated
8 in this area, we now have NRC in a consultation capacity.
9 And the Secretary, of course, takes the Nuclear Regulatory
10 Commission consultation role extremely seriously.

11 When it comes to the transuranic waste, as I was
12 saying, clearly all of the transuranic waste from Rocky
13 Flats removed and we have made a lot of progress. Having
14 said that, what we have in front of us is the remote
15 handled waste. That's obviously the next big milestone for
16 the Waste Isolation Pilot Plant [WIPP]. We think that we
17 are going to be able to open the pipeline in 2006 to
18 starting bringing remote handled waste to WIPP pending
19 regulatory approvals. Our order of sites disposing of
20 remote handled waste at WIPP would be, we're hoping, Los
21 Alamos first and then followed by Oak Ridge and perhaps
22 after that Idaho.

1 We need to integrate that very carefully, as you
2 know, because remote handled waste requires very expensive
3 and elaborate facilities and we have the facility built at
4 Oak Ridge. At Los Alamos National Laboratory, we already
5 have some waste that is in the canisters already prepared
6 for disposal at the WIPP site.

7 You notice that we are saying here that we
8 removed all the transuranic waste from ten sites and I
9 agree with my colleague that the way that we did that was
10 by a tremendous amount of open dialogue among all of those
11 sites so that they would understand why were we moving the
12 waste around, if you will. In six of those cases we moved
13 the waste to another site so that we could certify it and
14 send it to WIPP. In four of those cases we really removed
15 it and put all the waste at that site at the WIPP disposal
16 site.

17 Safety performance. The assistant secretary has
18 a very succinct statement that he likes to make when it
19 comes to safety. He says that no schedule, no milestone,
20 no cost consideration justifies any injury to our work
21 force. The assistant secretary has tremendous respect for
22 our work force and understands that that is our biggest

1 asset. And you saw an example of that this morning. And
2 in addition to that feels strongly that safety, security,
3 compliance and project management discipline are some of
4 the things that he would like to leave as a legacy.

5 So you will see that we are going to have a very
6 clear, we are going to maintain a very clear message when
7 it comes to safety. Safety is first and nothing that we do
8 here can justify taking risks of injuring our workers.

9 So as you can see in the past, we have pointed
10 out to you that we think that with performance, with a good
11 performance also comes an extremely good safety record.
12 And I believe that the reason is that when you have good
13 performance it's because you have a well-managed project.
14 And when you implement the principals, if you will, of a
15 well-run project, you see that in the safety performance
16 and in all of the aspects of the work.

17 So we will continue to place an extreme amount of
18 emphasis in the area of safety and in the area of getting
19 safety out of the design of our facilities. And we
20 continue to strive for improvement in that area.

21 Rocky Flats, I believe that we have chatted about
22 before. We are extremely grateful to all of the states for

1 also doing their part. We understand that this is a huge
2 success and we definitely owe it to this body right here
3 that I'm addressing as well as all the states that
4 collaborated with us in terms of removing the material and
5 accepting the material for either storage or final
6 disposition. So you can see there 2,000 transuranic waste
7 shipments from Rocky Flats were completed. A large amount
8 of low-level waste went to either commercial facilities or
9 the Nevada test site from Rocky Flats. And the plutonium,
10 of course, went to South Carolina, the Savannah River site.

11 So that is one of the lessons learned like we
12 have been talking about this morning is that we really need
13 to take a holistic approach. The states need to own the
14 cleanup. This is in the state of Colorado, this is their
15 cleanup as much as it is ours and I think that that is one
16 of the recipes for success.

17 As I was telling you before, when it comes to
18 WIPP and transuranic wastes, we are very proud of our
19 transportation record at the WIPP site. And I see leading
20 experts around the table in that area. And if we have an
21 extreme focus on transportation and the safety, as I said,
22 with the transportation. Not only in terms of the packages

1 that we utilize at the WIPP site, of course, the Nuclear
2 Regulatory Commission must certify those packages that are
3 going to be used for disposing of waste at WIPP. But even
4 in the cases where the Department of Transportation
5 certifies the packages, we employ extreme care when it
6 comes to certification of the packages as well as our
7 transportation record.

8 We definitely want to be paying extreme amount of
9 attention to our work, regulatory envelope when it comes to
10 disposing of wastes in commercial facilities. Our goal is
11 zero incidents when it comes to either waste disposal at
12 commercial or federal facilities or transportation. We
13 believe that the discipline that will be a part of our
14 charter here under the leadership of Assistant Secretary
15 Rispoli, we believe that that is even going to improve our
16 record, even in this area. In fact, we can take some of
17 the lessons learned and apply them to some of the other
18 areas where we have not been as disciplined.

19 Next viewgraph, please.

20 MS. SALISBURY: I just want to reemphasize how
21 well the transportation program has worked since I've been
22 very involved in that the last -- oh, gosh, I hate to even

1 think how long I've been involved in, but for a very long
2 time. And it's just a model program that you can just use
3 those lessons learned and various other aspects of the
4 programs that you administer and just sort of along the
5 lines of what Tom mentioned. I just hope you will continue
6 looking at that program as a way to maybe track other
7 programs. The states really want to work with you and the
8 local communities and I just wanted to emphasize that for
9 you. And also to congratulate the Department on its
10 willingness to work with states and just the success in the
11 WIPP program, it's just something that we ought to
12 continually congratulate ourselves over that.

13 DR. TRIAY: I agree with you and I don't know
14 whether you have noticed that Deputy Assistant Secretary
15 Marcinowski personally goes to some of these meetings. Not
16 only he sends very able staff, I mean, I'm always envious
17 of his staff because he has some of the best people, Ms.
18 Cynthia Anderson, Ms. Lynn Smith, Mr. Phil Altamaire, you
19 know, they're just excellent DOE officers. But in addition
20 he personally goes many of those meetings so that he can
21 understand what are the states' concerns. So, I think that
22 that focus will continue.

1 A completion of the cleanup. Rocky Flats,
2 Fernald and Mound, I can assure you that we are extremely
3 focused on meeting our commitments on 2006. And here I
4 simply have even some of the upcoming milestones, you know,
5 for the future.

6 Then just to reiterate what I have already said,
7 this is my last viewgraph, on resolving the legal and
8 regulatory issues, let me just reiterate. I'm sure that
9 you have read that we have had some quality assurance
10 issues with the hazardous solid waste environmental impact
11 statement at Hanford. And we're in the process of
12 assessing the extent of those quality assurance issues and
13 these [unclear] solid waste EIS is part of legal actions
14 between Washington state and the Department of Energy. We
15 will be looking very seriously at how to really take into
16 account the concerns of Washington state and create a path
17 forward for dispositioning of the waste from Washington
18 state.

19 Regulatory issues prevent the closure of liquid
20 waste stacks. As you know, in South Carolina and Idaho we
21 have a path forward. It is taking up some time to try to
22 figure out exactly how we are going to implement Section

1 3116. In Washington we don't have that path forward and we
2 need to resolve that problem.

3 In transuranic waste characterization and
4 shipping we have a milestone for 6,000 cubic meters to
5 dispose of transuranic waste from Idaho to the WIPP site by
6 December the 31st, 2006. We are evaluating whether we are
7 going to be able to meet that milestone. And we will be
8 extremely open exactly as to where we are. Right now we
9 have disposed of about 2,500 cubic meters against that
10 6,000 cubic meter milestone. What I can tell you is that
11 the [unclear] waste stream and facility is now fully
12 operational and of course is capable of throughputs that
13 would result in as much as 20 to 25 shipments per week of
14 true waste from Idaho to the waste isolation pilot plant.

15 So we are working very hard on meeting the 6,000
16 cubic meters commitment that we have with the state of
17 Idaho and I have full confidence that those 6,000 cubic
18 meters will be removed from Idaho and disposed of at the
19 WIPP site.

20 At Los Alamos National Laboratory as we have
21 talked in the past, we have a lot of the waste at Los
22 Alamos essentially is responsible for a lot of the material

1 at risk, at technical area 54, area G. And for that reason
2 we are very committed to trying to remove about 2,000
3 drums, containers of transuranic from Los Alamos to WIPP to
4 deal with reducing the amount of material at risk at
5 technical area 54, area G.

6 When it comes to the two-waste regulatory
7 framework, we have a [unclear] a friend of the New Mexico
8 environment department for remote handled waste. We
9 already have the approval from EPA, so one of the
10 milestones in 2006 would be to open the pipeline for
11 remote-handled waste.

12 And I believe that Charlie already talked about
13 the issues, as I said, or the ideas, as I said, with
14 acquisition. And I have touched before on effective
15 project management. Part of what the assistant secretary
16 has asked me to do is to make absolutely certain that at
17 all the sites we have validated baselines, we have
18 certified federal project directors and we have a very
19 clear chain of command when it comes to the federal project
20 directors and the field manager. What I mean by that is,
21 we don't want the compliance to project management to be
22 something that one does as a paper exercise, you know,

1 where we are sending in baselines and we are sending in
2 whether the project is red or green or yellow, and we do
3 all of this in cost estimations and that is one group over
4 here is doing that. And then the group over here that is
5 the front line that are doing the work doesn't talk to this
6 group and is not part of that group and so we have
7 reporting and paperwork and we have the people doing the
8 work. That is not how we are going to manage the
9 environmental management program. He has made that very
10 clear to me and made that very clear to the field managers.
11 And we are of one mind between the field managers, myself,
12 and the assistant secretary that project management rigor
13 is the way that we are going to be able to deliver the
14 milestones of this program in a safe, secure, and compliant
15 manner. So we are very committed to that vision of the
16 assistant secretary.

17 And with that, I don't have anything else.

18 CHAIRMAN AJELLO: Thank you very much, Ines. It
19 was a very, very, I think, candid and complete
20 presentation.

21 I notice we are running a few minutes behind
22 schedule, any other questions before -- Ines, you are going

1 to leave us now?

2 Okay. Dennis, I think you had a quick question.

3 MR. FERRIGNO: I'll hold.

4 CHAIRMAN AJELLO: You want to hold? Okay. Good.

5 All right. The time being close to 10:30, and
6 we're just a little bit behind, why don't we come back in
7 ten minutes after a quick break. Thanks.

8 DR. TRIAY: And I'll be here through the break if
9 you want to talk to me.

10 CHAIRMAN AJELLO: Excellent.

11 [Brief recess taken at 10:25 a.m.]

12 CHAIRMAN AJELLO: Okay. Welcome back from the
13 break. Our next presentation will be from Mark Gilbertson
14 who is the Deputy Assistant Secretary for Environmental
15 Cleanup and acceleration. He will discuss those matters as
16 well as end states, a topic that we have spent a lot of
17 time in the past on. And then, as I said earlier this
18 morning, we developed a new approach whereby at the end of
19 this presentation and some others we will have a roundtable
20 discussion that will be moderated by our board members so
21 that we can generate interesting discussion. Although so
22 far we haven't had any trouble doing that whatsoever. So,

1 Mark, the floor is yours.

2 MR. GILBERTSON: I'm happy to be here. I just
3 wanted to share some ideas and experiences of the last time
4 we met. It seems like just yesterday that we all sat down
5 together and Ines was right next to me and we kind of
6 rolled through kind of where we were at with the program.
7 And we were very pleased with the recommendations that you
8 provided us with. And I'll talk a little bit about how we
9 incorporated those into the activities that we've been
10 performing. And I will also talk a little bit about kind
11 of where we are, where we think we're going and I think
12 that you can see there are some refreshing changes under
13 foot here with the new leadership and the one, two, and
14 three positions and the principals and tenants that are
15 being put in place I think lend themselves to our kind of
16 taking some of the advice that you had, and utilizing the
17 tools that are being put in place to continue to make
18 progress in this particular area.

19 First of all, I'm not going to go into too much.
20 This is what we talked about before, kind of what the goals
21 were with regard to our project approach for this
22 particular activity. I think one of the things that we

1 really stressed and heard about from you is the bottom kind
2 of bullet, I think is really important. We heard about
3 this iterative process and I'm going to talk a little bit
4 as we walk through here of some of the examples of how we
5 are doing this and where we are doing this. You know, it
6 may not be as visible to you as some of the things like the
7 Chicago workshop which were large gatherings that we had
8 overall.

9 We have a lot of documents that have been
10 generated and coming in. To give you kind of a view of
11 things, the most recent ones we just got in the Portsmouth
12 and Paducah End States Vision documents. The Hanford
13 document is being currently reviewed here. And the
14 Savannah River document has been sent to us. I think that
15 it's an ongoing kind of process. What is important to
16 recognize is we heard at the Chicago meeting how we need to
17 kind of shift from a nationally driven kind of program to
18 really focus on the site-specific program.

19 I think you will kind of see here where we are at
20 the present time. So we took those kind of things to heart
21 and there is a lot of activity that's going on at each of
22 the individual sites related to these particular documents

1 and the development of these documents.

2 I think what you also heard from Ines today is
3 that Mr. Rispoli is going to continue to emphasize the
4 whole kind of line-management concept of which site
5 managers are responsible for these kind of activities. And
6 I think that's consistent with the direction that we went
7 in the end states kind of piece to get site managers and
8 site people more involved with the development of these
9 particular documents.

10 It's important to recognize that what we are
11 doing is using the existing regulatory frameworks to try
12 and implement these end state vision and the use of
13 alternatives so we're not trying to develop a whole new
14 process with regard to those particular activities.

15 This is the whole kind of list that we have for
16 vision documents with regard to status. Idaho is a big one
17 that we have out there that we don't have a draft yet
18 available for them. We expect to get that probably in the
19 March timeframe. You know, this is not being -- this is a
20 good example of a situation where, you know, the tail
21 doesn't wag the dog. What we have at Idaho is a situation
22 we just let a new contract there. The contractor has just

1 let a new baseline. It was felt that it's in the best
2 interest of that particular facility and site at Idaho that
3 this end state vision be developed with this new contractor
4 on board for the particular site. So that's why that
5 particular document was delayed with regard to its
6 development.

7 At the same time, I think that if you are
8 familiar with that Idaho facility, we have some special
9 independent groups that have been helping us. The Cresp
10 organization has been involved with our organization to
11 work on issues. And I think although we don't have a large
12 vision document yet for Idaho that cuts across the entire
13 site, what we do have is there was a couple of key targeted
14 areas that, you know, that they developed independent views
15 or assessments on being varied waste up there and the
16 calcsine waste to try and clarify and make more transparent
17 exactly where we were with regard to the technical and
18 human health kind of risks associated with addressing those
19 activities on the site. So there are activities there that
20 are going on there overall.

21 On these words is a brief summary of your
22 findings back to us. You know, we went back to the sites

1 and really asked them to engage their stakeholders real
2 time on these particular documents. Take the time
3 necessarily to build those kind of relationships as we move
4 forward.

5 As far as potential, you know, tradeoffs and
6 options, we continue to encourage the sites to look for
7 risk reduction opportunities. And what we are very
8 encouraged about as you heard Dr. Triay talk about, you
9 know, the push that Mr. Rispoli has put in place to have
10 baselines in place. Because I think that what you
11 recognize as one of the fundamental premises to move
12 forward with regard to making things transparent is to have
13 clear transparent baselines in place that have been
14 validated. Because it allows a focal point for discussions
15 for projects and activities which will be something that I
16 think as we move into the future will be a key component
17 that will allow us to continue the dialogues on sites as to
18 how we improve these particular factors.

19 We also took advantage of several, you know,
20 forums, ongoing forums to try and talk about the issue of
21 End States, risk-based End States in a little less
22 controversial kind of manner. And so, you know, the issue

1 of forums such as the waste management '05 forum which some
2 folks were part of panels, I think are examples of ways
3 that we want to have an ongoing dialogue so that we
4 continue to discuss this in a healthy kind of a way but
5 not, you know, force it into a rigid kind of mode.

6 Another thing that is an ongoing dialogue that
7 we've established is we've had intergovernmental meetings
8 and the NGA Federal Facilities Task Force has been enlisted
9 in this so we can get a lot of people talking about the
10 issues and continuing to talk about the issues.

11 It may seem on the face of it that, you know,
12 that we are not kind of making progress in this arena or
13 we're not talking about it. Quite honestly, we don't have
14 a Chicago workshop, you know, where it's all been brought
15 to the front. But there is a lot of activity going on to
16 underline and push these concepts with regard to into
17 projects into activities on site.

18 Dr. Triay mentioned the 3116 process. It is a
19 process where we've engaged with NRC to look at the
20 disposition of these materials that are being left in
21 tanks. And there are things like performance assessments
22 that are being developed to look at the risks associated

1 with, you know, potentially leaving some materials in those
2 tanks. Those are being put up on web pages, are being put
3 out for public comment. Determinations are being put out
4 for public comment. Our meetings with NRC are all being
5 noticed, public noticed and held in open kind of forums so
6 that people that are interested can come and listen to
7 that. So there is a lot of activities going on at that
8 kind of level.

9 In addition, the National Academies of Science
10 has been directed to do a study related to looking at these
11 high-level tank waste kind of issues. And so there have
12 been public meetings that have been held at Richland and at
13 Savannah River and at Idaho to talk about where the
14 Department is going to get the views of site advisory
15 boards to get the view of technical experts on these
16 complex issues which are probably one of our most important
17 from the perspective of understanding how we are managing
18 a big piece of risk at our particular facilities. So those
19 kind of dialogues are ongoing as we move forward with our
20 process.

21 Your issue, I think, you know, we need to have a
22 business kind of case for each of the sites. And to work

1 off of that. I think you can hear in the initiatives that
2 Mr. Rispoli is putting in place that we will be allowed to
3 do that. That is if we put the rigor that he wants into
4 project management and federal project directors that we'll
5 be able, as we move forward to in a more transparent way to
6 conduct those kind of discussions and pull those kind of
7 things together for the program overall.

8 MR. FERRIGNO: Jim, can I ask a question?

9 CHAIRMAN AJELLO: Sure.

10 MR. FERRIGNO: Obviously the End States is like
11 setting up an entity where your vision is collaborated with
12 your value and you have your mission.

13 MR. GILBERTSON: Right.

14 MR. FERRIGNO: And then it drives everything as
15 far as what you've established from the beginning and to
16 what levels and where we're going. We had recommended some
17 -- and thank you for going through those issues.

18 MR. GILBERTSON: Right.

19 MR. FERRIGNO: With regards to one of them, it
20 was the second one, with regard to setting up some sort of
21 continuity in a person or a position at the site where, if
22 I have a large corporation, a lot of times I'll have a

1 strategy manager that carries the ball through the entire
2 business case of developing the business, executing the
3 business, monitoring, and then obviously having a lot of
4 flexibility modifying strategy, et cetera. When we looked
5 at that recommendation for you to consider of a site End
6 States manager accountable at the local level to carry that
7 mission through, what was your thoughts?

8 MR. GILBERTSON: I think what you heard about is
9 in the new tools and framework that we are moving forward
10 with. We have an entity for each one of our projects
11 that's called the federal project director. And I think
12 that instead of making somebody responsible for End States
13 in and of itself as a person, what we are trying to do is
14 my folks are involved with the review of project
15 documentation, the review of sit in on meetings where their
16 projects are being discussed and are trying to build that
17 into projects and activities. And I think that you will
18 hear a little bit later on as we go into discuss projects
19 in your later on afternoon things there are the projects
20 that DOE ordered relating to the management of projects.
21 There are things like a CD0 that get commission need and
22 vision and End State for projects that we are really, we

1 want to put a whole lot more rigor into that.

2 So I think now, you know, except for there being
3 national workshops in the regulatory framework we also have
4 this tool that Mr. Rispoli is good business kind of sense
5 to build some of those concepts right into it. So we had
6 to kind of push it from headquarters, but we didn't view
7 that there should be a special kind of person established
8 at each of the sites. Now, you know, that doesn't mean
9 that the field office managers, as they went forward with
10 their vision didn't engage or have a senior manager that
11 was the focal point for some of this end vision kind of
12 activities. You know, Shirley Owenger [ph] was very
13 instrumental at Richland and was out on point to drive the
14 development of the end-state vision for that particular
15 site. And there are other managers at other sites that
16 played that role too. But we believe that we need to build
17 that into our projects and our activities.

18 So that is kind of the direction that we're going
19 in and what our current thinking is.

20 [Pause.]

21 MR. GILBERTSON: This is, again, a list and a
22 kind of talk through of our activities that we've been

1 performing to try and address some of those stapled or
2 concerns. I think that it was that some important things
3 were said this morning by the Board, though. I think that
4 this is an ongoing activity you can't stop. We've got to
5 figure out how we best communicate some of these issues. I
6 think we're doing a lot of things on a site-specific basis
7 at this particular time and working with specific sites and
8 regulators. The issue is maybe some of these things aren't
9 having some of the national visibility that we had in
10 Chicago and maybe, you know, with the new EM-1, 2 and 3 on
11 board now that that is something that we need to re-look at
12 from a balance perspective of how we make sure that a
13 national kind of message is communicated as well as, you
14 know, working on a day-to-day basis with regard to the
15 individual sites and activities.

16 MS. ANDERSON: Do you have any specific examples
17 of what you just talked about at any of the sites?

18 MR. GILBERTSON: Of where we're having ongoing
19 dialogue related --

20 MS. ANDERSON: Right.

21 MR. GILBERTSON: -- to end-state kind of issues?

22 MS. ANDERSON: Yes.

1 MR. GILBERTSON: You know, it is -- Tom and I
2 talked a little bit at the break, you know, an example,
3 classic example of what you probably may have read about is
4 the hot spots at Rocky Flats. You know, it's the issue of
5 we had kind of worked through, you know, end states with
6 regard to the site and what it meant with regard to the
7 regulatory cleanup levels there, you know, in the final
8 survey to demonstrate the fact that we had met those
9 cleanup levels. You know, we identified some hot spots
10 which were not outside of the ranges of what we had agreed
11 on with regard to cleanup levels. They weren't, you know,
12 within -- they did not, you know, present risk to human
13 health or the environment. But yet through a dialogue,
14 ongoing dialogue at the site with regulators and people we
15 cited in the contract we decided to address those kind of
16 things.

17 There are other sites, Mound and OU-1, where
18 there is an ongoing dialogue where there is a debate that
19 includes, you know, federal EPA, congressional people,
20 local people at the site, the mayor and others to try and
21 decide, you know, what makes sense there. Each one of
22 these determinations that I talked about, you know, at

1 Idaho for the tanks at Idaho and for the salt waste
2 processing facility in Savannah River are individual
3 discussions where we're talking about End States, we're
4 talking about institutional control, we're talking about
5 what's going to happen here in the future, what are the
6 nature of these materials and the risks. So there's a lot
7 of specific activities going on at a project level, site
8 kind of level related to these kinds of topics still.

9 So that's about four of them and there are more.
10 We can talk, if you want to hear about some of the other
11 ones.

12 MS. ANDERSON: No, that's it. I just wanted to
13 get a flavor of what was going on and I'm very familiar
14 with the discussions at Rocky.

15 CHAIRMAN AJELLO: I think this is an important
16 point because so many of these sites despite a lot of
17 investigation and work by all involved present
18 unanticipated challenges once you are in the middle of a
19 plan. So, unless that dialogue is ongoing you won't have a
20 forum to discuss changes that no one could have seen at
21 some earlier point in time.

22 So I think that one of the issues that we pointed

1 out earlier was that ongoing dialogue. These are not
2 clients that need to be just established and then put on
3 the shelf and then forgotten about because of so many
4 things that happened down the line.

5 MR. GILBERTSON: And I think that Charlie alluded
6 to it in his -- Mr. Anderson alluded to it in his
7 discussion about, you know, we need to keep focused as we
8 try to bring these projects home and the cleanups to the
9 End Point. And whether it's, you know, what the situation
10 is at an EM Chico or a Nevada Offsite or it is at a Rocky
11 Flats, you know, we need to maintain constant vigil over
12 what it is to interact. And that is a challenging kind of
13 thing. Because at the same time you want to take down your
14 business infrastructure to be, you know, wisely used
15 taxpayers' dollars. You don't want to have a, you know,
16 constant huge federal staff. But that's the challenges of
17 how to bring that down and we are learning that.

18 MR. WINSTON: As a forerunner to our roundtable
19 discussion, just first a comment. Every cleanup I know,
20 every DOE cleanup I know is very, very dynamic in the sense
21 that there's constantly new information coming in, whether
22 it's from excavations that occur, from monitor wells,

1 sometimes it's new technology. So it is very dynamic.

2 And so, part and parcel with that is a continuing
3 opportunity to revisit things or take advantage of
4 opportunities. And I think one of the challenges with the
5 End States project has been those opportunities were pulled
6 out and were to be assessed within the End States process.
7 And at the end of the day and maybe the new EM-1 needs to
8 assess, does the end states project help or hurt those
9 natural discussions that are taking place? So, I don't
10 know if you have any thoughts on that. I think that's
11 something we're going to discuss because I think it's a
12 misnomer to think that those discussions won't naturally
13 occur and wouldn't have occurred anyway. And so the
14 thought is, if they are going to occur, is it help or is
15 that discussion helpful or hindered by an End States
16 program with some of the perceptions that may be associated
17 with it?

18 Any comments?

19 MR. GILBERTSON: My views on it is I agree that
20 this is a very dynamic kind of process. It is not static.
21 I think the constructive tension, you know, is that you
22 have to have some kind of -- and we will have baseline or

1 point of reference to talk about. And you need to also
2 kind of precipitate a discussion of alternatives. And yet
3 I think you are correct in saying that, you know, that
4 can't be the end all, be all, but it can be a one-time deal
5 and that's the only time that you do it. But the issues
6 need to get out on the table also. And you need a
7 mechanism to make that to happen.

8 And so whether or not, you know, we really bumble
9 through that whole process, you know, it did force the
10 Richlands of the world to get out and talk with their
11 stakeholders about, you know, some of those potential
12 future directions for that particular site and where things
13 were going out of a construct of just the regulatory
14 frameworks of the NEPA process and the circle process and
15 the RCRA process, you know, which are much, much more
16 focused at times on pieces. So I think our challenge is
17 how to maintain a dialogue going on, you know, that is a
18 changing dialogue or we allow it to evolve as necessary,
19 but, you know, not stop also.

20 And so it may be that it's all about the
21 communication that Charlie talked about and maybe End
22 States should be, you know, done. And maybe we just use

1 other tools like project management and the critical
2 decision kind of framework to allow us to talk about it and
3 continue the dialogue. But the dialogue has to go on in
4 some way. And maybe we botched it so much because we are
5 so strong in the front part of it that we have to continue
6 to back off from, you know, a discussion of End States.

7 But, you know, it is critical to, you know, the
8 discussion of things whether it's a tank determination at
9 Idaho, the discussion of, you know, what's this going to
10 look like? What are we leading here? What are the risks?
11 Well, what are the intruder scenarios associated with this?
12 You know, how might people access this? What does it mean
13 or doesn't it mean are critical to still kind of go on.

14 In those frameworks are really some fruitful
15 discussions about, you know, how long can you assume
16 institutional controls? Is it 100 years, 500 years, 10,000
17 years, you know, those kind of concepts. Is the issue,
18 well, you know, does this tank really go away? We assume
19 for wildlife purposes after X period of time this stainless
20 steel tank goes away. And then we release this load to the
21 system to model for risk. So people really need to
22 understand the kind of conservative nature that's been

1 built in some of these analysis and decisionmaking
2 processes that allows us to come to the conclusion that
3 this is, you know, in the best interests of from a risk
4 perspective, from a public policy perspective, from, you
5 know, a stakeholder perspective to leave those materials,
6 you know, in place.

7 So we've got to figure out how to talk about it
8 some way. And the project management plan work, I think,
9 is a strong kind of way. You know, we need your feedback.
10 If we are too far gone on End States so that it's still not
11 constructive, well, you know, let's not do it.

12 We are pushing in, you know, with the EPA and
13 others, you see we are talking with NRC about some of these
14 issues. We need to get some of these things to help
15 continue to be discussed and move forward on this with
16 regard to on a national basis. And so, these are our key
17 issues that the workgroup is looking at that I believe we
18 still need to figure out how we talk about it. And we may
19 not resolve it this year, but we need to continue to have
20 an ongoing dialogue associated with these kind of things.
21 And we are not the only ones that are facing these
22 problems.

1 We talked with DOD folks and the issue of, you
2 know, base closure and local communities, you know, they
3 cleaned up the base according to the regulatory
4 requirements and after base closure local communities are
5 saying, well, we want to use it for something different.
6 So as a nation, we are not the only ones with these kind of
7 problems that need to be discussed. So we are trying to
8 elevate some of these so we talk across federal agencies
9 with regard to this.

10 What we are hoping is this administration
11 continues to progress that we will be able to strengthen
12 those dialogues as we move forward.

13 CHAIRMAN AJELLO: Jim.

14 MR. BARNES: Mark, one of the things I see that
15 could well happen here with the End States is that the
16 baselines are being developed could well be considered End
17 States by stakeholders. In which case I think you've got
18 significant controversy on your hands. How do you
19 reconcile this?

20 MR. GILBERTSON: I think that we need to make
21 those -- we need to develop the baselines, we need to
22 validate the baselines, we need to make it transparent,

1 and, I think as you have mentioned, there needs to be
2 discussion about it. You know, we can't repeat the
3 mistakes we made at End States with our baselines. So that
4 has to be clear to people. So I think that when it comes
5 to this afternoon, you know, I think that's a good kind of
6 segue for that group to reinforce, you know, kind of
7 [unclear]. Because we are certainly doing that.

8 And now the policy and procedures are kind of
9 being developed, we are getting our tools in place for this
10 administration and I think that is wise kind of counsel to
11 give to people to figure out how the stakeholders are going
12 to be involved in that process so that they understand it
13 and have a chance to be involved.

14 MR. BARNES: Well, I'm a strong believe in earned
15 value and in project management [unclear] does not have
16 [unclear] but I can see a real problem that could well
17 develop and the baselines do not have [unclear] they are in
18 tune with DOE. When those hit the street, they will be
19 interpreted as [unclear]. And I don't think there's been
20 any effort to [unclear] stakeholders in [unclear].

21 MR. SWINDLE: I think you hit it right, Mark, in
22 this afternoon's discussion that's one of the key things I

1 know that is of concern to me as well is that, you know, to
2 effectively manage any project, you know, you have a
3 baseline. And if you have changes that come as result of
4 the discussion from End State, then that's a change to your
5 baseline. And the process therefore, you know, every
6 decision, every regulatory commitment is being based, at
7 least supposedly, to reflect it in the baseline from which
8 the execution, budgetary authority all comes from. And we
9 have seen too often if there is a constant change, which
10 means the baseline is constantly changing that you really
11 then have no baseline. It's hard to execute and meet
12 deliverables and be counted on from a reliability
13 standpoint.

14 MR. GILBERTSON: I think another refreshing thing
15 that you're hearing which continues to build on pass
16 direction is Mr. Rispoli's kind of want to holding field
17 office managers accountable for the activities on their
18 site. Which I believe field office managers need to use
19 all of the tools available to them for these kind of
20 discussions. Because they don't just happen around
21 baselines, they happen through discussions on NEPA actions.
22 They happen through discussion on CERCLA cleanups and they

1 happen through discussions and interactions with state and
2 local governments and inside advisory boards. So kind of
3 this, you know, making people responsible for it and
4 restoring some of the importance of line management, I
5 think, can facilitate some of these processes so that when
6 we talk, we talk in a constant kind of voice in that we
7 have the ability to manage this and it's not just kind of
8 national directive coming out. But it is a big challenge.
9 It will be a big challenge.

10 These were just some of the issues that we wanted
11 to talk about with regard to these are just a couple of
12 other examples besides the four that I mentioned of ongoing
13 kind of dialogues, some which are more mature than others.
14 At the Paducah facility we have kind of an ongoing dialogue
15 that's been started there relating to whether or not the
16 government should purchase the land that's adjacent to the
17 site between site boundary and the river there because of
18 TC and contamination issues. So these are just ongoing
19 dialogues that are happening. And we kind of wanted to put
20 that up to reinforce a point that was already covered
21 before.

22 With that I will just stop and answer questions.

1 CHAIRMAN AJELLO: Tom.

2 MR. WINSTON: I just have two quick ones. There
3 was a proposed action page in the handout which on your
4 presentation was number ten. And it talked about the End
5 States working group to discuss national issues. And I'm
6 on that working group and we have not started on that.
7 It's my understanding we are sort of waiting direction from
8 the assistant secretary whether that is an effort that
9 should be robust and moving forward.

10 MR. GILBERTSON: Yes. What we are doing is we
11 are trying to schedule a briefing with him to make sure we
12 get kind of an endorsement from him as to how aggressively
13 he wants to pursue these activities.

14 MR. WINSTON: That's not an ongoing activity that
15 has a lot of head of steam for good reasons. I'm not
16 criticizing that at all, but don't anticipate the working
17 group coming out with the answers to those questions. They
18 haven't necessarily been given an aggressive charge.

19 MR. GILBERTSON: And as I said, that isn't going
20 to be something. These are national issues that affect
21 multiple agencies, private and public sectors, and so to
22 think that, you know, those are going to take a long time.

1 MR. WINSTON: The working group might help
2 identify how those would be addressed. They certainly
3 can't solve it [unclear]. Despite the illustrious nature
4 of all of our --

5 [Laughter.]

6 CHAIRMAN AJELLO: If you don't say so yourself.

7 MR. WINSTON: If I don't say so myself.

8 And then just a real quick, the Fernald site is
9 mentioned on the example of alternatives and I guess I
10 would maybe give a counterpoint that that was worked out in
11 spite of End States initiatives.

12 [Laughter.]

13 MR. WINSTON: Rather than because -- in fact, the
14 job of getting that through and accepted was a lot harder,
15 in my estimation, because of the End States controversy.

16 CHAIRMAN AJELLO: Tom, I was curious about the
17 working group, isn't that the group that meets once a month
18 on the phone and talks.

19 MR. WINSTON: We have conference calls. WE have
20 been given briefing on the Savannah River, End States.

21 CHAIRMAN AJELLO: Right.

22 MR. WINSTON: But we haven't really done much

1 heavy lifting other than sort of just stay focused on
2 what's happening in the End States, which there are things
3 happening at the site level based on some of the planning
4 that was done some time ago.

5 MR. GILBERTSON: And quite honestly, you know, we
6 believe that we can make progress in that area going into
7 the future now that we have a one, two and three in place.
8 And that was part of why we were treading water is to reach
9 out to other federal agencies other than at a kind of
10 manager, career manager to career manager kind of level
11 which we have kind of done. The issue is whether or not,
12 you know, it's going to be an administration kind of
13 initiative and what the ramifications of that might be are
14 what we need to work and build that support.

15 CHAIRMAN AJELLO: I want to get back to Dennis'
16 question earlier about our recommendation about having site
17 management responsibilities. How ever you do it, is it
18 your sense today that site management or managers feel an
19 ownership of this issue and related to that are any of
20 their performance or metrics duties, if you will, graded on
21 a personal level or group level associated with this topic?
22 Or is it, maybe to be a little flip, something that they

1 just submit to headquarters to get the plan approved and
2 don't feel a great sense of ownership?

3 MR. GILBERTSON: I believe that, you know,
4 there's a DOE policy associated with it. So there is some
5 level of ownership with regard to it and significant
6 resources have been put to doing these. You know, is it a
7 highest priority for a field office manager? No.

8 And the issue is, I think that the negative, you
9 know, the reaction from Chicago and in that kind of they
10 know that they're responsible for it and have to move
11 forward with it, you know, but they're not driving it. You
12 know, that isn't what we wanted anymore in a real driven
13 kind of manner. It is not part of their performance
14 elements and standards critical kind of elements as we move
15 forward. And some of that is by design because we didn't
16 want it to be as, you know, as it was in the past. And so
17 maybe the pendulum swung way over here, and, you know,
18 maybe it needs to be somewhere in here. But now kind of
19 over here the site guys you need to do it, you need to work
20 with your stakeholders and make sure they're on board with
21 it. And, you know, take what time you need to deal with
22 it, but it's not as driven.

1 CHAIRMAN AJELLO: Are they even resourced
2 sufficiently to take this up, or is really the heavy
3 lifting done here? I know the division documents emanate
4 from the site as you gave us a status chart of where they
5 were and the like, but --

6 MR. GILBERTSON: You know what, it really depends
7 on the site. Some sights have infrastructure in place like
8 the Richland site to do this kind of work. Some sites like
9 the Paducah and Portsmouth sites, it's a stronghold with
10 regard to the federal staff that are in place and with the
11 fact that they've had, you know, changing contractors there
12 as part of the struggle. Idaho is in a similar situation.
13 You know, changing contractors up there and so you have,
14 you know, federal ownership staffing that are working it,
15 but yet, you know, the resources aren't all aligned.

16 CHAIRMAN AJELLO: Are in many cases the work
17 under this topic done by the contractors and reviewed by
18 the federal folks locally, or the other way around?

19 MR. GILBERTSON: Both. In some cases it is done
20 by federal people and in other cases, some of the larger
21 stuff, the base work is done by the contractors working
22 with the federal people to accomplish it.

1 MS. ANDERSON: I'm wondering if this shouldn't be
2 part of the contract to engage the stakeholders? I'm just
3 throwing that out there for thinking about it. Because it
4 seems to me that's an integral part of the success of
5 fulfilling the contract is being able to work with the
6 community and particularly in a place where perhaps it is
7 difficult to work with the community. Wouldn't that be
8 part of the contractor's job to engage that community and
9 to have some dialogue?

10 MR. GILBERTSON: Well, I think that we believe as
11 federal people responsible for the cleanup at these sites,
12 you know, that that's a critical component of our job. And
13 we would use the contractor resources to help facilitate
14 that, but, you know, we wouldn't give that responsibility
15 to the contractor to do that.

16 [Tape break.]

17 MS. ANDERSON: [In progress] -- talk about making
18 that an ongoing part of the job as the contractor and to
19 have some sort of immunity, dialogue and interaction.

20 MR. GILBERTSON: Well, in individual contracts
21 there are specific clauses, different ones in different
22 kinds of contracts because of the nature of it for their

1 support for the department in communication. But these are
2 all so different, you know, there's not kind of one size
3 fits all. And we do believe it is a critical federal role
4 because, you know, we're making decisions. We're the ones
5 that make the decisions and set the priorities.

6 CHAIRMAN AJELLO: We've sort of crept into the
7 roundtable discussion, although the dialogue has been real
8 good. But I want to try to keep a format and let Jennifer
9 and Tom pose any additional questions or at least
10 facilitate any addition questions, or we can continue in
11 the way that we're going.

12 MR. SWINDLE: Yes.

13 [Simultaneous conversation.]

14 MR. SWINDLE: I guess and this is not to
15 challenge the progress of what End States is because I
16 think the undertaking the initiative and going back to even
17 some of the comments that the board made some time ago
18 relative to the value of a constructive dialogue and End
19 States. Now I put on my project manager's hat. And I
20 guess one of the things that prevents reaching a true End
21 State is when change is constant, it's a perpetual motion
22 machine. And in the federal budgeting cycle you've got

1 about a three-year window. You plan, submit budgets,
2 recycle and the time you get into an execution phase you're
3 basically spending money on activities that were planned
4 three years ago.

5 And I guess the question that I have not seen in
6 any of the discussion material or results of the workshop
7 even that took place in Chicago, when do you freeze the
8 dialogue? I mean, realize that when you're digging, as Tom
9 mentioned, you're going to run into surprises, so you've
10 got to be able to have some flexibility of changes of in-
11 progress work.

12 I guess I'm concerned, number one, that, you know
13 to have a continuous dialogue, okay, which has all of its
14 merits, at some point says, okay, you stick a date, on
15 December 1st anything we decide after that, it's too late.
16 Because we've got to move on. And I guess, I don't see any
17 reflection in the process as going forward to recognize
18 that to achieve the ultimate goal which is the End State.
19 At some point you've got to freeze it. And I guess your
20 comments, please.

21 MR. GILBERTSON: Yes, that's why I really stress
22 the issue that we need to look at this on a project-

1 specific kind of a basis. Because those points that you
2 freeze, those decisions that this project kind of depend,
3 and so you can freeze a project like, if you have, you
4 know, you're dealing with a soil remediation, groundwater
5 situation, you can freeze a project at what the nature of
6 your characterization activities are going to be. You
7 know, then you decide on your alternatives for how you deal
8 with it. You can freeze that after, you know, you perform
9 that cleanup activity. Then you decide what you're --
10 there are decision points that allow you for logical kind
11 of times to say, this is all I'm going forward, you know,
12 this is what I believe in my best judgment is the path
13 forward with regard to that activity.

14 So we need to keep in mind that these aren't
15 typical construction projects. Now, with that said, you
16 know, for some of our major waste processing facilities,
17 you know, they are more like construction projects,
18 although they are one-of-a-kind kind of projects. And so,
19 you can perhaps go a longer duration with regard to, you
20 know that you can treat it more like a project activity
21 that you build out with it and that you bid out with End
22 State in the schedule in mind.

1 But we also need to recognize the situations that
2 we had occur at Mound where, you know, we thought soil
3 contamination just went so far that we started digging
4 there and found out that it went father. But there needs
5 to be some lessons learned built into those processes from,
6 for example, the Mound situation. Because, you know, we
7 didn't have the right agreement kind of with people, we
8 kept chasing after that contamination. And you also lose
9 sight of the fact of, you know, what are the risks
10 associated with that and does it really make sense to
11 continue to dig up this. Because we had agreed to dig up
12 soil contamination at thus and such levels. You know, when
13 you've got to reiterate back and some kind of risk managers
14 say, is anybody ever going to be exposed to it?

15 When we went in initially we were thinking about
16 near-surface kind of removal. You know, but now we are in
17 a situation where we're digging this material way below
18 where there would be exposure. And so maybe if we were
19 smarter going into it, we would have an approach more like
20 Rocky Flats where, you know, we put kind of a level kind of
21 constraint where, you know, people for this land use aren't
22 going to go beneath this level. And so this material isn't

1 mobile and so it's not going to affect things. We didn't
2 do that. So we went and chased some of those kind of
3 issues.

4 So there's a balance here. You know, between
5 using good project management and defining things and also
6 dealing with the information associated with the
7 uncertainty of environmental cleanup and what that means.

8 MR. SWINDLE: I fully concur. I think, you know,
9 the absence of some -- in your equation of driving towards
10 and at a project level, at the end of the day a program is
11 measured upon what it does succeed in terms of its
12 delivery. It's part of its customer orientation meaning
13 Congress, the stakeholders and the like.

14 I know the past four years we've seen -- I don't
15 have the statistics, but there's as many stars and stops as
16 almost as there's been progress. And that does not help.
17 Again, in building the stakeholders' support that there is
18 actually progress being made.

19 MR. GILBERTSON: Well, I think another issue that
20 we've had though because EM jumped in the middle of some of
21 these activities and they were created. There was never a
22 common understanding when we started some of these ongoing

1 projects of where we were going to end up. You know, and
2 so we have situations at some of our facilities that
3 Charlie was walking about that challenges where we are
4 going to continue ongoing missions at Stanford at the Slot
5 facility. So what does it mean with regards to cleanup
6 there? We are already cleaning up hot spots for PCBs
7 there. You know, this laboratory is going to be there for
8 a long time. Well, people in the laboratory there's
9 dialogue with Stanford about the issue that we've got to
10 clean up to residential standards if you're going to leave.

11 Well, you know, the issue is you have
12 laboratories that are there, you know, that we would have
13 to demolish those and you don't want it so that that's part
14 of the tension that's built into this EM program that, you
15 know, if we're good project managers, maybe we push a
16 little harder at the start of a project to divine what that
17 end point is so that we can define this project. Instead
18 of just kind of jumping in and this is the progress we're
19 going to make for the next three years for a budget cycle,
20 but we get to the end of that three years and we say, gosh,
21 you know, we're not done. Because at the end, part of that
22 three years people are saying, well, you know, you still

1 have, you know, we decided we don't want to use this
2 building anymore. So now you have access to it. So, you
3 know, go clean up underneath that building. So that's the
4 tension that's built into this process. So unless you talk
5 -- it's hard to talk about it across the \$7 billion a year
6 program. And you've kind of got to dig down into these
7 individual projects. And so I think we're stressing the
8 right tools and I think that, you know, the right
9 principals are being put in place.

10 But I think it is wise to caution people about,
11 you know, the pitfalls as we move forward about some of the
12 things to be sensitive about. That's why we, you know,
13 invite you to be here. You know, it's to help us with
14 that.

15 MR. WINSTON: Well, Jennifer and I were asked to
16 lead a roundtable discussion. We don't have a lot of time
17 left because we've had a real good discussion with Mark.
18 And I know a lot of folks external to this board are
19 waiting for the board to say something about End States. I
20 know the working group is. I know there is some
21 anticipation that the participants for the
22 intergovernmental meeting which includes local governments,

1 includes state governments, and citizen groups as well, and
2 that meeting is in November. So a lot of folks are saying,
3 well, what does the board think? Especially since the
4 board has been active on this issue.

5 Taking you back memory lane, we did in November
6 of 2003, there in Tab B of your book, we issued six
7 recommendations with a lot of detail to them. That was
8 sort of in the thick of the End States initiative and the
9 public discussion of them. And I'm not going to go over
10 those, but there were several common themes, adequate and
11 meaningful interaction at all levels, realistic and
12 appropriate, yet conservative assumptions, consider a broad
13 range of factors once you get an End States recommendation
14 whether or not you want to implement it. Because you don't
15 want to do something that in the bigger picture is
16 defeating to your overall mission. And then finally noting
17 that there is significant distrust out there of the process
18 and that had to be taken into account.

19 Many of us participated in the October workshop
20 of October of 2004. And as an outgrowth of that we did
21 have a working session back in November of 2004. We ended
22 up coming up with the five recommendations that Mark had

1 included on number five. I'm not sure we acted on those or
2 we didn't act on those in any official capacity. And then
3 individually board members tried to put some meat on the
4 bones of that recommendation and came up with the January
5 draft letter. And all that is, is a draft and we actually
6 never discussed it amongst ourselves the details in there.
7 But it was an effort by board members individually to say,
8 if we wanted to give some recommendations to the Department
9 on, for example, tailored, collaborative effort for each
10 site and built-in flexibility, what would that look like.
11 And so that is where we are.

12 And I guess I would like to sort of have a
13 discussion about what do we want to offer to the assistant
14 secretary at this point? Do we want to continue to offer
15 more details on how this program ought to be implemented,
16 or do we want to step back and say, not necessarily do you
17 move forward or do you not move forward? Obviously the
18 Department has to move forward. And as we discussed
19 before, or at least I believe that these continuing dynamic
20 discussions need to occur. Do they occur under the
21 auspices of End States? Do they occur under the auspices
22 of a remolded End States? Do they occur under some sort of

1 other structure that we may give a different name? What is
2 the best way strategically for the Department to have
3 beneficial discussions at the site level?

4 I think there was some emphasis in our discussion
5 and recommendations and I think Mark probably underscored
6 that in his comments that this was very site specific. And
7 while we had a national program to get us to this point,
8 probably a lot of the future successes are going to be
9 dependent upon the site, the specific technical and
10 regulatory challenges at the site, the interaction with all
11 of the stakeholders at the site, and the timing that
12 probably plays into where the site is in the cleanup
13 process.

14 So before we get into deciding whether we take
15 our January letter and finalize that, I would like to sort
16 of have a discussion in terms of what we think would be a
17 strategic piece of advice to give Mr. Rispoli.

18 CHAIRMAN AJELLO: I would just like to say for
19 clarity purposes and for the benefit of the new members, as
20 well as anyone in the public, who had been listening to
21 that chronology, the reason that the documentation was
22 developed in the way that it was, was that End States was

1 at a point where it was evolving and that there were a lot
2 of different approaches that were being considered.

3 Secondly, when we met and we met like this, then
4 of course we went away, and then did some drafting and we
5 didn't meet in an official capacity to resolve -- to
6 formally adopt something. So consequently it remained in
7 draft form. So I think Tom is, you know, taking stock of
8 where we are today in wanting to move from where we were
9 asking the question, what do we do next. So I just want to
10 make that clear to everybody.

11 MR. WINSTON: And the reason we did it in draft
12 form as well, there was a lot of specificity that an
13 external board may not necessarily want to interject
14 without some feedback from the Department. We are telling
15 you how to do your business and we haven't discussed the
16 ramifications of that. That's not terribly helpful advice.
17 So part of this was sort of the precursor for continuing
18 dialogue on how to deal with the issue at hand.

19 But thanks, Mr. Chairman.

20 MS. SALISBURY: Tom, just for clarification. So
21 you would like the board to discuss whether we even want to
22 make any recommendations on End State, or has the situation

1 evolved so much we just need to step way back from it?

2 MR. WINSTON: Well, I think we need to make a
3 recommendation on End States. I think I would say that our
4 January effort was dealing more with how to implement it.
5 And I think I would like for us to have a discussion first
6 about what bigger picture, you know, if there is a need to
7 have continuing discussions at the site level and
8 continuing evaluations, what is the best way for that to
9 occur. Taking into account all the work that has been done
10 to date, and there's a lot of good technical work that's
11 been done and then there's also some baggage. And I think
12 we all know that that exists and so we are at a point in
13 time we have a new assistant secretary. We are able to
14 take a fresh look at this. He has the latitude to set a
15 new direction and I think we have the opportunity to help
16 with that.

17 So I didn't want to have us get caught up in the
18 kind of discussion or recommendations that we were giving
19 in January without taking stock of the opportunity we have
20 now.

21 MS. SALISBURY: Well, let me ask you then, Tom,
22 since you're on the working group, what's your take on what

1 you just said? What do you think?

2 Put yourself out there.

3 MR. WINSTON: That's not fair.

4 MS. SALISBURY: Yes, it is.

5 MR. WINSTON: Well, it is fair.

6 MS. ANDERSON: It is for the rest of us.

7 MS. SALISBURY: Yes, I'm sorry, you've got it.

8 MR. WINSTON: Good point.

9 [Laughter.]

10 MR. WINSTON: I have a couple fears and they are
11 twofold and they're conflicting in a way. I don't want to
12 lose the good work that has occurred as part of this
13 process. So I don't want to just sort of let this all die
14 and not have us at individual sites take advantage of the
15 work because somehow or other we have judged End States
16 project to be a failure. It's a mixed bag and there are
17 successes and certainly problems with what has happened.
18 But that doesn't mean there are not good parts of that. So
19 that's my first fear. I don't want to just lose what's
20 been done.

21 The second fear I have is that we will continue
22 to try to force a square peg in a round hole to use a

1 cliché. And I do think that some sort of different
2 perspective or a different approach would help assure that
3 the kind of discussions that this board wants to see happen
4 at the site could occur. And if we just sort of say, well,
5 we'll continue to go down the End States path, I'm not sure
6 we will get much out of it. I think we'll lose the
7 opportunity and be constrained by the baggage that's been
8 associated with what's transpired.

9 When I talked -- [unclear] well, we have an
10 opportunity because when I talk to stakeholder groups a lot
11 of times they will say, "well, didn't that die?" That will
12 be their first thought: well, I thought that died. You
13 know, I thought that left town.

14 The other thing they say though is, there is a
15 recognition that this is a dynamic situation at a cleanup
16 and that there is an obligation to continually improve the
17 product that the Department of Energy is delivering to the
18 nation and to the communities and there's a willingness to
19 look at those issues. And so that has not been thwarted by
20 the discussion and what has happened.

21 I guess I would probably be recommending that the
22 effort continue. That certain components such as some of

1 the national work be really pulled out of the project,
2 which Paul did, and that the sites be given both direction
3 and latitude to assure that this is built into their normal
4 processes of regulatory interactions, stakeholder
5 interaction and not have it driven at the headquarters
6 levels by lofty expectations. So that is probably what I
7 would opt for.

8 CHAIRMAN AJELLO: And I would interject,
9 Jennifer, I think what might be useful here is to indicate
10 what we've been asked to focus on and maybe put that
11 against what Tom said. I think it's pretty consistent.

12 As we've had the transition to the new management
13 and the program this summer, I think you, yourself, and
14 your colleagues were pulsed on what is it that we can do to
15 be helpful to provide input. So we sort of put the
16 question back to the folks who are in the positions of
17 responsibility. And there were three key topics. End
18 States was among them, project management and oversight and
19 contract strategy and management. Not coincidentally the
20 topics of today's conversation in the agenda. So that's
21 how the agenda was created.

22 And specifically on End States the two areas that

1 we were asked to look at were to kind of review and
2 rereview the findings that we came up with given that
3 there's been more water under the bridge from the September
4 board meeting. And then specifically to review the End
5 States site vision documents as and when they became
6 available. This goes very specifically maybe to one of the
7 questions that you were proposing, what do we do next.

8 So let's look at what we have done. Can we
9 confirm that, reconfirm that, take the draft stamp off,
10 that sort of thing. And then the constructive and the
11 review of documents that come about, realizing that's where
12 the rubber meets the road. I'm editorializing a little bit
13 now in the request that we received. But that's how I
14 interpret what we've been asked to do.

15 MS. SALISBURY: Well, in some ways I don't see
16 that particularly inconsistent with what --

17 CHAIRMAN AJELLO: Not at all.

18 MS. SALISBURY: -- with what Tom said.

19 CHAIRMAN AJELLO: Right.

20 MS. SALISBURY: Because he would say that --
21 well, I'm paraphrasing what you're saying, we should go
22 forward with End States.

1 CHAIRMAN AJELLO: No question, yes.

2 MS. SALISBURY: But what I have a question about
3 is in light of what Dave said about freezing, having some,
4 you know, freezing in time. How do you reconcile what he
5 said with what you are saying, Tom?

6 MR. WINSTON: Let me just jump in and if Dennis
7 wants to also say something -- I think it gets back to the
8 site. The site is in the driver's seat over making that
9 determination. And when I say it's the site, it's not just
10 DOE, certainly it's DOE, the stakeholders, the regulators,
11 the contractor. It's kind of like art, you know it when
12 you see it. There is really no chance because you're so
13 far down the pike on a certain project and the opportunity
14 is going to cost more than, you know, to implement than any
15 savings you have, you just reject that. And it's very,
16 very site-specific.

17 So I think we're at the point where the sites are
18 in the driver's seat in terms of whether there's an
19 opportunity there or not. They would be able to sort it
20 out in terms of whether there is fruit to bear. And so I
21 really feel that that's where the --

22 MS. SALISBURY: So if we have site specificity, I

1 just have to -- before we go to Dennis -- ask Dave if he
2 would find that that would be sufficient.

3 MR. SWINDLE: I think that's a good step forward.
4 What I think is missing, however, is a set of -- there
5 needs to be some terms of reference for guidelines. I
6 mean, for example, the same solution at a site that's
7 beleaguered, for example, through whatever its
8 circumstances could end up with that perpetuation as
9 opposed to, here are the circumstances of how we are going
10 to reach that state of, like you say, is it criteria, is it
11 cost for introducing a new technology and the delays that
12 occur. You know, there has to be some terms of reference
13 for which, you know, it says, okay, guys, we may reduce the
14 risk by some infinitesimal detail, but if we stretch it out
15 over four more years, that's not working. Or whatever it
16 is.

17 I mean, again, it comes back to some practical
18 solutions. And, again, I think whether that's done through
19 the End State process, Mark, that you have or some
20 recommendations that we, the board, could provide as part
21 of an adjunct to what's already been done. I think having
22 some of that framework will be to the benefit of all of the

1 players. Because right now I see it's not -- I'm not
2 disagreeing that it needs to be pushed down to the site
3 levels. But even Ines' earlier slides, there's so many
4 different sites all with different personalities involved,
5 we'll end up with so many different perspectives that then
6 it will create another national debate as to why did some
7 do it and some didn't do it. And, again, some standards
8 have to be there.

9 MS. SALISBURY: Dennis.

10 MR. FERRIGNO: You know what I'm thinking here is
11 -- and if I could get a little academic, the End State
12 challenge really takes on the best of managing projects and
13 the best of using really fundamental leadership. The
14 classic project management deals with complexity.
15 Leadership deals with change. Okay. And both are needed
16 to address this issue.

17 The End State sets the very fabric of compliant
18 given the baseline of compliant to regulatory. It sets the
19 very fabric of a vision of a site.

20 Where am I going to head with everybody buying
21 into that? Not to take issue of a comment of -- I think
22 you had said, Mark, that some of the site managers are

1 becoming more onboard with the End State stakeholder
2 initiatives. And I was at the same meeting. Sat at the
3 table with Shirley and talked to her at length at what she
4 was able to do at Hanford. And it was really a great model
5 to follow on what Hanford at least Ed Richland did and what
6 she was doing. But my feeling is that we need to not only
7 deal with the complexity of the project, but we need to
8 lead, as a stakeholder forum, together a lot of the success
9 that Lorraine, you participated in at Rocky Flats with
10 agreement and concurrence in moving forward to risk
11 reduction. Of course, we will see by March or April that's
12 coming next year to see if the true fruit is what we think
13 it is. We need to be led into that and it takes an art, as
14 Tom said, in addition to detailed project management of
15 dealing with complexity.

16 I know it was esoteric and it was kind of
17 academic, but I really believe that's the challenge we have
18 here. And it sets the very tone and the path that we need
19 to move forward. And there's going to be change. But in
20 that change we have to do it collectively and lead
21 ourselves through the process.

22 CHAIRMAN AJELLO: I think Lorraine was next.

1 MS. ANDERSON: You know I think some good
2 comments have been made and specifically when I heard Dave
3 talk about, you know, putting an end to it. Just having
4 gone through the discussion of Rocky Flats about the hot
5 spots, knowing that there has to be some flexibility in
6 order to deal with issues like the hot spots, at the same
7 time putting on another hat and saying, we have to be
8 careful of taxpayer money. So, how do we make those kinds
9 of decisions and how do we quantify those decisions?
10 Surely, you know, one of our Rocky Flats' coalition of
11 local governments members said it quite succinctly; you
12 know, I can't tell my constituents the different between 40
13 Pico curies and per gram and how many cubic yards it
14 covers, and it is too complicated for me to do that. I
15 just want it cleaned up.

16 [Laughter.]

17 MS. ANDERSON: And, you know, just make it go
18 away, it's too complicated and I am assuming, you know,
19 none of us ever heard a cost. I am assuming that the cost
20 was not that great. But as one of the site people said,
21 how many of these do we go after? So there is that balance
22 and it's hard.

1 But there's purely a public perception process
2 here. And if I could just say, I'm grateful that DOE made
3 that decision because it makes my job easier in the
4 community.

5 But clearly there has to be a way, it seems to
6 me, to quantify this or we'll be, you know, escalate the
7 cost. So I can speak on both sides of the issue.

8 VOICE: That balance. Steve.

9 MR. ALLRED: [Off mike.] I was perhaps one of
10 the most hardened opponents of the End States [unclear] --

11 MR. WINSTON: The microphone. Could you step --

12 MR. ALLRED: Yes. What I think happened or the
13 problem with End States as it's been developing at
14 headquarters level is it gets people involved in
15 philosophical questions. It doesn't necessarily happen at
16 the project level or at the site level. Because at the
17 site level you've got the ability to look at specifics and
18 look at information you have with regard to those specifics
19 and make decisions. When those decisions are being made, I
20 don't know whether there's an End State document, for
21 example, at Idaho. There is going to be a baseline and the
22 baseline, I hope, is not interpreted as the End State,

1 because if it is, it will be very controversial and it's
2 not [unclear].

3 But that baseline is very important because
4 without the baseline, let's face it, you'll never get an
5 end. There is never some place where you stop. So I think
6 that's really important.

7 But I think to continue the generic discussion of
8 End States and End State documents just continues this
9 philosophical argument about whether DOE -- and creates
10 stress about whether DOE is just trying to get out of
11 requirements or not. And that doesn't necessarily occur if
12 you're talking about what is the work program or what is
13 the vision, for lack of a better word, what is the vision
14 and the metrics for that vision at the site?

15 So with regard to the recommendation, I think to
16 continue to have a headquarters emphasis on End States, per
17 se, is not constructive. However, a path forward and a
18 vision -- avoiding the End States word --

19 [Laughter.]

20 MR. ALLRED: -- a vision at the site is, you are
21 never going to be successful unless you have that and have
22 with it the kinds of metrics that you can judge performance

1 on.

2 MR. WINSTON: Just to ask Mr. Chairman what you
3 want to do in terms of time. I'm afraid we're getting into
4 the public comment period.

5 CHAIRMAN AJELLO: Yes, we already are and all of
6 thee discussions have been so good that you are almost
7 reluctant to cut them off. So in this particular one --

8 MR. WINSTON: Do we have time tomorrow as part of
9 our working --

10 CHAIRMAN AJELLO: We have time tomorrow, and we
11 have lunch today. So what I would like to do is continue
12 to drive us to the questions that we've been asked to
13 perform so that we can come away from here with a clear
14 understanding of whether we can do them or want to make an
15 alternative suggestion, meaning what we've been asked to do
16 in terms of these two topics. So what I would like to do
17 now is probably have a discussion about that and continue
18 this over our informal discussion at lunch and then we'll
19 report to everybody so they'll know what we're going to do.
20 So be clear about that.

21 But I want to also ask anybody who has any public
22 comment to step forward and do that just before we break

1 for lunch. Maybe that's the right thing to do.

2 MR. WINSTON: Is that okay with you?

3 [Chorus of yes.]

4 CHAIRMAN AJELLO: Because I think if we go to the
5 other two topics they are likely to be as rich in
6 discussion and we lose track and there is obvious overlap.

7 Let me just ask, is there any public comment to
8 what we've talked about this morning from the group here?

9 [No response.]

10 CHAIRMAN AJELLO: In which case we can continue
11 talking if there's not.

12 MR. FERRIGNO: Well, I was curious, this is the
13 first time I've had an opportunity to hear, Steve, your
14 comment on that. Am I understanding correctly that -- and
15 we won't call it an End State at the site, but you're a
16 proponent of setting a vision, setting a strategy that is
17 collaborated among all stakeholders, and then allowing that
18 vision that we have for the site to be carried forward, and
19 then as a result of that, I can manage my baseline and my
20 execution of work that was derived from that vision of the
21 end use.

22 MR. ALLRED: Generally. However, to expect

1 consensus is not realistic. And there are people who in
2 the end have to make decisions. And they're both from DOE
3 and within the regulating community. But it ought to be
4 with full public knowledge and input. As I say, that's
5 where my concern is, is that you have a lot of discussion
6 you need the ability to make decisions. And those
7 decisions have got to be done in such a way that they are,
8 I won't call them enforceable, but they are accountable,
9 whether it's regulator or DOE or whoever. And once you get
10 in -- if you don't do that and you have a philosophical
11 discussion, which is really what at the headquarters level
12 [unclear] this has been about or the reaction of the
13 headquarters philosophical, all you do is turn more
14 discussion and controversy. So I think you've got to do it
15 at the site level, but it's got to be done at the site
16 level so it's accountable with all of the quote
17 "decisionmaking" [unclear].

18 MR. WINSTON: Thank you. One of the things that
19 the --

20 MS. SALISBURY: I was just going to try to
21 summarize.

22 MR. WINSTON: Why don't you do that?

1 MS. SALISBURY: The way sort of I understand what
2 everybody has been saying is that we could -- and then we
3 could maybe turn to the specific recommendations we made,
4 but it seems like there might be consensus around that we
5 can go forward in some way with this process, maybe we
6 can't call it End State, but that there be some vision
7 document that evolves from a collaborative process with all
8 stakeholders which we really to encourage DOE to do. And
9 then once that is agreed on, that the sites be given some
10 direction in the sense of terms of reference or guidelines,
11 so that the managers can be held accountable, but at the
12 same time that they be given the flexibility to tailor
13 solutions to the specific site and that flexibility
14 continues through the process in some way. Then the other
15 notion that I picked up from Tom was that we encourage DOE
16 to continue the national work that has to be pulled out
17 from this process. The three examples that I pulled out
18 from the meeting that we had last October were the
19 groundwater points of compliance, the institutional
20 controls, and the long-term stewardship that requires a
21 national dialogue. And those policy decisions need to be
22 made before sites can go forward with some of these issues.

1 So that's kind of how I would see where we're
2 going and maybe we could turn to how that would affect the
3 specific recommendations we made in January.

4 MR. WINSTON: Let me just add one thing to that
5 because I had talked about the national issues, and, for
6 example, the End State working group was hopefully going to
7 be giving some advice to the Department on the process.
8 And I guess my thought on that is that some of the very,
9 very complex and incredibly difficult issues that involve
10 people well outside, and some of our federal government or
11 even regulatory, involving a lot of private entities as
12 well. So I guess the reason they are under the End States
13 umbrella is that they were mentioned as sort of technical
14 opportunities. When you are looking at a cleanup program
15 and you are trying to decide what a driver is, then you
16 kind of just hold that up in the End States process and
17 say, gee, should we rethink that.

18 Well, sometimes there's a whole history of
19 regulatory or technical decisionmaking that is embodied in
20 the current approach. And to pull that out and to sort of
21 change that, you know, Paul Golan [ph] made a very smart
22 move in saying, you know, we're certainly not going to

1 solve that at the End States documents at the site level.
2 And what he did is pull it out and said, we'll deal with
3 that at the national level. Well, some of those are very
4 difficult for DOE to deal with because they are not even
5 under DOE's domain. They're broader than DOE.

6 And, so, I guess one of the questions would be,
7 is it prudent to try to address many of those issues under
8 End States or why don't we just say, maybe some of those
9 topics are really not ripe or if they are ripe, there are
10 so many different players that have maybe not even been
11 involved in the End States process that it's not terribly
12 helpful.

13 So I don't know if that's a little confusing in
14 terms of that thought of these national issues, but part of
15 me says that we are not going to -- those issues are going
16 to be difficult to solve and solving them under the End
17 States umbrella just makes it more difficult rather than
18 easier. And maybe if we recognize that --

19 CHAIRMAN AJELLO: I think there's a theme here in
20 what I'm hearing which is to say End States is something
21 that's integrated within the other activities to some
22 degree here, or at least can't be broken apart.

1 MR. WINSTON: Yeah, that's a good way to say it.
2 Because, you know, maybe it's time that certain aspects at
3 End States get integrated back. We take advantage of the
4 work that's been done, the technical work, and even the
5 political or discussion type work and we find ways to
6 integrate that back into something that has a higher chance
7 of bearing fruit.

8 CHAIRMAN AJELLO: It's a little squishy
9 otherwise.

10 MR. FERRIGNO: But I think it's more than just
11 integrated. If truly we're going to set regulatory
12 compliance first, but then those decisions of the site as
13 far as what is going to be the end use, where is it going,
14 that's not just integrated. That's driving it. Okay.
15 Then once we have consensus of the driver, then you have
16 the execution to go to where the End State is. It's not
17 just integrated. Pardon me.

18 CHAIRMAN AJELLO: You know, this one could go on
19 for a while. And what I suggest we do is take a break,
20 continue discussing it. On the one hand, we are forming
21 opinions as we go which is good. Secondly, we've been
22 asked to look at what we've already sent in and see whether

1 we could still stand behind that. And then we have a very
2 specific request to look at vision documents which is a
3 very, very tactical request that's come through, very
4 tactical. So let's continue our discussion on that as we
5 break. Otherwise, I think we'll not have due time for
6 lunch and then get into the other topics of this afternoon.

7 So it's been a great conversation so far. I
8 think one continues to learn the hard lesson that we need
9 more time for all of these topics. So, Tom.

10 MR. WINSTON: I don't know if Mark is going to be
11 with us later on. And if not, are there any comments or
12 advice that you would like to weigh in on before you leave?

13 MR. GILBERTSON: Well, I think that Tom's
14 comments about, you know, we have a DOE policy on risk-
15 based End States and the issue of pulling back a little
16 bit, and recognizing kind of new tools and their
17 directions, and the vision for where the policy is taking
18 it and integrating it through those new tools and
19 directions I think is an important message. I think you
20 don't want to lose what progress has been made, but maybe
21 it's been too visible. And so to utilize to not lose
22 sight-specific kind of direction with it, you know, we are

1 going to continue to interact on a federal level on these
2 issues because they're important to where we are going.
3 So, it may not be, you're right, we don't have a lead for a
4 number of these issues. But we will still be interacting
5 with NRC and EPA and others on these kind of issues. And
6 you're right, it will take a long time to solve a number of
7 them. I mean, we have solutions, but we need to rethink
8 these on a constant basis for the whole country. So I
9 think that is a valid point overall.

10 The issue of reviewing the specific documents I
11 think is kind of in the context of not so much for national
12 direction or anything, but feedbacks to the individual
13 sites. So I don't know that it's, you know, you absolutely
14 want an [unclear] endorsement of these kind of things. You
15 are a wise bunch of people that have come together to help
16 us with these issues. And I think that to provide input to
17 Shirley or others or Idaho as we kind of go forward with
18 this might be a beneficial kind of thing. But maybe not
19 even in the context of the board. You know, we're not --
20 all we're saying is you have a unique perspective and we
21 would like you to stay involved with the site-specific
22 processes to give that input. So maybe it's not from a

1 board perspective.

2 We were kind of at a place when we submitted
3 those ideas to people of, you know, the visions quite
4 weren't in place for the one, twos, and threes in the
5 directions where we're going as we're trying to figure out
6 some constructive things for people that might be able to
7 do. But I think that the guides that, you know, Ines and
8 Charlie provided this morning gives you a flavor for how
9 this can come together, maybe not drive the train, but be a
10 part of the train. Because you do need this kind of
11 information for your projects to decide where you're going
12 and to make sure ask at the right decision points are in
13 time to keep you on the right track.

14 But maybe it's not End States.

15 [Laughter.]

16 MR. ALLRED: Are you talking about the closure
17 planning guidance?

18 MR. GILBERTSON: No, what I'm talking about is
19 the policy statement.

20 MR. WINSTON: The End States policy that was from
21 2003.

22 [Simultaneous conversation.]

1 MR. WINSTON: August 2003.

2 CHAIRMAN AJELLO: Do you have the cite on that,
3 Mark, handy by chance? I know we probably all have it in
4 our book, but --

5 MR. GILBERTSON: I can leave a --

6 MR. WINSTON: There was a policy statement that
7 each site would be doing these and had some --

8 CHAIRMAN AJELLO: Right.

9 MR. WINSTON: -- specificity and that there was
10 detailed guidance.

11 MR. GILBERTSON: DOE 455.1. I will leave a copy
12 of it with you. Obviously this is still going to be in
13 force. So it will be part of how we manage our projects
14 and activities.

15 CHAIRMAN AJELLO: So these are some boundary
16 conditions essentially, I think?

17 MR. GILBERTSON: Right.

18 MR. WINSTON: Of course, policies can be changed.

19 MR. GILBERTSON: Well, they can and if you feel
20 that they need to be changed, you have [unclear] related to
21 what's in that policy that's important for us to hear.

22 CHAIRMAN AJELLO: Good. I suggest we break for

1 lunch. Lunch for the board is going to be in 1H088 which I
2 think is down the hall and make a right.

3 VOICE: And we leave our stuff here?

4 CHAIRMAN AJELLO: We will be reconvening at 1:00.

5 [Whereupon, the meeting recessed to be reconvened
6 this same day at 1:00 p.m.]

1 MR. SMITH: Frank has moved on and he is doing
2 some other things in his career.

3 I come by way of a job with a lifelong career
4 with the Department of Energy and its predecessor agencies.
5 So I've been here for over 30 years. I have seen an
6 evolution of not only contract work, mission, but also in
7 this particular instance how we contract for work. Which I
8 would like to share with you today some things that we've
9 learned, more particularly over the last five to ten years,
10 where we moved away from a standard M&O type of contract
11 and started looking at contracts that might be more
12 appropriate for the work scope.

13 I would like to spend most of my time on that
14 today because that really is an important component as we
15 move forward for a number of significant acquisitions we
16 have in planning stage right now.

17 Lastly I will address for you interactions
18 related to the May 2005 GAO report on small business
19 subcontracting within the Department. I will just briefly
20 describe what that report said and what our actions are
21 relative to the report.

22 The first thing I would like to say up front is

1 that our experience over the last five to ten years leads
2 us to believe that at our sites there's no one standard
3 contract that fits all activities. There are different
4 levels of assurance in contract work scope. We have a
5 better definition of some work scope than we do other work
6 scope. Some contract vehicles are more amendable to
7 uncertainty than others. So we are trying and have tried
8 over the last five to ten years experimenting to some
9 degree with contract types and now getting feedback on what
10 makes sense as we move forward.

11 If I might direct you to page 3 in what's up on
12 the board.

13 VOICE: That's five.

14 MR. SMITH: The first type of contract I would
15 like to talk about is the management and operating
16 contract. It's a contract that the Department used for
17 many, many years from its inception. It was typically with
18 a single contractor and that contractor was given a
19 generalized scope of work to perform as well as an
20 opportunity to earn a fee on a subjected basis with what we
21 call the "award fee process."

22 What we are finding as we are moving into a

1 cleanup regime where we don't have ongoing activities
2 necessarily, where we don't have sustained emission, we
3 don't need as much flexibility in contracting to adjust the
4 changes in funding to adjust the changes in production
5 schedules. We are moving to a scenario where we have a
6 fairly good idea of how long a facility or a site is going
7 to continue to operate and we are really in the business of
8 closing sites, cleaning them up and closing them.

9 The M&O contract doesn't necessarily provide the
10 best vehicle for doing that. It is a vehicle. We've moved
11 to a stance now where we think it's appropriate for some
12 things like infrastructure, site services, things that are
13 ongoing in nature. Obviously it's a [unclear], it's very
14 flexible, you can change work scope within the contract
15 fairly easily.

16 In terms of acquiring the contract itself, it's
17 much simpler than some of the other contract types I'll
18 mention to you in a minute. It does tend to provide for a
19 single interface for safety contract project management and
20 not having a duplicative overlap of multicontractors on the
21 site. So that's its advantages.

22 What we have found though is the government

1 basically assumes all the risk in these contracts. The
2 contractor is not necessarily motivated to be innovative
3 and how they approach their solutions. They are in a cost-
4 plus environment. They will get reimbursed for what the
5 costs are. So we have found that there are other contract
6 vehicles that provide a better opportunity for us to
7 maximize both schedule and cost savings.

8 The large sites have employed them before. The
9 Savannah River is an M&O contract. It's been renegotiated
10 in its extension to be more performance-based, but it
11 basically was an M&O contract. The existing West Valley
12 contract is such, as is the Oak Ridge.

13 If I could have the next page.

14 The second contract vehicle that we've had some
15 experience with are privatization contracts. We have a
16 wave of privatization contracts about five or six years
17 ago. It offers an opportunity for fixed price and term.
18 It also offered an opportunity to have a commercial entity
19 front the costs of acquisition. And in many cases the
20 acquisitions were facilities that were fairly expensive and
21 pushing the budget at the same time.

22 The disadvantages with the contract is that it's

1 not responsive to uncertainties. If there are
2 uncertainties in waste characteristics, for example, when
3 you initiate the contract, if there are changes and
4 requirements, albeit regulatory requirements or design
5 requirements, they are fairly inflexible because they are a
6 firm, fixed-price bid. We have had some success with
7 fixed-price contracts, we've had some less than successful
8 performances with those as well.

9 The contract examples I gave you at the bottom,
10 the Foster-Wheeler at Idaho, we have TRU Waste Treatment at
11 Oak Ridge as well as the Pit 9, which was not as successful
12 as we had hoped.

13 We do have some successes though and I bring one
14 to the table that's a firm, fixed-price contract the Glass
15 Waste Storage Building at Stanton River. It is a \$55
16 million construction project, firm, fixed-price and that is
17 ahead of schedule at this point and under cost and probably
18 will be completed and operational sometime four to five
19 months early [unclear]. So it works well. If you
20 understand what it is you're building and the
21 uncertainties, if you can narrow it down, it's an excellent
22 vehicle for moving forward.

1 CHAIRMAN AJELLO: Barry, but the contractor
2 doesn't own this facility; correct?

3 MR. SMITH: That particular one, the contractor
4 does not own.

5 CHAIRMAN AJELLO: When I think of privatization I
6 think of a contractor takes title to the project and
7 returns a service to you --

8 [Simultaneous conversation.]

9 MR. SMITH: The others are privately owned, the
10 Glass Waste is a government-owned facility.

11 MR. FERRIGNO: Okay. But you still referred to
12 it as a privatization.

13 MR. SMITH: We referred it in a generic sense.
14 It's not in the same category as the others. It's probably
15 better characterized as fixed-price construction.

16 MR. FERRIGNO: [Unclear.]

17 MR. SMITH: Yes.

18 MS. ANDERSON: But the contractor shares in cost
19 savings?

20 MR. SMITH: The contractor in this respect did
21 not share in cost savings. His cost savings was getting
22 off the site earlier, as early as he could because he took

1 his course off -- he takes his course off and that's his
2 payroll [unclear]. So that's his [unclear].

3 MR. FERRIGNO: When you typically have these
4 fixed-price contracts like in the commercial sector like
5 mining plants or whatever, you have a performance basis and
6 you have a test and acceptance period in which the plan
7 complies with all of the requirements that have been
8 predetermined for the performance; is that similar to what
9 you are doing here?

10 MR. SMITH: Pretty much. The way the contracts
11 work, there are certain progress payments made against the
12 capital acquisition costs to the contractor and then the
13 contractor -- I won't say they're exactly the same with the
14 exception of [unclear] because at some point you are paying
15 the contractor for product put out the door, unit price per
16 kg or cubic meter. So they are a little bit different.

17 The third contract type that I would like to talk
18 about is really the one that we're trying to move in the
19 direction of. We've had, I think, some success. These are
20 cost plus incentive fee contracts.

21 We have tried to structure them against our
22 closure sites, in particular Rocky Flats, Mound, Fernald.

1 The two other examples were more recent editions, River
2 Corridor and Idaho cleanup project.

3 The advantage of this type of contract is you
4 establish for the contractor what the End States are that
5 you want to achieve. And if you have a clearly defined End
6 State like closure, like completion of cleanup at Rocky
7 Flats, the light is very bright and you can define that
8 very well. You can then go in and ask contractors to come
9 in and tell you how they -- to give you a proposal for how
10 they are going to do that. How they are going to get to
11 the bright light. And the Kaiser-Hill proposal for Rocky
12 Flats is a successful demonstration of that concept.

13 Clearly the advantage is the contractors come in
14 and provide -- start thinking more broadly about how they
15 can achieve closure without being told how to do it. And
16 the fee structures had been set up under that contract that
17 they have opportunity there and significantly more fee if
18 they can bring the cleanup in under cost and ahead of
19 school. And at some point there's a breakpoint where the
20 government actually shares in cost savings with the
21 contractor on some share ratio.

22 Those have been successful contracts, we believe,

1 for the sites that we've applied them to. I will tell you
2 that there is a disadvantage. The disadvantage that we
3 have in getting these contracts in place is that you have
4 to know fairly precisely what it is you want to achieve.
5 You need to know what the End State is.

6 You need to clearly understand to some degree, in
7 a baseline fashion, how you would do that work so that you
8 can put together an appropriate schedule and an appropriate
9 government cost estimate. Because that becomes then a
10 point of comparison with whatever you get in the proposal.
11 We had been successful in doing that where it makes sense
12 to do so.

13 If we find that it's just not possible, given
14 regulatory uncertainty, given some uncertainty on End
15 State, it becomes much more problematic to use this vehicle
16 without assuming significant risks on both the contractor's
17 side and the government's side.

18 CHAIRMAN AJELLO: Barry, you have a 5 or 6
19 billion, I forget what it is that served as acquisition
20 dollars that are at stake every year. Rough order of
21 magnitude, how many dollars are using this technique, would
22 you say?

1 MR. SMITH: You know, it varies year to year. I
2 think when we put these contracts on the table, we kind of
3 had a slug of contracts we dealt with and I think Rocky
4 Mount and Frenald were in that slug and almost all those
5 were pushed across [unclear].

6 CHAIRMAN AJELLO: They are obviously going to be
7 the more mature projects?

8 MR. SMITH: They are the more mature projects. I
9 think last year we awarded River Corridor. It was by far
10 the largest contract, I think. The Hanford was awarded
11 last year or year before last, I can't remember. That was
12 a large contract as well. So I would say that we've
13 probably pushed this concept to a large degree in
14 [unclear].

15 MR. FREI: The '05 budget is around 7.32 billion.
16 I would say maybe four billion. As you were saying around
17 that, it is problem in CPI space. Probably at least that
18 much.

19 CHAIRMAN AJELLO: That's a pretty high number
20 relative to the total.

21 MR. SMITH: The other risk disadvantage here I've
22 seen is typically these contracts have -- thank you, Mr.

1 Chair.

2 These contracts typically have a funding profile
3 built into the contract as a government service,
4 government-furnished service and item. So we have to
5 deliver the item. Rocky is a great example where we fenced
6 off funding for that as a closure site. And every year
7 Kaiser Hill knew they were going to get \$660-some million.
8 We have not been that successful, for example, at River
9 Corridor or Idaho and some others that we're not fencing
10 off and getting the money. Oak Ridge is a good example.
11 And so we have to be careful that we put these contracts in
12 place and can deliver the funding to the contractor so they
13 can get the work done that they plan to get done.

14 So that puts a burden on us to deliver that cash
15 for them to get the work done.

16 CHAIRMAN AJELLO: I mean, the contractors
17 otherwise take appropriations risks, I guess. So how do
18 you actually promise them that you are going to get
19 appropriated for the money?

20 MR. FREI: Well, I mean, you have the right
21 language in there so you don't go ant deficient and so
22 forth. What they ought to do, they may have to lay people

1 off for work. And that leads to delays or REAs for that
2 matter.

3 MR. SMITH: I guess to that point, one of the
4 disadvantages of moving out in an acquisition quickly in
5 this regard is that this vehicle is that this vehicle is
6 not the quickest mechanism because the government truly
7 needs to establish funding profiles. It truly needs to
8 establish work schedules. It truly needs to wrap in on
9 work force restructuring issues and pension benefits
10 issues. That takes a lot of coordination and time. So it
11 is a significant investment of time to get this kind of
12 contract placed.

13 MR. FERRIGNO: When you say "the investment takes
14 time and significant resources" are you talking about let's
15 say if you're doing an acquisition and you set a baseline
16 to go out for proposals, et cetera, and you have an
17 incentive, and by the way, incentive probably in cost
18 sharing, that is in there, are you utilizing DOE resources,
19 or are you utilizing Corps of Engineer resources? Could
20 you comment on that?

21 MR. SMITH: Sure.

22 MR. FERRIGNO: On how you're dealing with that?

1 MR. SMITH: We are moving to using DOE resources,
2 certainly the SEBs are all --

3 MR. FERRIGNO: I understand that, yes.

4 MR. SMITH: -- all resourced out of the federal
5 personnel. We are trying to move to a federalized cost
6 estimation process. For some of the recent IDIQ contracts
7 which I'll talk about next, we use government contract cost
8 estimating. For more complex jobs, for example, Savannah
9 River, we have not ruled out some augmentation by say the
10 Army Corps for specific pieces of cost estimates.

11 We are needing to move to sound project
12 management principles which include establishing
13 capabilities to do cost estimating or at least understand
14 what that is. I would say that we are not well positioned
15 yet as a federal agency to do that. And until we are, we
16 may on occasion need some help from the Corps on specific
17 pieces of [unclear].

18 The last, and I just mentioned it in passing, the
19 last type of acquisition vehicle that we are using is an
20 indefinite delivery, indefinite quantity contract that we
21 call IDIQ. It is a contract that has been placed with 22
22 qualified companies to do waste management, to do

1 contaminated DND and non-contaminated DND. The vehicle
2 went in effect about a year ago. We haven't marched out as
3 smartly on getting contracts out on IDIQ as possible.
4 These generally involve smaller work scopes. But there are
5 principal advantages, it's a task order kind of contract.

6 You have people prequalified, you put out an RFP
7 or what we call an RTP or a request to proceed. And you
8 get back an expression of interest, you get back a
9 technical approach and you get back a cost estimate from
10 your prequalifieds. You go through the process and make a
11 selection. We are currently evaluating two IDIQ contracts
12 now. And I would say that from RFP to contract award is
13 typically one to two months. Which is a much faster
14 process than we typically had [unclear].

15 One of the things that we are trying to do is to
16 increase use of IDIQ by taking a look at each site of
17 segmenting work. Rather than approach, for example, the
18 DND program at a large site as an entity, an entire entity,
19 a job that has to be performed. We are going in and trying
20 to look, are there pieces of this job that we could split
21 off that were logical choices for work scope that we could
22 turn to an IDIQ contract? It's faster, it may be cheaper,

1 it engages 13 of the 22 contractors or small-business or
2 EAA contractors. So it helps us foster our small business
3 procurements as well.

4 Like I said, we have two that are pending right
5 now. They happen to be Ashtabula and SPRU. And we hope to
6 make contract award on those fairly soon.

7 MR. FERRIGNO: Have you found utilizing these
8 contracts the interaction between an existing MNO
9 contractor? Originally these I guess you cast them or
10 somebody casts them as the hammer contract, if they can't
11 get it done, we'll bring somebody in to do that. I'm sure
12 that was more of the industry saying that than DOE, but how
13 do you find sharing budgets or any lessons learned?

14 MR. SMITH: Well, we haven't had too many. We've
15 only awarded one and it was for a -- it actually turned out
16 to be a kind of a timely motion study that was done. So
17 these first two we'll challenge them. We'll see how those
18 interfaces work.

19 MR. FERRIGNO: Is the money coming from existing
20 budgets of current budget at a site for an MN&O contractor?
21 Did you pull that and reallocate it or what?

22 MR. SMITH: Yeah, I think that's true. They're

1 within the contract work scope and that work scope has been
2 sold out of contracts.

3 MR. FERRIGNO: You don't want to comment on it?

4 [Laughter.]

5 MR. SMITH: You know, I think we'll have to see
6 how it plays out. I think that the more significant
7 concerns that we've had programmatically is these are
8 contracts primed to DOE. And DOE is going to be doing much
9 of the coordination for the contract work in the safety
10 area, security area, and other areas. That's not a typical
11 role the Department has had. I can't say contractors have
12 reacted positively or negatively.

13 The next page, I would just briefly, because I'm
14 probably taking longer than I should, talk about things
15 that we have learned. The principal is the establishment
16 of a credible scope, cost and schedule baseline. If we
17 can't do that, we really can't define what it is we want.
18 We don't understand what it costs, and we don't understand
19 how long it takes. If we can't do that we're in a tough
20 position to utilize contract vehicles that require that you
21 know [unclear].

22 So we have had some problems in the past, you

1 know, the last five or ten years in making sure we had all
2 the work scope wrapped. Making sure that we really
3 understood what the government was responsible for
4 providing in the contract versus what the contractor is
5 responsible for. There are some things that --
6 certifications, receiver sites, things like that, that we
7 made assumptions on in some prior contracts. We need to be
8 rigorous about understanding what those are and their
9 ability to deliver.

10 The second point I think you heard it this
11 morning is Mr. Rispoli and certainly the Secretary wants EM
12 to run itself as a project. And they want to make sure
13 that we are using the project management principles that
14 are delineated in the order. Which is just good, sound
15 project managing principles, the first of which probably is
16 establish credible scope, cost and scheduling.

17 Then we need to manage risks of the unknowns.
18 Our contracts had what we call "government furnished
19 services and items." They were things that we said we
20 would provide to the contractor on a date certain. They
21 require people in the federal government to own those. We
22 need to own that GFSI to make sure it gets delivered on

1 time. And we need to do a better job at making sure that
2 we deliver those things that we said were important to the
3 contractor.

4 We want to make sure that our RFPs are clear and
5 they're concise. We want to make sure that RFPs are
6 consistent from Section C to Section L and Section M, those
7 being the scope of work and the instructions for preparing
8 a proposal and how you evaluate them.

9 We need to make sure that that's always the case.
10 We have had some instances where we didn't have that
11 linkage, so we need to make sure that's wrapped up tight.

12 On our source selection process we need to engage
13 our source selection officials and our SEBs, chairs and
14 boards. Do I have the right --

15 CHAIRMAN AJELLO: It's a different number.

16 MR. SMITH: I'm on page 7, I'm sorry.

17 CHAIRMAN AJELLO: Yes, but it's 9 in this book.

18 MR. SMITH: Okay. I apologize for that. I must
19 have a different version.

20 CHAIRMAN AJELLO: That's all right.

21 MR. SMITH: We need to get our SSOs and SEB cares
22 squared away quickly in the procurement process. [Unclear]

1 pick them up later on.

2 We have done a pretty good job, I think, lately
3 of establishing integrated project teams for some of the
4 major acquisitions coming. And they have been off working
5 things like scope issues, safety requirements, acquisition
6 strategy concepts. And the other thing we need to do is
7 just keep feeding back lessons learned.

8 It's interesting, we have discussions among SEB
9 chairs periodically about how their SEB process went. And
10 somebody will raise a point and say, you know, we had a lot
11 of trouble on estimating the cost of DND for a particular
12 area. And you say, yeah, we had the same thing but here's
13 what we did to resolve the issues. So we need to make sure
14 we foster that communication among chairs and boards and so
15 on and so forth.

16 Near-term acquisitions, that's the next slide.

17 Near-term acquisitions we have a number of major
18 site contracts that expire in September of next year
19 including the Savannah River site and the cleanup contract
20 of the Fluor Hanford contract at Richland and the ORP
21 contract at CH2 they expire as well. And the West Valley
22 project contract is slated to expire in December of '05.

1 I will tell you that there's ongoing work in
2 every one of those procurements. We have integrated
3 project teams working for West Valley. We have selected
4 the SSO and the SEB chair and they have worked in the
5 acquisition strategy.

6 We have not yet done that on the other contracts,
7 but we are getting close to that. I would say in general
8 we are at the acquisition strategy phase for most of those
9 contracts. We are considering scope of work, contract
10 vehicle, schedule, resources. And we've had a number of
11 discussions and hope to lock in on those acquisition
12 strategies from which we will go ahead and prepare
13 [unclear].

14 MR. FERRIGNO: You had one-on-ones for Savannah
15 River, I guess in the August time frame?

16 MR. SMITH: Yes, it was.

17 MR. FERRIGNO: Yeah. What were the results of
18 that and have you gone through any public disclosure as far
19 as what you are going to go through?

20 MR. SMITH: The one-on-ones were -- I think we
21 had 30 -- there were 30 companies, I believe, who came to
22 talk to us one-on-one. The idea behind the one-on-ones was

1 to solicit input from potential and perspective bidders.
2 And we had large companies, we had small companies. And
3 each one come to the table with an idea of what makes sense
4 for this particular scope of work. Some contractors came
5 in and said, we can do everything. Some contractors came
6 in and said, we only want to do this much, a small piece of
7 the work. We've taken those inputs and we've kind of
8 grouped them internally and given them to these groups that
9 are developing acquisition strategy and trying to bounce
10 those off against our ideas of what work, could be split
11 off. You know, frankly, you know, we're looking at what
12 elements could be split off that would make sense to do so
13 that could be given to a different contract vehicle, I
14 mean, say a lab contract.

15 So I would tell you, those are very valuable.
16 We've used them, they're being used. We haven't shared
17 with the public what our acquisition strategy is yet. And
18 won't do that until the RFP hits the street.

19 So we are probably one stage up stage of the
20 request for proposal which will be the first time that the
21 public will see what we want to do on the siting contracts.

22 Just in summary then, somewhere there is a

1 summary page, but if not I will just summarize. Probably
2 the first slide; right?

3 At any rate, we think we have made some strides
4 and we've stepped forward some. And certainly we haven't
5 been successful with some of the initiatives as we would
6 like to have been. But we think there is some
7 demonstration, and one of the SEB chairs who ran all the
8 larger SEBs tells me every day that I'll listen to him,
9 that competition drives what you are going to do. If you
10 don't have competition, you're not going to get as good a
11 price or schedule or innovation as you have otherwise. And
12 so we think that contract vehicles like CPIF afford that
13 opportunity and we would like to use those where it makes
14 sense to do so.

15 We need to make sure we have sound project
16 management principles that we utilize in the building both
17 developing acquisitions, awarding contracts, and then
18 monitoring execution to make sure that we stay on them.

19 We need to make sure that we have the proper
20 focus on regulatory requirements. We need to try to make
21 sure that we have engaged all of the influences, political,
22 community, other, that affect how you do work and your

1 ability to do work. And we need to make sure that we keep
2 pushing for funding to accomplish the tasks. It becomes
3 more difficult, certainly. It's going to get more
4 difficult given the strains on the budget that we're likely
5 to see in the next couple of years.

6 And as I said, from the first to the last I'll
7 reemphasize, we've got to analyze each scope of work. We
8 don't have in mind one particular contract type. We think
9 there is a mix that makes sense and we'll continue to
10 evolve those.

11 Are there any questions on that before I move
12 forward?

13 CHAIRMAN AJELLO: Barry, I had a question about
14 -- I guess I would call them in my company "cycle time."
15 Always striving to do things faster, cheaper, so to speak,
16 and getting these RFPs out the door and limiting protests
17 and that sort of thing. Are there specific initiatives
18 around those kinds of approaches or is it really in general
19 all of the things that you've said contribute to improving
20 the internal process?

21 MR. SMITH: I think it's the latter. I think we
22 are cognizant that we need to make sure foremost in protest

1 space that RFPs are very clear on what's required. And we
2 need to be very sure that our evaluation of what's required
3 is only focused on what's required. And we are trying to
4 build that back in through lessons learned with SEBs.

5 In terms of looking at RFP cycles, time cycles,
6 we try -- we are going to try to look for those
7 improvements, but at the same time we want to make sure
8 that we have enough planning in the cycle to make sure we
9 get good cost estimates, schedules, and particularly
10 definition and scope of work.

11 So, you know, it's kind of one of those things,
12 you know what's out there to make improvements on and we've
13 just got to keep chipping away at it.

14 CHAIRMAN AJELLO: Tom and Dave had questions as
15 well.

16 MR. WINSTON: I don't think I can make this into
17 a question. I do have a comment though. I am very
18 familiar with both the Mound and Fernald projects and in
19 Ohio one of the things we often say is that Jesse didn't
20 invent accelerated cleanup, but she was really the first to
21 utilize all of the tools, including contracting to achieve
22 that. And so we've been very pleased with the CPIF and

1 that's probably the biggest fundamental change that
2 impacted meeting the 2006 and it also had credibility from
3 a funding side to be able to show that the dollars were
4 being well spent.

5 And so I was just going to urge that to a degree
6 as you talked about the closure sites offered an
7 opportunity there because of the relatively more accurate
8 baseline and some of the other features. But to the extent
9 that that concept can be applied, it really does bear fruit
10 in the field. And I applaud the Department for that and
11 also urge the Department to consider some of those barriers
12 that make it difficult at other sites that you continue to
13 work on that. Because it really does have a significant
14 impact on the overall results.

15 MR. SWINDLE: Just a couple of observations and a
16 couple of questions too. If you had not seen it is very
17 refreshing that in November of '03 the board did have a
18 working group that dealt with contract and program metrics.
19 And, you know, just comparing, watching your slides, going
20 through the presentation, it tracks very well with the
21 findings and so forth. So I acknowledge that that's very
22 refreshing to see that reflected from the board's work.

1 But also just good common sense within the Department as
2 well.

3 I guess there are a couple of just observations.
4 I think we're going to have a discussion session on some,
5 but in your collection of activities you make just a minor
6 reference to, of course, small businesses and so forth.
7 And I guess both as a question and as an observation, over
8 the past couple of years the Department shifted very
9 radically at a couple of sites, particularly to look at
10 small businesses and MNOs or the equivalents of essentially
11 an integrated contractor and I'm thinking specifically to
12 portions of Paducah. And, of course, some of those are
13 still tied up in terms of the protest and so forth. And I
14 guess both the question here that we've been made aware,
15 and I guess it was back in the spring or early summer
16 Senator Domenici had put forth a proposed amendment to
17 legislation that would look at requiring DOE and the SBA to
18 come together to come up with a more effective small-
19 business strategy.

20 And I guess to the extent you can, has some of
21 the lessons learned from these previous acquisition
22 strategies with trying to put a small business that does

1 not necessarily have the infrastructure, tools, and
2 resources, have you rethought some of that strategy and as
3 you were moving forward, you know, has there been a shift,
4 still status quo, the jury is out, I mean, how have those
5 lessons learned been reflected in some of these recent
6 proposed legislative examinations?

7 MR. SMITH: I'll try to answer the question. The
8 responsibility for doing that in the Department was given
9 to our acquisition office and what we call [unclear] as
10 well as the small business unit [unclear] the Department.
11 We have not been actively engaged in the development of the
12 MOU or in the actual plans. We have been in contact with
13 the Small Business office about lessons learned.

14 From our acquisitions, as I'll talk in a minute,
15 we have a process where we negotiate within small business
16 goals. We are in the stage right now of going back and
17 forth on that. I can't tell you that specifically we've
18 been approached to incorporate the lessons learned
19 [unclear].

20 [Tape break]

21 MR. ALLRED: When the SEB makes a recommendation
22 generally it has a certain understanding of what the scope

1 of work was upon which it made that recommendation. How do
2 you assure that that level of understanding is available
3 when at the site level questions come up about what the
4 scope of work was? I haven't seen that continuity from the
5 standpoint of the SEB and its selection of recommendation
6 to the implementation of the contract and interpretation of
7 the contract. How does that -- is there a mechanism there?

8 MR. SMITH: Let me try to understand your
9 question a little better, if I could. Are you talking
10 about post-award?

11 MR. ALLRED: Uh-huh.

12 MR. SMITH: That somehow we've lost contract
13 execution space and what the scope of work was?

14 MR. ALLRED: Well, I guess my concern is, is
15 there a level of continuity between the understanding and
16 the SEB upon which the recommendation for award was made.
17 And then the interpretation of field staff when they then
18 implement the contract.

19 MR. FREI: Let me take a stab. Typically what
20 you see is the contracting officer rep that's serving on
21 the source evaluation board lives on in post-award space as
22 the CO for the contract.

1 MR. ALLRED: Okay.

2 MR. FREI: So theoretically, if he or she has
3 been paying attention and has developed Section C of the
4 scope of work, they carry that understanding forward.
5 Typically what we've seen is the technical member on the
6 SEB will typically transition because they come from that
7 programmer project office. And then they're the program or
8 project manager after award. So I think there is that
9 continuity both on the contract side as well as the
10 technical content side. Probably not 100 percent of the
11 cases, but --

12 MR. SMITH: Not 100 percent, but by and large,
13 one of your board members will be someone at the site level
14 who is familiar with work scope on a day-to-day basis.

15 In addition to the board members themselves,
16 there's a series of technical advisors who then go back to
17 work, generally site employees or federal employees who go
18 back to work post-award and go work on things who have an
19 intimate knowledge of what the work scope was or what the
20 contract says.

21 There is no doubt that we need to make sure that
22 under a lot of these contracts people who are managing --

1 they don't manage the contract at the work force, but
2 people understand what the contract says. And that's a
3 challenge. And I think we're getting better at it. I
4 think the bigger issue is whether both the contractor
5 that's been selected to the Department have a mutual
6 understanding.

7 You know, usually the evaluation criteria EM
8 includes a demonstration of the understanding of the scope
9 that's usually the largest part of the evaluation and the
10 resulting score. So theoretically assuming best value has
11 come into play, probably cost them the technical, technical
12 usually trumping cost. That understanding is there from
13 the get-go.

14 Then typically we are now requiring is the
15 baseline that the contractor has to turn in within 60 or 90
16 days after award is based on their proposal. In other
17 words, they don't get a chance to go back and revisit what
18 they proposed and say, oh, now, we have a different
19 approach to this. We want them to submit what they
20 proposed because that's what we signed up for in the
21 contract.

22 MR. ALLRED: But in my [unclear] contracted is

1 never that clear, and if you haven't had that continuity
2 going through the system somebody new is not necessarily
3 going to interpret the same way as either the contracting
4 official has done [unclear].

5 MR. FREI: Let's take River Corridor as an
6 example at hand for the SEB chair is the assistant manager
7 for River Corridor. One of his technical members, voting
8 members was the program manager who is supporting that.
9 The assistant manager and the CO on the SEB is the CO for
10 the contract. So you can't do any better than that.

11 CHAIRMAN AJELLO: Okay. Let's, if we could, turn
12 to our roundtable discussion. Dave and I were going to
13 focus on stimulating a conversation. As with our others,
14 it doesn't sound like we need to work too hard at that
15 given that there's already been an ample set of questions.

16 I know I've got a couple, Dave, or a couple of
17 thoughts. I'll give you the honor of starting off if you
18 want to.

19 MR. SWINDLE: One of, I guess, the challenges
20 that EM has faced in the past in its contracting has looked
21 at all of the issues just as you've laid out from PFI, you
22 know, the privatization type contracts to the suite. And

1 as you indicate in your conclusions, one size certainly
2 doesn't fit all. I guess I would at least surmise that
3 there probably remains clear work to be done in knowing
4 where Rispoli comes from, from a background standpoint, the
5 emphasis on improving the project manager and project
6 management skills.

7 I see the Secretary issued a guidance memorandum
8 that emphasizes this as a career path and now has set some
9 hard deadlines for, I guess, certification of the
10 acquisition to people. I guess all this is not necessarily
11 from a discussion, but I guess where does EM stand in terms
12 of how many certified -- again, if I get the right
13 terminology, I call it federal or project -- let's see,
14 what is the -- federal project directors for certification,
15 where does EM stand in terms of, you know, the number of
16 certified federal project directors? What are your goals?
17 In May of 2006, is that an integral part of your strategy
18 from a contract management, I guess, is really part of the
19 question? And do you have adequate assets in order to
20 administer and manage the contracts, I guess?

21 MR. SMITH: Relative to your questions on the
22 certifications numbers, we'll have to get that data for

1 you. That's done in the human resources group outside of
2 the contract acquisition work.

3 To comment on, do we have sufficient numbers to
4 execute contracts that we placed? I think the answer to
5 that probably is not completely. I think we are in
6 certification prop. We are in certification progress, but
7 we are not there yet. And I think Mr. Rispoli, in carrying
8 out the Secretary's desires as well as his own, will
9 probably establish some timelines and take whatever actions
10 he needs to get federal project directors served.

11 MR. SWINDLE: Okay. I guess just a question
12 again for all of us and I know it was spoken earlier when
13 Ines was speaking about just some of the statistics of the
14 program that the thousands of personnel that are still
15 engaged and the comment was made about work force
16 reconciliation. And I know, I guess, we as a board in
17 looking to provide advice and counsel to EM-1, I know I
18 certainly remain concerned that there's sometimes, let's
19 call it the political expediency or requirements to
20 maintain job levels, employment levels at sites, sometimes
21 at the expense of, is that the most efficient way to do it.
22 I know that's dealing with human issues and human capital

1 questions. At least everything I continue to see is the
2 work force reconciliation. Some has shifted to the
3 contracting side, but, again, I think that remains to a
4 certain extent an impediment for the Department making some
5 of the successful moves forward. Because that is -- takes
6 up several amount of the funding to sustain some of that.

7 Again, not looking for comment, but just as an
8 observation for here.

9 CHAIRMAN AJELLO: The other thing I wanted to ask
10 us to dwell on for a second is, you know, and maybe it's
11 just because I'm not part of the country, but we are about
12 to experience, perhaps the largest peacetime rebuilding
13 effort that we've had in a long, long time with the
14 devastation in New Orleans, you know, east Texas and other
15 places because of our storms. They're going to cause a lot
16 of demand for good resources from the contracting
17 community. It's probably too early to tell whether this is
18 going to have any effect on your getting adequate resources
19 contractors, the best people, et cetera. But I just am of
20 a view and maybe the early numbers that have been thrown
21 around \$60 billion or whatever, maybe more, have to affect
22 an organization that hires all the major contractors to do,

1 you know, major amounts of work. I just really wonder
2 whether or not we're going to have, you know, some
3 constraints? Whether you are going to have any
4 constraints. Do you have any early thoughts about that?
5 Does anybody have any thoughts about that?

6 [Simultaneous conversation.]

7 CHAIRMAN AJELLO: You guys who have contracted
8 may know that.

9 MR. FERRIGNO: I would not only add the
10 devastation but also we have an energy battle going on.

11 CHAIRMAN AJELLO: Right.

12 MR. FERRIGNO: And you would know a lot about
13 that.

14 [Laughter.]

15 MR. FERRIGNO: The fixed fossil plants that are
16 on alert and the potential of new nuclear facilities, it's
17 not hard to suck up a lot of good engineers and designers
18 that quite frankly we've gone through. A lot have retired
19 and we are not feeding the pool.

20 CHAIRMAN AJELLO: Well, I will tell you for a
21 fact, we built and acquired \$7 billion of projects over
22 three years ending about two years ago. So we had quite a

1 growth spurt there. And we even had trouble getting some
2 of the resources that we needed, you know, around 2001, '02
3 and '03. Actually going back to 1999. And now we are
4 facing issues around environmental remediation and other
5 things that we need for compliance purposes.

6 And then we will need, apparently, this is more
7 of an opinion than anything else, more refining capacity in
8 this country. We are going to have to go look and find
9 natural gas wherever we can get it and permit it. We are
10 going to have to do -- I mean, all of these things we are
11 going to happen in the next ten years and it's going to be
12 a serious issue and constraint. And we have, you know, we
13 have 2000 people in operations and engineering and frankly
14 55 percent of them are more than 50 years old. So we have
15 an operating crew that we need to replace as well.

16 MR. SWINDLE: But that does bring up, I guess, a
17 point from a Departmental standpoint. Where, assuming that
18 there isn't one, where is the EM human capital development
19 plan retention. You're exactly right, there will be a
20 sense of national priority, you know, whether one agrees
21 with it or not agrees with it for what we'll take in the
22 New Orleans area. I think the other dimension of this too

1 that would warrant from EM it's, you know, how do you
2 retain the assets you've got? Corps potentially will be
3 expanding to, you know, for a five-year period, up to four
4 times its size today.

5 CHAIRMAN AJELLO: The Corps of Engineers?

6 MR. SWINDLE: Corps of Engineers.

7 Okay. Which typically is the pool that DOE and a
8 lot of project managers at one point came from that
9 background. I think there's also -- so I would encourage,
10 I think that's something perhaps we talk about some more
11 with Jim and in particular this is one that's going to be
12 not just retention, it's going to be, you know, competing
13 in a tighter market. And that is going to be a concern. I
14 think it's also going to have a tremendous impact on small
15 businesses.

16 One of the things that we've learned in these
17 past weeks with the hurricane, you know, there is this
18 urgency to put everyone back to work in the affected
19 regions and the Stafford Act is being invoked and is being
20 utilized which is everything you buy locally and you find
21 out there's not enough adequate resources even to meet that
22 requirement. So I guess, you know, some forward leaning in

1 the fox hole, as they would say, for EM would be a
2 worthwhile endeavor perhaps even through the contracting
3 side or through the EM-1, 2, 3 management change. Because
4 it will become a highly charged issue among all federal
5 agencies, I think very, very soon. And "soon" is like
6 starting now. So it was a good point to bring up, Jim.

7 CHAIRMAN AJELLO: I know Rispoli has thoughts
8 about that. I talked to him about it and he said, well,
9 really it's one of the big issues that we've got and that's
10 why. We'll probably hear from him tomorrow, but that's why
11 he's interested in reaching out to some of the academic
12 institutions and other organizations that can restock the
13 program.

14 MR. FERRIGNO: Fortunately, I don't think EM has
15 some of the issues that energy companies and other
16 companies would have in steel and procurement. Where are
17 you going to get three-inch plate, et cetera? You know,
18 and the line that's being followed. But the talented pool
19 of people I don't think there's any secret that companies
20 have. There are A performers and there are B performers,
21 and we are in a capitalistic society that gets highest
22 return so you're going to put your A performance team and

1 the other A performance team and the other A performance
2 team, then all of a sudden you are going to be not getting
3 the A performance team and --

4 MR. SWINDLE: We're going to get the highest rate
5 of return.

6 MR. FERRIGNO: Yeah, you're going to go to where
7 you get the highest rate of return. So from the
8 acquisition strategy, what does it mean to DOE.

9 CHAIRMAN AJELLO: That's what I want to go to. I
10 mean, obviously you've been using incentive fees that I
11 guess historically have gone from -- I'll point a broad
12 range and you guys see if I'm right -- somewhere between 2
13 and 12 percent. I mean, a lot of your fee results are
14 probably in the -- my guess is over time they've been
15 creeping up a little bit, maybe closer to ten on the
16 average than closer to six many years back. One of the
17 things that we put on our report a while ago was that given
18 the risks that some of the contractors and some of the
19 contract formats are requiring question mark, is that
20 sufficient to get the best and the brightest when those
21 firms can go into other opportunities and get 15 to 25?
22 And you will tell me that you've got to compare an apple

1 and an apple here.

2 So I understand that all jobs are different, they
3 have different levels of complexity. But it seemed like
4 the acquisition strategy had been to experiment the
5 different forms of contract and with different fee levels.
6 What's your sense of how that is going and is that still
7 the approach?

8 MR. SMITH: I think the CTIF contracts we've
9 placed we've placed a higher end fee available. I think
10 we've seen pretty good performance on --

11 CHAIRMAN AJELLO: So there's a correlation there?

12 MR. SMITH: I think we see a correlation. I
13 would tell you that the Department in its overall
14 discussion of resources the Department if it gets in a
15 position that it's not being able to achieve its mission
16 will look at a number of things. And I would expect fee to
17 be one of those things. You've got to be competitive.

18 MR. SWINDLE: It certainly happened on the NNSA
19 procurement for Los Alamos. You know, they almost had no
20 one at the party. Then the fee requirements changed
21 significantly.

22 CHAIRMAN AJELLO: Then people showed up?

1 MR. SWINDLE: Yep.

2 MR. FERRIGNO: A comment on timing. Maybe I
3 misinterpreted your comment, Barry, about the example of
4 meeting with the one-on-ones on the current procurement for
5 Savannah River and how the announcement will be in the RFP
6 as far as how you're going to acquisition strategize, you
7 know, the procurements whether -- I assume you would have
8 specific, smaller, as some people said I could do this
9 piece and others say, I'm going to do the whole thing.
10 Most companies, and I think we all come from a background
11 where we in the private sector have limited amount of
12 dollars oriented towards business development and proposals
13 B and P. Okay. And generally the larger the company the
14 more advanced notice for designation of developing a
15 strategy to pick your targets, okay, and devote your money
16 to where you are going to invest. It's like an investment
17 portfolio. What do I do there?

18 I am not sure I understand your timing on the
19 announcement, but my immediate reaction would be, if
20 someone needed to wait until the RFP came out on such a
21 large size or procurement, is the Department limiting
22 itself and limiting the potential field of competition

1 without giving some real good advance notice so people
2 could try to cut into those B and P dollars and reserve
3 funds to go into your strategy? Is that a fair question?

4 MR. SMITH: I think it's a fair question. I
5 think the issue then becomes the challenge for we in the
6 Department is to move quickly from our acquisition strategy
7 to the RFP as fast as we can so that we maximize the amount
8 of time available.

9 I don't want to spend a lot of time debating
10 strategy before moving into the RFP. That's not
11 particularly useful and frankly until we lock in on the
12 acquisition plan and get concurrence, it's premature to
13 contact industry on what the strategy is going to be. And
14 that's the risk. You know, we could change strategy at the
15 last minute. We could figure that maybe we didn't as
16 clearly understand what that particular strategy component
17 was going to deliver and change our mind at the last
18 minute.

19 So I think that might create more confusion than
20 it resolves. If you said it was a two-phase process, we're
21 going to publish an acquisition plan and strategy, and, oh,
22 by the way, we're going to give you an RFP 30 days down the

1 road or 45 days down the road.

2 MR. SWINDLE: I tend to agree. You end up
3 jerking the contractor around, or at least there are false
4 starts on some ends.

5 MR. FERRIGNO: Oh, I'm concerned from the
6 Department's perspective of not getting as an aggressive
7 response because it may be too quick where people don't
8 have the funds. Especially if it's a small business.

9 MR. FREI: I think part of that is in some cases
10 we use draft RFPs. We not only solicit after the one-on-
11 ones --

12 MR. FERRIGNO: That's not what I understood here.

13 MR. FREI: But in some cases and we're probably
14 considering it for future acquisitions, we get a draft RFP.
15 We could do likewise. That's part of the strategy.

16 [Simultaneous conversation.]

17 MR. FERRIGNO: Oh, I misunderstood.

18 MR. FREI: And I'm sorry if I didn't clarify
19 that. We may decide to put out a draft RFP.

20 MR. FERRIGNO: Thank you.

21 MR. SWINDLE: Barry, just going back and
22 revisiting, you know, your summary which was very good.

1 Can you comment about where DOE, where EM is in the overall
2 from a standpoint of performance-based contracting? I
3 mean, that has been at least identified from the Federal
4 Procurement Policy Council, you know, as a specific
5 acquisition strategy that's out there. And obviously
6 there's a lot of that going forth on Department of Defense
7 type contracts. Is that an integral part or is it just
8 semantics, I think, that perhaps is missing here?

9 MR. SMITH: I think, let's say we don't wind up
10 with a cost and CPIF contract on some particular aspect of
11 work. It becomes more -- we are a little less certain
12 about some of the things that need to be done in the work,
13 so we decided to issue another contract that is an M&O type
14 contract. At a minimum we would put performance-based
15 elements in that contract, much like we did when we
16 negotiated the Savannah River contract.

17 MR. SWINDLE: Okay.

18 MR. SMITH: Where we would identify the specific
19 pieces of work we wanted done and then wrote the incentives
20 for contractors achieving some End State and [unclear].

21 MR. SWINDLE: And the sequence it goes back to.

22 Okay. So if the principles are embodied in your

1 point.

2 MR. SMITH: Yes.

3 MR. SWINDLE: Okay. It's just not adopted as the
4 metric measure of a standard process because of the variety
5 encountered?

6 Okay.

7 MR. FERRIGNO: Dave, one of the comments we've
8 discussed in acquisition strategy discussions was the issue
9 of risk. It's mentioned here in Barry's talk concerning
10 risk contract type and fee structuring. I'm assuming that
11 risk tied to the financial and scheduled performance of the
12 contract. However, when we deal with a site closure, the
13 risk includes a lot of things including the stakeholder,
14 some of the issues from stakeholder. I would be curious on
15 where we've developed that risk analysis as a standardized
16 risk so that way when we are doing the evaluation from site
17 to site to site there's some commonality.

18 MR. SWINDLE: You're looking at performance risk?

19 MR. FERRIGNO: Yes. I know we've discussed this
20 as a board, we haven't had the chance in talking to you,
21 Barry, about this, but it would be interesting to see where
22 the Department is on a status update on risk and risk

1 mitigation.

2 MR. FREI: If I may, I believe that will come up
3 in our next session.

4 MR. FERRIGNO: Okay. In the project management.
5 Okay.

6 [Simultaneous conversation.]

7 MR. FREI: Project management.

8 MR. FERRIGNO: Okay. That's fine. Let's table
9 that.

10 MR. SMITH: Thank you.

11 MR. SWINDLE: I'm not sure if there's anything
12 else at this time. It's good to see the progress that's
13 being made clearly. And there certainly are still a lot of
14 challenges ahead for the Department and for EM overall. So
15 I know as we regroup on some of the areas that have been
16 looked at in the past and after talking to Jim, I'm sure
17 we'll have some more specifics. This is clearly one of his
18 top focus areas for sure.

19 MR. SMITH: And he's communicated about those as
20 well.

21 MR. SWINDLE: Good. That's good to hear.

22 Just in time, Jim, to see if there's any public

1 comment before we take a break.

2 CHAIRMAN AJELLO: Yep, that's where we are.

3 Thank you.

4 Is there any public comment?

5 [No response.]

6 CHAIRMAN AJELLO: Okay. Having heard none,
7 Barry, Mark, thanks for your time. And in the background I
8 would echo what Dave said earlier, I think things are
9 coming along and, you know, there are still a bunch of
10 things to do, but it does sound like a different type of
11 conversation we had a year and a half ago. So that's
12 great.

13 Okay. We are going to reconvene at 2:30.

14 Can you step up to a microphone and give us your
15 name and organization?

16 MR. WILLIS BIXBY: Duratek. I noticed you had on
17 the --

18 COURT REPORTER: The microphone please.

19 MR. WILLIS BIXBY: Willis Bixby, Duratek. You
20 had four procurements coming up and I think the question
21 came up, do you really have the resource to handle all of
22 those at one time? Is that -- are you really structured to

1 be able to handle the Savannah River, Hanford, West Valley,
2 all with those procurements coming due at about the same
3 time? Or do you have a sequence plan laid out for those?

4 MR. SMITH: This is the part where I answer?

5 [Laughter.]

6 MR. BIXBY: Shall I restate the question?

7 [Laughter.]

8 MR. BIXBY: Shall I try it again?

9 MR. SMITH: I understood the question. You're
10 right [unclear] never been short on being [unclear].

11 MR. BIXBY: And also a related question, you talk
12 about the West Valley RFP coming out soon possibly, you
13 talked about the SSO and the SEB chair have been selected
14 for that. You've gone through a public process on Savannah
15 River where you've gotten public input, are you going to
16 have a similar process for West Valley in terms of public
17 input before the RFP comes out?

18 MR. SMITH: Okay. The second question first. At
19 this point in time we do not anticipate having an industry
20 session on that contract.

21 When the RFP comes out they are working -- the
22 group is working in assembling an RFP. That's as much as I

1 can tell you right now. Hopefully we will move it along as
2 quickly as we can.

3 The resource issue, are we in a position, and I'm
4 assuming your question is focused on the federal work force
5 issue --

6 MR. BIXBY: Right.

7 MR. SMITH: -- to support four major acquisitions
8 at the same time. I think that's a challenge. It's a
9 challenge that we've had some discussion. We are going to
10 have further discussion with Mr. Rispoli. We haven't had
11 the opportunity to talk to him directly about that. We are
12 lining up to try to do that within the next week or so. We
13 are canvassing our system for identification of people who
14 have served as SEB chairs, who have served on SEB boards or
15 been board members themselves. And it's question, Willis,
16 as you're aware of just trying to get all those resources
17 aligned at the same time. I couldn't give you a definitive
18 answer now, certainly, or [unclear]. If there's a resource
19 issue that suggest that we are not going to be able to
20 accomplish that, we will have to look at the sequence of
21 acquisition. But right now our plans are to try to pursue
22 them all.

1 CHAIRMAN AJELLO: Have you ever done that before?
2 Has there ever been a time when four of such size and
3 complexity have ever been done or if you did do it, would
4 this be the first time?

5 MR. SMITH: You know, I think there have been
6 concurrent large acquisitions years ago, but I believe it
7 was done under a different scenario. It could have been
8 done under a typical M&O.

9 CHAIRMAN AJELLO: Okay.

10 MR. SMITH: Where the amount of effort required
11 to complete the acquisition activity was less.

12 MR. SWINDLE: Barry, we're talking about four,
13 but if perchance the acquisition strategy of Savannah River
14 or Richland has broken up the contract, then it's more
15 boards, it's not four, but it's --

16 MR. SMITH: Right. It could be.

17 MR. FREI: It could be.

18 MR. SWINDLE: Oh, okay, it could be four boards.
19 That's right.

20 MR. FREI: Could be more boards.

21 MR. SWINDLE: Could be more boards, right.

22 MR. SMITH: Yes.

1 MR. SWINDLE: Definitely more packages of
2 proposal requests.

3 MR. SMITH: That's correct.

4 MR. FERRIGNO: That's a lot of work.

5 CHAIRMAN AJELLO: Thanks again.

6 MR. SMITH: Thank you.

7 CHAIRMAN AJELLO: Break for five minutes.

8 [Brief recess taken.]

9 CHAIRMAN AJELLO: Okay. Why don't we reconvene.
10 This must be Karen Guevara and Jay Rhoderick.

11 MS. GUEVARA: This must be. It says so.

12 CHAIRMAN AJELLO: It says so right on their
13 cards. So I want to welcome you and thank you for coming.
14 The floor is yours.

15 MR. FREI: Just an introduction. You know, our
16 EM organization where all project management and execution
17 is really split in terms of roles and responsibilities. My
18 office and Karen is my office director, she oversees
19 project planning and controls which means running the
20 change control board that we have on our configuration
21 control system, implementation of the project management
22 order 413, including baseline development. She serves on

1 the federal project director certification review board and
2 deals with the metrics and all the things under DEPRA. So,
3 really, the front end of the planning projects and working
4 with OECM our independent oversight group in DOE.

5 Jay on the other hand deals with right now we
6 have a project and a baseline. How are we doing on
7 execution space? He's responsible now for the independent
8 reviews that are done to validate the validation we've done
9 on baselines. So this is a shared responsibility so we've
10 got a tag team here between Karen and Jay. And hopefully
11 between the two of us and me interrupting on occasion we
12 can hopefully tell you what's going on.

13 MS. GUEVARA: I will begin the presentation. As
14 Mark pointed out, I sort of do the upfront portion of our
15 project planning and controls. So I'll begin the
16 presentation and then as we talk more about existing
17 projects and baselines Jay will take over and we'll
18 probably tag team a little bit when we get to the issues.

19 The agenda slide, we will start with a bit of an
20 overview for you about our project structure, some of the
21 logic that goes into that. We will talk a little bit about
22 federal project directors. Again, just kind of introducing

1 you to the nature of the portfolio of EM projects and the
2 concepts of what federal project directors' role is in
3 project management for environmental management programs.

4 Jay will then cover baseline development, some of
5 the key aspects of what goes into those baselines, the
6 reviews that he conducts along the way. What we do in
7 order to monitor how well our projects are doing, and what
8 controls we keep in place.

9 We will then introduce you to some of the issues
10 that are facing us today and leave you then with some of
11 the topical aspects on where we think you might be able to
12 provide us some advice.

13 This first slide EM projects, you should be
14 sensitive to this parlance and so I am focusing you on it a
15 little bit here. There are operations funded projects, we
16 sometimes refer to these as operating projects. And then
17 we have construction projects.

18 Most significant here is that we are the only
19 program within the Department of Energy that is applying
20 the 413, the DOE Order principles of project management to
21 operations dollar projects. Every other in NSA, Office of
22 Science, nuclear engineering, all of those only apply to

1 construction projects. So this nuance, and look at the
2 numbers here, we have 77 operations funded projects. We
3 have six ongoing construction projects.

4 So, again, this nature of what we are applying
5 these principles to is a key consideration that we need you
6 to focus on because it is part of what distinguishes the
7 nature of the difficulties that we have in applying project
8 management principles to some of what no one else has
9 really considered trying to apply those principles to.

10 The sub bullets under the project baseline
11 summaries, PDSes, as we also refer to them and it's very
12 much a budget term. PDSes are in fact what you see in the
13 EM budget requests to Congress. What you see there are the
14 different categories. First of them, nuclear material
15 stabilization and disposition. At every DOE site where we
16 have a major activity to do, nuclear material stabilization
17 and disposition. We in place a PBS there. Similarly, for
18 those sites where we have spent nuclear fuel stabilization,
19 those sites have spent nuclear fuel stabilization and
20 disposition PDSes. So there are some nuances. Not every
21 single one has it.

22 The fourth one there, those are the tank waste

1 PDSes. So we would have a tank waste PDS at Idaho, at
2 Savannah River, at Hanford, at West Valley. But we
3 wouldn't have those PDSes at any other site. So there are
4 nuances. But these are the general categories of PDSes.

5 I'm pointing this out to you now and I'll refer
6 to it again in a subsequent slide where we get to the
7 actual list of projects.

8 Construction projects, EM is not primarily in the
9 job of doing construction projects. We do construction to
10 the degree that we are trying to, as I think Charlie
11 Anderson mentioned to you this morning, get our disposition
12 machine in production. These are the facilities that will
13 largely treat a lot of the existing contaminants that we
14 already have in place at our facilities.

15 So there is a broad overview for you.

16 Project structure and project management
17 application, this is just, again, to familiarize you a
18 little bit with this concept of CDs, critical decisions.
19 DOE Order 413.3 is the one that defines what the various
20 phases of a project lifecycle are. They are characterized
21 by these critical decision phases, CD-1 approved mission
22 need is just the most fundamental question as to whether this

1 is in fact a project we should embark on. CD-1 approve
2 alternative selection and cost range. Again, for all of
3 those operating projects that EM has, we have really
4 skipped CD-0 and 1. The contamination is there. We have
5 been spending money and doing clean up for years. And so
6 CD-2, 3, approving a performance baseline and start of
7 construction are for us the execution of cleanup
8 activities. Most of our projects, our operating dollar
9 projects are located right there. CD-2, 3 has been
10 granted. We have ongoing execution of those projects.

11 CD-4 we don't have very many projects that are at
12 CD-4 yet. We have a couple of small ones where we have
13 completed cleanup. I think we are processing critical
14 decision four for the LEHR. What does LEHR stand for?

15 Laboratory for something research --

16 VOICE: Environmental health research.

17 MS. GUEVARA: Environmental health research. I'm
18 sure I go to heaven now.

19 [Laughter.]

20 MS. GUEVARA: And so there we've complete
21 cleanup. We are actually transitioning that site to the
22 Office of Science and so that will be a critical decision

1 four which is to say, we completed this cleanup project and
2 we are now transitioning it for long-term stewardship
3 activities.

4 And, so, again, DOE Order 413.3 prescribes an
5 overall process. And you can even see by the terminology
6 of those critical decision titles, specifically CD-3
7 approved start of construction couldn't be clearer if the
8 order was focusing primarily on brick and mortar
9 construction projects.

10 The EM federal project directors, again, just
11 trying to give you a grounding in the nature of how we go
12 about managing our projects. For each of our -- oh, next
13 slide, please.

14 Federal project directors, a key component in
15 terms of the management structure for how we execute our
16 projects. We have stipulated that our federal project
17 directors, we want them for purposes of the project to
18 report directly to the site manager. Part of that is to
19 simply get the project execution focus at the managers'
20 level.

21 We do allow for large complex projects for there
22 to be subproject directors. We do expect them to have

1 contracting officers, Federal project directors, a key
2 component in terms of the management structure for how we
3 execute our projects. We have stipulated that our federal
4 project directors, we want them for purposes of the project
5 to report directly to the site manager. Part of that is to
6 simply get the project execution focus at the managers'
7 level.

8 We do allow for large complex projects for there
9 to be subproject directors. We do expect them to have
10 contracting officer representative responsibility and to be
11 appropriately trained. And, again, a lot of that is
12 because our projects also follow very much our acquisition
13 strategy. And so because of that tie we need to ensure
14 that the folks who are managing execution of our projects
15 in the field are firmly positioned to take whatever
16 contracting actions they might need do.

17 They are responsible for execution of the project
18 cost, scope and schedule. We have identified a total of 59
19 of these federal project directors. Again, we allow some
20 of them to manage more than one. And we are seeking
21 certification of these by a DOE-wide Certification Board by
22 May of 2006.

1 The next two slides, and I'll kind of walk you
2 through the first one and just note that the second one is
3 just details on more. These represent a total of 82
4 projects that we manage with the EM portfolio. The number
5 on the left, just to let you keep tracking, the next column
6 is by site, the next column is the PBS name. And I'm
7 hoping that you will now be able to see the sorts of
8 similarities. I had indicated before what those categories
9 of PDSes were, you should now be able to see these sort of
10 displayed out. You should see a remediation PBS
11 everywhere, but you won't necessarily see a tank waste PBS
12 at every site.

13 The next column OPS versus LI is simply whether
14 it's an operation, operating dollar project or a line item,
15 LI, line item construction project.

16 The next column of ones, it's simply a tallying
17 of how many federal project directors. So the one, if we
18 look at Carlsbad, Dr. Wu is the federal project director,
19 one federal project director for those two PDSes. The
20 dollar figure there is the total project cost.

21 [Tape break.]

22 MS. GUEVARA: [In progress] Combination of Dr. Wu

1 in combined portfolio of two PDSes. Four designates the
2 level of certification that Dr. Wu would be looking at and
3 it's sort of an internal, probably didn't need to bother
4 you with that number and then federal subproject directors.
5 Basabilvaso and Gadbury both report to Dr. Wu, they are
6 federal project subproject directors for each of the PDSes
7 directly and the dollar figures there are for each of those
8 individual PDSes.

9 So now I've sort of walked you left to right, the
10 colors on this chart: yellow indicates that we are in the
11 process of reviewing packages by that individual; blue
12 indicates that the individual's package is actually going
13 before the certification review board. We have only
14 federal project director certified on this sheet. There
15 are far more green blocks shown on the subsequent page.

16 We have a number where we still have TDBs. Some
17 of these are in fact hiring actions where we are trying to
18 hire a federal project director.

19 So, again, now you just have a sense. In part
20 this is to give you familiarity about what this is, the EM
21 portfolio of projects.

22 CHAIRMAN AJELLO: Karen, I have a question.

1 MS. GUEVARA: Sure.

2 CHAIRMAN AJELLO: Do any of these people have
3 delegated authority for change orders? Is there anything
4 on this chart that suggests how much authority they have to
5 change scope or approve new projects?

6 MS. GUEVARA: Any increase in project schedule or
7 cost has to come before the headquarters configuration
8 control board.

9 CHAIRMAN AJELLO: Any at all?

10 MS. GUEVARA: Any at all. That there is no
11 threshold. That is the part just so that we have broad
12 discussion about whether we are going to accept that there
13 is a dollar increase to a project. In some instances based
14 on an examination of facts we determine that it may be a
15 bit premature to actually chomp off and accept that the
16 cost just wanted to be increased. Sometimes, again,
17 because of the acquisition strategy, sometimes we really
18 also go through the contract process of whether these are
19 requests for equitable adjustment that need to be
20 considered in contract space before we appropriate a
21 different dollar figure to the project.

22 MR. FERRIGNO: Karen, maybe you mentioned this,

1 but the numbers that are on here are [unclear] thousands?

2 In other words, is that the actual number?

3 MS. GUEVARA: That is the -- I think that's
4 actual number.

5 MR. FERRIGNO: Moab was only \$70?

6 MS. GUEVARA: No.

7 MR. FERRIGNO: That's got to be higher.

8 MS. GUEVARA: Well --

9 MR. FERRIGNO: 70,000.

10 MS. GUEVARA: Yeah, because the Richland is 5.8
11 billion.

12 MR. FERRIGNO: Yeah, okay, so that would be in
13 thousands. Okay.

14 MS. GUEVARA: And the total project cost it
15 actually --

16 MR. FERRIGNO: And is that capital or is that
17 lifecycle cost?

18 MR. FREI: Lifecycle.

19 MR. FERRIGNO: Lifecycle.

20 MR. FREI: The number is lifecycle.

21 MS. GUEVARA: It's lifecycle costs. So if it's
22 an operating project it may go out to the year 2032.

1 That's in fact what's reflected.

2 MR. FREI: If I can interrupt on that one.
3 That's one thing that we're working through right now
4 because what we put together for each one of these is a
5 lifecycle cost. What gets us to the End State. We may not
6 be contracting right now, but that entire --

7 MR. FERRIGNO: Exactly. Yes.

8 MS. GUEVARA: Right.

9 MR. FREI: So what we are now doing is
10 subdividing and realizing that that federal project
11 director is really only responsible for the work scope
12 that's under contract for execution. So there is a
13 subelement in some of those.

14 Some of these PDSes do go to closure. Frenald
15 now.

16 MS. GUEVARA: Right.

17 MR. FREI: But we do have a suite of them that
18 that's a lifecycle cost, not necessarily what's under
19 contract.

20 MR. FERRIGNO: And it's also a function of
21 appropriation, year-to-year funding?

22 MR. FREI: Absolutely.

1 MS. GUEVARA: The question of appropriations
2 year-to-year funding, this is the baseline cost.

3 MR. FERRIGNO: I understand.

4 MS. GUEVARA: This is what we are anticipating.
5 So it's the basis of the request that we make for
6 appropriations. But we don't decrement this based on what
7 happens in cost space until we get into a request for
8 equitable adjustment under the contract or we process a
9 baseline change that says, based on not receiving
10 appropriations as expected, we need to push out the scope
11 of this.

12 MR. FERRIGNO: Which will definitely affect
13 lifecycle.

14 MS. GUEVARA: Correct.

15 CHAIRMAN AJELLO: Just a procedural matter, we
16 need to be more diligent in speaking into the microphone,
17 all of us, because the court report is recording this
18 electronically so our --

19 MR. FERRIGNO: I do apologize. I had shut it
20 off.

21 CHAIRMAN AJELLO: At least when you apologize,
22 you are speaking into the mike, which is an improvement.

1 [Laughter.]

2 [Simultaneous conversation.]

3 CHAIRMAN AJELLO: I think we have a legitimate
4 question.

5 MS. GUEVARA: And I believe this is being
6 recorded now.

7 MR. ALLRED: Karen, when you talk about the
8 lifecycle costs --

9 MS. GUEVARA: Yes.

10 MR. ALLRED: -- that are specified here, does
11 that assume a resolution of regulatory issues, or is this
12 independent of that development?

13 MS. GUEVARA: Each baseline has assumptions that
14 the baseline is presumed is based on. And in some
15 instances, we may have baselines that have presumed
16 resolution of regulatory issues. In other instances the
17 baseline doesn't presume any change to a regulatory
18 baseline. So there is no across-the-board answer for
19 whether it is assuming a change from status quo or whether
20 it is assuming status quo.

21 MR. WINSTON: Mr. Chairman, Karen, you were not
22 part of the previous discussions, but one of my concerns is

1 there is a disconnect between End States activities of the
2 Department of EM, the contractor baseline as submitted, the
3 percentage of the contract and DOE's lifecycle costs in
4 that if we are open for public and we assume certain things
5 are to be done, in my own mind, I can't reconcile those
6 three actions. And when we can't do that, my concern is
7 that credibility suffers. That's why I was asking the
8 question, I know in one particular case that I'm familiar
9 with that that is the -- well, I fear that is the
10 situation. And the consequences of that down the road
11 could be very detrimental to the agency.

12 MS. GUEVARA: I think I would be curious to know
13 the details just to be able to look into it and see if we
14 have that issue. For the most part our baselines are based
15 on the PMPs, the site performance management plans that
16 were done. Whatever assumptions were made in the PMPs
17 typically are the assumptions that are reflected in these
18 baselines that they were very much tied together.

19 So if you are aware of a PMP assumption that
20 gives you concern, then in fact all you are seeing is a
21 baseline that follows that same presumption into project
22 execution space.

1 MR. WINSTON: Part of the concern that Steve
2 raised this morning was that this process has sort of been
3 an internal exercise for the most part. And there is some
4 concern that there may be some disconnects with what has
5 been discussed historically with the public and regulators.
6 And so I guess the time will tell. But I think Steve was
7 sharing that if there are disconnects, it will add to some
8 of the confusion and distrust that sort of came out through
9 the End States process.

10 MS. GUEVARA: Okay.

11 MR. WINSTON: So to the extent that that's
12 something that the Department can look at prior to moving
13 forward on the baseline, that probably wouldn't make a lot
14 of sense.

15 MS. GUEVARA: Okay. Thank you.

16 MR. FERRIGNO: The next question I would have on
17 the lifecycle costs that are reflected here, does that
18 include the funds that are designated as legacy management
19 that LM would be taking or is that not in here?

20 MS. GUEVARA: It tends to not be in here because
21 most of those dollars are accounted for in separate PDSes.
22 In this listing of PDSes, for example, there are no

1 regulatory community support PDSes shown here.

2 There are closure, post-closure PDSes that tend
3 to contain the long-term stewardship estimates. So we keep
4 it on the books in terms of it is EM dollars and what we
5 are requesting. But we are not doing earned value project
6 management against a long-term stewardship PBS nor against
7 a regulatory community support. So, about 90 percent of
8 EM's dollar costs are captured in this portfolio of project
9 PDSes. About 10 percent are captured outside and LT's
10 among the PDSes in that 10 percent to which we just don't
11 apply earned value project management principles.

12 MR. RHODERICK: We can walk you through a couple
13 examples if you want to see how that transitions. We have
14 a case in point right now at Brookhaven where the soil and
15 water remediation project is going to be completed this
16 week. But there is still long-term monitoring that is
17 done. It's just not captured in that project.

18 MR. FERRIGNO: I don't think it's necessary to go
19 through it. Just curious.

20 MS. GUEVARA: Okay.

21 MR. RHODERICK: Slide. In going through and
22 doing a CD-2/3 validation we have teams that are put

1 together to go out and independently evaluate scope, cost,
2 schedule of the baseline that's being developed in order to
3 execute the work. And this just gives you a sense of in
4 each of those areas what we are looking for.

5 First of all, in the scope of work we expect each
6 baseline to have a work breakdown structure, dictionary
7 which defines how the work is broken down. There should be
8 technical specifications identified for the scope. The
9 regulatory requirements should be defined and established.
10 If rods aren't already defined, then it should be in the
11 baseline the process for getting to a final rod and how
12 that final rod affects that work.

13 In the case of not having a rod, we would expect
14 additional uncertainties and contingency to be established
15 for that range of values that could encompass the record of
16 decision.

17 In the cost area we do a bottoms-up cost estimate
18 looking at how the costs were put together, what kind of
19 escalation rates, et cetera, et cetera, were used to define
20 the cost. We make sure that it is resource loaded so that
21 all the costs reflect all resources that are necessary.
22 That would also include the federal side as well as the

1 contractor side and the lifecycle funding profile that is
2 reflected in our budget is established.

3 As far as schedules we look for a resource-
4 loaded, integrated schedule. That includes all the work.
5 We expect a critical path to be defined. All GFSI
6 activities that the government has to furnish such as
7 disposal sites, many of contracts we supply what disposal
8 sites would be available, and we also look at the earned
9 value methods that would be used to report the earned value
10 information.

11 We also make sure that the site has a change
12 control process in place. And the baseline reviews monthly
13 reporting that we'll go into in depth, but we also check to
14 make sure that the site has all the systems in place to do
15 the reporting that's required.

16 MS. GUEVARA: Part of what this helps to
17 demonstrate you to is there is often a question of, okay,
18 we just see the baselines. And part of what this should
19 help convey to you is, there are a lot of documents that
20 comprise the baseline. This is just sort of a heads-up
21 list of what some of those are. And these on this slide
22 too, key project management documents.

1 So it's just in part to give you an appreciation
2 for the fact that, you know, these are bookshelves in many
3 instances, not a nice neat binder.

4 MR. RHODERICK: To give you a sense, Sandia,
5 which is a relatively smaller project, is a nine-volume
6 set. Savannah River is 36, I think. But it does comprise
7 a whole series of documents that support the baseline and
8 this is a listing of what those documents are. You can't
9 get a baseline approved without having this documentation
10 in place. Some of the major items there, the integrated
11 project team charter, crucial to make sure that we have all
12 of the technical expertise necessary to support the
13 execution of the work. So that runs the gamut from safety
14 engineering, regulatory identification of all the project
15 team that needs to be available to support the execution of
16 the work.

17 You will see later on that this dovetails very
18 closely to our contracting strategy and our acquisition
19 strategy. The baselines are all predicated on how the
20 contract is written and the baseline will be executed based
21 on the contract requirements.

22 Projects execution plan is another key document

1 that defines roles, responsibilities, and authorities for
2 the project.

3 The next slide, I'll go more into the risk
4 management and value engineering. Once we have a baseline
5 in place, two of the key areas that continue to evolve
6 during the process are our risk management plan and our
7 value engineering. We expect value engineering to be done
8 very early in the process. But we also expect it to be
9 conducted throughout the process.

10 The same with the risk management plan, we
11 require the sites to both have a contractor and a site
12 federal risk management plan because they're a risk to the
13 contractor, but there are also GFSI that usually have major
14 consequences if the Department doesn't deliver on those
15 GFSI. So we require the site to carry a risk management
16 plan. That risk management plan is expected to be updated
17 on a yearly basis, and they are required to report on it on
18 a quarterly basis.

19 Now, we do lack a policy and procedure in this
20 area and that's one thing that we are developing right now
21 just to make sure. That's one thing that as we've done our
22 reviews we have a lot of fluctuation and variation between

1 our sites as far as what they have in the risk management
2 area. But we consider that a key area, especially in the
3 environmental management area where the uncertainties are
4 high. That's a key area that we need for execution of the
5 projects.

6 Value engineering is another area where we bring
7 in independent teams as well as site teams to analyze the
8 logic flow and the systems that are being used to execute a
9 project looking for alternatives and better ways of
10 executing the work that could reduce our overall costs.

11 MR. ALLRED: Question on that.

12 MR. RHODERICK: Yes.

13 MR. ALLRED: When you enter into a cost post
14 incentive to your performance-type contract, then you would
15 bring the life of that contract through the value
16 engineering?

17 MR. RHODERICK: The Department -- and that's why
18 I say you have to go back to the contract. A CPIF is one
19 where we give a lot more of that flexibility to the
20 contractor.

21 MR. ALLRED: That's what I thought.

22 MR. RHODERICK: Those are applied more on cost

1 plus. For example, the glass way storage facility at
2 Savannah River which was a cost plus, we did a lot of value
3 engineering early on and that actually saved us \$8 million.
4 So it's very contract dependent.

5 [Pause.]

6 MR. RHODERICK: This gives you a sense of what
7 some of the external reviews are to a project. We have two
8 levels of baseline reviews, one is internal to EM, and we
9 actually review the status of a project at all of the
10 critical decisions, zero through three, with the baseline
11 being validated at CD-2. We do have some projects that are
12 going through a CD-0 stage. So not all of our projects are
13 at CD-2/3. For example, Moab will go through a full
14 critical decision process. Most of our projects are at CD-
15 2 and we have gone through baseline validations for those.

16 In addition to that, the Office of Engineering
17 and Construction Management under 413 is required at the
18 critical decision two level to conduct an external
19 independent review. So they go through a lot of the same
20 process that we do, but they are outside companies to the
21 Department that have no vested interest in the project and
22 they conduct a baseline review. They will also conduct a

1 CD-3 review for major construction projects when we are
2 actually ready to go into operations.

3 MR. FERRIGNO: What would they generally review?

4 MR. RHODERICK: The external independent review?

5 MR. FERRIGNO: The subject matter expert, yes.

6 MR. RHODERICK: I'm not sure I follow what you --

7 MR. FERRIGNO: What would they be reviewing?

8 MR. RHODERICK: They are reviewing all aspects of
9 the project.

10 MS. GUEVARA: It really goes back to a lot of the
11 same pieces, documents that go in to comprising the
12 baseline, what the baseline development projects are and
13 the project management document.

14 They're evaluating them to make sure that they do
15 all tied together. That if you identified a risk
16 somewhere, that they're seeing it captured somewhere as
17 schedule contingency or that, you know, it's identified as
18 unfunded contingency for the environmental liabilities
19 audit. It's just to tie it all together and ensure that
20 what they see in one document translates. We could keep
21 calling it "pulling the string." If you find something in
22 one document, you go check in the other to make sure that

1 you see that issue dealt with in the project execution
2 plan, for example. And if you don't, again, baseline
3 validation is a lot of just ensuring that the thoroughness
4 of thinking is carried through, that it all knits together
5 into a composite that gives you high confidence that this
6 is a baseline that you can effectively execute.

7 MR. RHODERICK: And the logic with these reviews
8 is we are bringing in outside companies to take an
9 independent look to see if they can validate what we have
10 put together as far as a baseline and a project.

11 MS. GUEVARA: Project management experts.

12 MR. RHODERICK: In addition to that we also have
13 the Defense Contract Management Agency coming in and doing
14 an earned value management system review to the ANSI
15 standard for each one of our contractors at our sites.

16 As far as performance reporting, we have several
17 levels that we do reporting under. My office is
18 responsible for a monthly status report, which I have a
19 copy here if you would like to look at it, where we are
20 going through and we are looking at basically six different
21 metrics. We are in general looking at -- when we see a
22 performance issue is the issue with the contractor

1 execution, the way we wrote the contract, or with the
2 federal support to that execution of work.

3 And in the area of contractor performance, we are
4 looking at their safety record, their earned value and our
5 gold chart metrics.

6 In the area of contract management, or contract
7 metrics, we are looking at the actual REAs, incentive fees;
8 is the contract working as we first proposed it to work in
9 the execution of the project?

10 The federal side of it is regulatory. Are we
11 meeting our regulatory milestones, and are we delivering
12 the GFSI agreed to under the contract?

13 So in the monthly status report you would see a
14 rating for each one of our projects in each one of those
15 areas.

16 The field offices are required on a monthly basis
17 to enter their earned value information into our database
18 system which is IPABS which also goes into the PAR system
19 which is reported in a report to the deputy secretary for
20 all projects within the Department. So when you look at
21 the EM report you will see our projects listed, but you
22 will also see NNSA science. So this feeds into an overall

1 reporting within the Department.

2 On a quarterly basis all of our sites come in to
3 talk to EM senior management, EM-1, on the overall health
4 of our projects. So on a monthly basis we are looking at
5 their data, on a quarterly basis there's a face-to-face
6 meeting between the federal project directors, the field
7 managers and senior EM management on the health of the
8 projects.

9 Now, as we go through the quarterly performance
10 reviews, we also look at corrective action plans. If we
11 have a project that either on cost or schedule is falling
12 below certain thresholds, we require that a site has to
13 prepare a corrective action plan. That should identify
14 what the problem is, what actions are being taken to get it
15 back within costs and schedule, and when we expect that
16 project to be back within cost and schedule.

17 As far as control, we have, as Mark mentioned, a
18 configuration control board where if the variance cannot be
19 recovered, then a baseline change proposal will come to
20 that board for approval for either a cost or schedule
21 variation. So it's not like a site can independently reset
22 the clock as far cost and schedule, if they cannot recover

1 the variance, then that variance has to be brought to the
2 change control board for approval to change their cost or
3 schedule variances.

4 MS. GUEVARA: And that is in fact a lot of what
5 the configuration control board deliberates on is whether
6 it is too early to simply move the baseline out or whether,
7 you know, whether it really is a valid variance and there
8 is no overcoming it. A lot of the instances in which
9 government failed to provide something that contractually
10 we were supposed to are some of the easiest baseline
11 changes to approve.

12 In others there are sometimes we think validity
13 in holding a project red, if you will, to highlight that
14 there are performance issues and continue to challenge a
15 contractor before we would process anything that admits
16 defeat, if you will, and delays the project and increases
17 the cost.

18 MR. RHODERICK: What we have done here is
19 identified some of the issues that we as a program have
20 been struggling through as far as things that we feel
21 within project management we need to address. One is the
22 use of risk management, plan and information. I think I

1 talked a little bit about that before.

2 The second is the sufficiency of trained federal
3 resources. When you start looking at the number of
4 projects that we are now submitting under project
5 management responsibilities and requirements, it's vastly
6 different from the other programs that we have within the
7 Department. If you look at our total lifecycle costs that
8 we put under earned value, we are in the neighborhood of
9 probably \$136 billion. The next closest office to us is
10 NNSA and they are applying 413 to \$14.3 billion worth of
11 their program. So a significant, significant difference
12 between what we've placed under project management versus
13 other programs.

14 So right now there is a big push to make sure
15 that our federal staff that is overseeing these project
16 management systems are fully trained.

17 Availability of funding per the contract, we have
18 signed quite a few CPIF contracts in the last five years.
19 They in the contract had an identified funding profile.
20 When we have recisions, that ends up being reflected in our
21 ability to actually deliver that amount of money that we
22 agreed to by contract. So that has become a big issue.

1 That kind of dovetails into the next item. If we
2 were following 413 requirements we would be identifying a
3 contingency that was necessary to execute the project. We
4 have a policy for our operating projects that that
5 contingency, although identified, is unfunded. And so
6 there is sometimes a struggle between our sites in that
7 they realize they can't identify contingency for funding,
8 but yet they should be carrying a contingency under our
9 project management requirements.

10 MR. WINSTON: Does that mean that the safety
11 valve is the configuration control board? I mean, they go
12 back to the configuration control board, but that's sort of
13 a zero sum game.

14 MR. RHODERICK: Correct. But it also gets us
15 into the situation, and I'll just use -- I won't tell you
16 what site it is, but we signed a CPIF contract where the
17 original baseline was \$2.4 billion, the contract that was
18 signed was \$1.6 billion with very good incentives to get to
19 that target. That contractor is probably going to come in
20 at about \$1.8 billion. We have some people that look at
21 that as not being successful. Mainly --

22 MS. GUEVARA: Million worth of bad news.

1 MR. RHODERICK: Right. Because it's over what we
2 signed as a contract. If you were to be carrying actual
3 contingency, you would actually say that that project came
4 in below cost because it would have been below the amount
5 of contingency we would have allocated for that project.
6 So, it's both a communication and an execution issue that
7 we have to deal with.

8 Mark, do you have at you want to say about that?

9 MR. FREI: Recently in looking at some of our new
10 contracts this Secretary, you know, his mantra from his own
11 life experiences, well you can't always plan for total
12 success. There are going to be some surprises and some
13 unknowns and even some failures. And his philosophy seems
14 to be, well, you've got to build that into your budgets.
15 So we are struggling with the fact that for most of our
16 funding the operating projects, policy doesn't allow us to
17 put any contingency in for those unknowns and surprises and
18 failures perhaps. So we are trying to sort out how we deal
19 with that. You know, will the Department let us put
20 contingency in our operating projects? How will OMB feel
21 about it? How will Congress react to it? And should we
22 disguise it as something other than contingency? But

1 that's the reality of it. And what we are trying to figure
2 out how to deal with this through the operating projects.

3 CHAIRMAN AJELLO: It just seems to me really odd
4 that these projects which often defy the very specific
5 scope are not accompanied by contingency. It seems to me
6 that contingency goes along with uncertainty of what you
7 have a lot in a lot of the sites. So I don't understand
8 why --

9 MR. FREI: Great example, K Basin sledges. What
10 a monumental challenge move from a 2,100 metric tons out of
11 there with conditions that have been there for decades.
12 And to think that we know exactly ahead of time the scope
13 and the amount of contamination and where the cracks are
14 and how much stuff is floating around in the water, we will
15 see what we're doing. I mean, it's really foolish not to
16 have built in some upfront contingency for that.

17 MR. FERRIGNO: But what we need to also talk
18 about is confidence level. When you look at your risk, if
19 I have a very significant confidence that I'm going to
20 produce at this, then I'm going to be more liberal in
21 spreading money to be able to cover something. Excuse me,
22 the other way around. Yeah, if I have less confidence, I'm

1 going to put more funds in. So what we are not talking
2 about and a question that I want to reserve to later is,
3 what is the Department's position on confidence level when
4 you are doing your risk post-mitigation; okay?

5 MR. FREI: Right.

6 MR. FERRIGNO: As far as your analysis and then
7 go in. But that's where I think the rubber meets the road.
8 It's what confidence level are we budgeting to?

9 MR. FREI: Typically what we would like to get to
10 under 413 is an 80 percent confidence with government
11 funding. The contractor in his contract may have maybe jut
12 50 percent. We will put contingency in our line item
13 project to get us from 50 to 80 percent confidence. That's
14 a good number. What we're seeing on the operating side is
15 whatever the contractor puts in is it. So we may be
16 operating at a 50/50. That's the problem.

17 CHAIRMAN AJELLO: Steve has a question.

18 MR. ALLRED: Mark, I'm not sure I understand.
19 When you talk about -- when you're saying you don't allow
20 [unclear] in there. The baseline you get from a
21 contractor, I mean, he's priced it with contingencies, so
22 that's in there?

1 MR. RHODERICK: I would hope so, yes.

2 MR. ALLRED: What you don't have is your
3 contingency above and beyond that, is that what I'm
4 understanding?

5 MR. RHODERICK: Yes, we make a separation. What
6 the contractor has is major reserve.

7 [Simultaneous conversation.]

8 MR. RHODERICK: And we would expect them to have
9 that. For example, we routinely see it when we go out to
10 validate a baseline where they have actually pooled money
11 into a separate fund that they use to allocate if they're
12 not able to hit costs on a specific WBS. So we do see
13 that. What we don't have is the overall contingency of
14 we're not sliding all the risks over to the contractor.

15 MR. ALLRED: So you haven't priced [unclear].

16 MR. RHODERICK: We have not [unclear].

17 [Simultaneous conversation.]

18 MR. FREI: And I imagine, if in fact we had this
19 nice contingency amount in each and every one of our
20 operating line items, that would be the first thing that
21 would come out.

22 MS. SALISBURY: [Unclear] seem inappropriate for

1 contingencies?

2 [Simultaneous conversation.]

3 MS. SALISBURY: They are allowing you to ask for
4 the --

5 MR. FREI: They do under our capital projects,
6 yes.

7 MS. SALISBURY: Okay.

8 MR. FREI: Most of our investment now is not in
9 the capital side, it's operations.

10 MR. RHODERICK: Now, for that project that I was
11 talking about that we went ahead and identified to an 80
12 percent confidence level what we would need to execute that
13 project and the number that was unfunded was \$280 million.
14 So in essence that project is coming in \$80 million less
15 than what the project costs --

16 [Simultaneous conversation.]

17 MR. RHODERICK: Yeah, the one I was talking about
18 where the original baseline was 2.4, we signed a contract
19 for 1.6, we're coming in at 1.8. The contingency that was
20 identified with that project was \$280 million. That was
21 unfunded.

22 MR. FERRIGNO: To bring it to the 80 percent

1 confidence.

2 MR. RHODERICK: Correct.

3 MR. ALLRED: It's hard to hold people accountable
4 when you don't know.

5 MR. RHODERICK: It certainly does. And one of
6 the problems we end up with many times is trying to manage
7 to a lifecycle baseline we end up really managing to an
8 annual baseline. Because if you're not getting the
9 funding, then you reset the clock. You've got to rethink,
10 when it's work you've got to relook at the logic. So
11 that's a very serious problem.

12 Roles, responsibilities and expertise of
13 contracting officers. We have been running out of them.
14 Retirement has hit us hard. And we are stealing from one
15 site to cover another site as far as contracting officers.
16 Especially in the world where we've gone more to small
17 business and IDIQ. It's become a crucial area. And if
18 you've seen the Secretary Bodman's policy on project
19 management, he's emphasizing the training of contracting
20 officers.

21 MR. FERRIGNO: Jay, ideally though, if I'm
22 closing a site and let's say I complete three sites in

1 2006, would not the requirements of the federal staff that
2 are on those sites diminish and wouldn't those folks be
3 available for reassignment?

4 MR. RHODERICK: Yes. And we have created a cadre
5 out of our consolidated business center that does exactly
6 that. But you have the situation where you have
7 individuals that may have been at that site for a very long
8 period of time, are near retirement age and decide rather
9 than move to another site, I'll retire.

10 Or in the case of contracting officers, we are
11 not the only ones that are looking for them. If you notice
12 lately FEMA --

13 [Laughter.]

14 MR. RHODERICK: -- is now looking for a lot of
15 contracting officers. So it's not like this isn't a
16 marketable job. So --

17 [Laughter.]

18 [Off the record comments.]

19 MR. RHODERICK: One of the reasons why we went to
20 the PBS structure was to try and link more our project
21 management execution, PBMS, to the actual costs incurred
22 financial side of the house. I wouldn't say we're there

1 yet. I think we're farther along than other programs, but
2 we continue to look at the linkage between how we're using
3 performance measures to measure progress and the actual
4 costs incurred.

5 MS. GUEVARA: There was a recent GAO audit that
6 looked at this and I think, Terry, you sent folks copies of
7 the gold chart metrics which we do think are 16 corporate
8 performance metrics that do a pretty good job of measuring
9 performance. But what isn't as clear is how much money
10 goes into each of those performance metrics. That is, if
11 you thought about again just the different types of PDSes
12 and cross-walked those in, how much progress are you
13 getting for what dollars expended. It sort of gives you a
14 different sense, not each of those metrics is created equal
15 and the dollars incurred half of the equation.

16 MR. RHODERICK: Lessons learned from recent
17 projects, you're going to love this lesson learned that we
18 learned from Rocky Flats. Don't wait too late in the
19 process to get lessons learned out of a site because the
20 site people are already gone.

21 [Laughter.]

22 MR. RHODERICK: But we have a big push under way

1 right now. We lost people at Rocky a lot quicker than what
2 we thought we would. And some of the people that had the
3 lessons learned we wanted to gain, we had to go actually
4 [unclear] the contract with them to get the information.
5 So we are trying to do that prior to the last year of the
6 project.

7 But this is really big because we did end up
8 getting some very large lessons learned out of dealing with
9 glove boxes, D&Ding buildings, especially dealing with
10 plutonium that we've transferred to other sites like
11 Savannah River. So this is a major area that we need to
12 get a solid program in.

13 MS. GUEVARA: I think clearly waste treatment
14 plan, WTP of Hanford is another project clearly having
15 tremendous difficulties and our ability to effectively
16 learn lessons that we can from that project in terms of
17 what we were seeing in terms of earned value and the
18 systems we have in place to monitor projects, what did
19 those systems not show us about some of the underlying
20 issues that were going on in that project. So I think the
21 ability to learn from that project specifically and then
22 apply it to any other construction projects we have

1 ongoing.

2 MR. SWINDLE: Let me ask one question that goes
3 back to Rocky. One of the unique features of Rocky was
4 this incentive completion clause which had a big high
5 potential payoff if the milestones were meet, exceeded, et
6 cetera. How -- this will sort of go with your contingency
7 question earlier. If I recall correctly, you know, the
8 monies were not available at the time the contract was
9 signed, because of, again, the inefficiency issues and so
10 forth that if the contractor was successful at the End
11 State and you had this big upside, how did you handle the
12 fee that was on the upside? Was that held as a contingency
13 number or did you have to budget that as a -- I guess
14 that's a lesson learned. Because that became -- you know,
15 it's been cited several times.

16 MR. RHODERICK: It's been budgeted.

17 MR. SWINDLE: It was budgeted?

18 MR. RHODERICK: Last year, yeah.

19 MR. FREI: Okay. And in the case of Rocky, I
20 guess the system was smart enough to realize that rather
21 than you paying our fee as we go, how about if we instead
22 use that fee for more cleanup?

1 FY06 rather than it being money going towards
2 cleanup as money that's really held for fee.

3 [Simultaneous conversation.]

4 MR. FREI: That was an exception to the case.
5 But in general we pay them some provisional fee under
6 Section B of the contract and we hold most of it to the
7 end.

8 MR. SWINDLE: So you internally from an
9 accounting standpoint you've been able to basically put
10 that in a reserve or whatever and basically not treat it as
11 a contingency.

12 MR. FREI: Correct.

13 MR. SWINDLE: Okay. That's good.

14 MR. RHODERICK: I think we've probably touched on
15 this bullet. The evolving and undefined end states and how
16 they affect our baselines and we've seen that at several
17 site, Slack, Flannel, of late at Brookhaven with the two
18 reactors. We are actually going to go back to a critical
19 decision one for those two reactors because we're just to
20 the point now of signing and end state for both of those
21 and they will be different than what we first assumed. So
22 that is definitely an issue that we have.

1 And then the last one, accounting for cleanup
2 project unknowns and uncertainties gets back to what we've
3 been talking about as far as contingency and risk.

4 So in Karen and I talking, these were probably
5 the areas that we would suggest that the EMAD could really
6 help us out in. First of all the whole area of contingency
7 and I think you've got a good sense of where that is. How
8 do we approach that issue given the situation that we are
9 in with OMB and clearly with Katrina and Rita, it's going
10 to be tighter, not move available funds. So the idea of
11 OMB setting aside some contingency money, I think it's
12 probably more narrow than it was before.

13 MS. GUEVARA: Because to Congress those are just
14 what if dollars. If things don't work out like we hope,
15 then we might choose to use these dollars which is it is
16 the reason why we have the policy that we have.
17 Practically speaking, when we encounter difficulties, the
18 EM project kicks out the end date. If we have enough time,
19 we can build it into a subsequent budget request to request
20 more dollars for that particular site for that particular
21 project. I think clearly on waste treatment plant we are
22 going to be in that mode where we realize that we have to

1 pour additional dollars in. We do not yet know how many
2 dollars those are. So we can get into a subsequent budget
3 window to account for a need for additional dollars
4 actually being requested from Congress for a specific
5 project. But other than that, in that year time of, we
6 don't have additional dollars that we've requested for
7 this. What we look at doing is pushing out the schedule.

8 MR. RHODERICK: Right.

9 [Tape break.]

10 CHAIRMAN AJELLO: So just in earlier
11 brainstorming contractors are allowed and you do approve
12 for contingency in those arrangements.

13 MS. GUEVARA: That as part of their base bid we
14 anticipate that they have some management reserve in there
15 to account for risks that they've perceived and get them to
16 an appropriate confident level.

17 MR. RHODERICK: Let me answer that a little bit
18 differently. They sign up to completing a scope of work at
19 a target cost. We have some contractors that when we go in
20 and do a review they are not taking a management reserve.
21 They address the issue as it comes up.

22 CHAIRMAN AJELLO: Wow.

1 MR. RHODERICK: So I wouldn't say that's true
2 across the board.

3 MR. SWINDLE: But you do distinguish between
4 fixed price versus cost plus. Cost plus is where you have
5 the managed reserve and --

6 MR. RHODERICK: Again, the vernacular that we
7 use, contingency is something the federal -- that would be
8 held by the government. Management reserve is something
9 that within that target cost that to manage their scope of
10 work and execution of that work --

11 CHAIRMAN AJELLO: What I'm trying to get to is
12 why don't you, just in answer to this question, why don't
13 you establish more of a contingency under their contract
14 that you would have otherwise put on your side of the
15 ledger and manage that separately.

16 MR. FREI: Here is where we apply the lesson
17 learned. I was the SSO on FFTF, still am, matter of fact.
18 My third year of that project.

19 MS. GUEVARA: How's that working for you there?

20 MR. FREI: No comment.

21 The point is that we have done in the last
22 amended RFP is said, look, offerors, we want you to bid on

1 this with an 80 percent confidence level.

2 CHAIRMAN AJELLO: Okay. Right.

3 MR. FREI: Okay. So now part of the SEB's job is
4 to say, you know, are they fooling us or not. So we're
5 looking at the Monte Carlo runs with crystal ball
6 simulation and making sure, first of all, we believe that
7 contingency because we have to make cost reality
8 adjustments to that to do our job on evaluation. But then
9 we know that whoever we're selecting, we know they're
10 building pretty high confidence in there and have the
11 contingency or management reserve built in. That's
12 probably something we need to do in some of these upcoming
13 acquisitions so we're not selling ourselves short and the
14 taxpayers short thinking we're going to get something for
15 this price. So we probably have to build that in, into our
16 contracts in the future.

17 CHAIRMAN AJELLO: Yeah, and just to use your
18 analogy, you know, take it to a 90 percent CI. Right?

19 [Simultaneous conversation.]

20 MR. FREI: I don't want to raise your tax bill
21 too much, Mr. Chairman.

22 CHAIRMAN AJELLO: Well, I'll tell you one other

1 thing, the point is that if your flex point is not
2 contingency just moving out the schedule, but nobody is
3 estimating this is the working capital and the financing
4 costs of these projects. I mean, the contractors may be
5 building in some working capital costs, but Uncle Sam has
6 to issue bonds if the project takes two years longer to
7 raise more capital to fund these budgets. So this is the
8 only enterprise I know of where you don't consider capital
9 in this. Right? So I mean, I think there are two big
10 issues that are not identified.

11 MR. ALLRED: The contingency you are talking
12 about though [unclear] the contractor --

13 VOICE: I can't hear you.

14 MR. ALLRED: The contingency you are talking
15 about that's unfunded is not that for which he is
16 responsible for because he's costed things within his
17 control. What you don't have the contingency for is, for
18 example, GFS9, if you don't do that. And that price goes
19 up --

20 CHAIRMAN AJELLO: Right.

21 MR. ALLRED: -- his price goes up because of
22 that.

1 MR. RHODERICK: If we identified in a contract
2 that they would have 4.3 million cubic feet of soil to deal
3 with and they end up with six, that's an REA, that's
4 additional costs and you're right, we don't have the
5 contingency to cover that.

6 MR. ALLRED: Is it important to fund that or just
7 to identify it?

8 Where I see the problem is, if you don't identify
9 it in your cost model as a contingency and you don't want
10 people using contingencies, if you don't identify it in
11 your cost model, then it's awful hard with some percentage
12 or some risk percentage, then you have an awful hard time
13 holding your managers responsible for performance, whether
14 it's funded or not.

15 MR. RHODERICK: Right.

16 MR. ALLRED: It seems to me it's more of a
17 management issue than it is funding. If you don't fund it,
18 then you are going to go long on annual funding.

19 Actually, I don't know how you would manage the
20 contract if you don't have a contingency in there for that.

21 I mean, if the basis on which you are holding him
22 responsible changes, how can you hold him responsible for

1 it?

2 MR. RHODERICK: You're right. What happens is
3 they submit an REA and then you negotiate, either the
4 government is going to come up with the additional funds or
5 you're going to slide schedule or you're going to [unclear]
6 work.

7 MS. GUEVARA: Right.

8 MR. ALLRED: But you can't hold your manager then
9 responsible for the change. I mean, he probably didn't
10 specify the cubic yards to be --

11 MR. RHODERICK: No, that was defined in the
12 contract.

13 MR. ALLRED: Yes.

14 MR. RHODERICK: Yes.

15 MR. ALLRED: And so how --

16 MR. RHODERICK: You're right.

17 MR. ALLRED: Somehow you can't hold -- so you cut
18 his performance bennies, whatever they are because he can't
19 meet that. I don't know how you would ever hold anybody
20 responsible for that. So I see it as an issue really
21 management issue not particularly one whether you have the
22 funds in the kitty or not. I realize that problem. You're

1 not -- you're funded annually anyway. So there's a chance
2 to react to that. But, you sure can't deal with his
3 performance though.

4 MR. FERRIGNO: But I think what they're doing,
5 Steve is they're using the capital construction methodology
6 of subject matter experts on some of these operating funds.
7 And they're able to integrate some of the wisdom and gray
8 hair that relates to seeing and anticipating some of these
9 surprise. I'm assuming that's what you're doing and that's
10 why you used the CD one through four approach for your
11 operating budget in addition to 413 that most other agency
12 departments are doing for construction budgeting; is that
13 correct?

14 MS. GUEVARA: Yes, and that's also this concept
15 of the risk management plans.

16 MR. FERRIGNO: Right.

17 MS. GUEVARA: That a lot of what we are trying to
18 ensure is happening in terms of the managerial behavior is
19 that they have done a thorough job of assessing what can go
20 wrong and that they are trying to stay on top of it to
21 mitigate that as they appear because a risk mitigated is
22 then a contract fulfilled.

1 MR. FERRIGNO: Where I think that works is when
2 you have a mature contracting organization that has been
3 there before. Where I think -- and this is only my
4 opinion, when you are in a situation where you are
5 contracting with first-time contractors, and I'm not
6 talking about first-time anybody, I'm really proposing
7 towards the smaller businesses, I think your risk factor
8 goes in being able to pull it off. It will be interesting
9 to watch on some of these larger contracts that are going
10 to small businesses. And I'm not picking on small
11 businesses, just they haven't had the experience base that
12 some of the other contractors have had.

13 Tom had wanted to say something.

14 MR. WINSTON: Well, I put my card down because
15 this is not an area that I have a huge amount of experience
16 in and so I'm trying to understand what the downside is of
17 not having contingency. I mean, obviously in a perfect
18 world it would be great to have it built in for a variety
19 of reasons which you've already articulated that that's
20 just not the way, as you've tried to accelerate things, as
21 Congress has tried to eek out whatever progress they could
22 out of the expenditures they were given that they were

1 giving you.

2 The dialogue with Steve started to get to some of
3 that in terms of, okay, if there isn't money there and
4 something comes up, well, then it may impact the existing
5 contract with the contractor and there could be a cost
6 associated with that. So that's part of it, you know. But
7 my perspective has sort of always been that the project is
8 delayed. I'm not necessarily sure exactly how that
9 translates into added cost because you have an existing
10 contract that's going on at the same time. There's this
11 downside where it sort of DOE looks like they failed
12 because, you know, even though everybody knew going in that
13 some of these situations would materialize that you would
14 want to have contingency for, it's not in there. And so on
15 the one hand, you know, it's not funded but sort of there's
16 a recognition that there's going to be a lot more unknowns
17 with certain types of DOE work and more surprises.

18 So I've been trying to understand exactly what
19 the downside is. Because in reality I don't think -- I
20 think it's a tough uphill climb, it has been for the last
21 several years and it's even going to be worse with what's
22 been going on in the gulf region to expect a fix. And

1 also, maybe this is too easy, but if you build in more
2 contingency you are really going to have some projects that
3 you are not going to fund because the contingency is being
4 provided to these projects. And so you'll better manage
5 these projects, but at the same time some things the good
6 things that have been happening or could happen at some
7 other sites or other projects within a site aren't going to
8 be happening. So there's a lot of cross-currents here and
9 a lot of balancing. And, you know, you could push towards
10 getting a contingency in, but also be careful what you ask
11 for because that may not change your dollar amount at all.
12 At the end of the day you may say, well, look, pat yourself
13 on the back and say we've really accomplished a lot and
14 it's all been within budget. And, yet, some important
15 projects wouldn't get done.

16 MS. GUEVARA: Welcome to our world.

17 [Laughter.]

18 MR. WINSTON: I'm really torn as to what -- you
19 know, how to tackle this because there are a lot of
20 competing factors here and you're dealing in a political
21 situation as well where it's sort of what you say and how
22 you say it sometimes is more important than what you do.

1 MR. ALLRED: I think it's important that you
2 specify what you expect in a way of reliability of the
3 estimate. So I think your 80 percent, whatever the number
4 is, is important.

5 When I was contracting, going out and getting
6 contractors to do, I wanted to know what they felt their
7 accuracy was. They were going to give me the higher
8 reliability I wanted, and what it was going to cost me.
9 But secondly then and so I know how they apply risk. Maybe
10 I don't know what the amount is, but I know how they
11 applied risk.

12 The second issue then is at my corporate level.
13 Then I have to, knowing that they've got 80 percent, if I'm
14 confident that that's what they've gotten, then I've got
15 apply a contingency and I think it's not so important that
16 I fund that contingency, it's what I expect of my people
17 managing that contract that they have to say, they have to
18 give me a confidence that they can manage that within that
19 contingency. And also, what their level of confidence is.
20 And that's really all a contingency is, is level of
21 confidence. So that I can explain to them or I can judge
22 their performance based upon what we agreed our

1 expectations were.

2 So, if you've got capital money and cost of money
3 and all that, it's a little bit different than where I
4 think DOE is. So I don't think the actual funding dollars
5 where you are drawing money away from some other project is
6 as important as setting that expectation with management as
7 to what they're going to manage to. In those cases then
8 your mitigation plans really have a lot of impact.

9 But if you set a situation up where someone
10 cannot succeed, they can only fail, I can guarantee what
11 they're going to do. They're going to fail. And that's
12 where I see the problem is in not identifying. And, again,
13 I don't think it's as important that you fund it than not
14 identifying it. I think it may well set situations where
15 the attitude is, I can't win. So, I'll take what I've got.

16 CHAIRMAN AJELLO: Dave had a question.

17 MR. SWINDLE: I guess a couple things. The
18 Department of Defense in their DPW, their public works
19 program, last several years faced some similar
20 circumstances and about 18 months ago changed their policy.
21 And part of that policy, the only way I can equate it to
22 sort of the situation here they changed it from a

1 standpoint of how they set up some incentives. For
2 example, in the past when there was at a base and they had
3 whether it be cleanup, whether it be improving the housing
4 or whatever it may be, what happened, they didn't have
5 contingency, they sort of had a management reserve because
6 it was managed at the base level, that any savings that
7 they made went back up to headquarters. Okay. So they
8 were disincentivized to be effective. Which, in other
9 words their incentivization was to spend it which played in
10 the hands of Congress so to speak, why should I give you
11 contingency money because then you're going to spend it.
12 So, again, it was a double-edged sword.

13 What they did, I would encourage you to take a
14 look at some of this, they took a policy shift all the way
15 to OSD and get OMB to buy in, which they did, so there's a
16 precedent. Now any of that savings is directly pooled back
17 in at the control of the local base commander, you know,
18 again, what we heard earlier today, pushing it down from an
19 accountability standpoint where they were incentivized to
20 get and do more whether it be refurbish two extra barracks,
21 I mean, whatever it may be. The point being is they
22 established some incentives that fit the mold of the

1 federal leadership team and applied it.

2 So I would encourage you to take a look at that.
3 It's the Defense Public Works, the DPW.

4 MS. GUEVARA: Okay.

5 MR. SWINDLE: Second thing, the issue of which is
6 both of your questions, project risk management. The
7 perspective of several of us from the private sector. I
8 know as there's more and more firm-fixed price jobs, which
9 tend to be where the market is shifting in federal
10 contracting, I tell you what we and several of the others
11 have done is set up risk review boards. And those risk
12 review boards had a participation, again, I think there's
13 an analogy here that from a standpoint of control and as
14 part of it, you know, and if I heard Mark, you're right,
15 the 80 percent confidence level issue as you're relying as
16 much and you're doing your crystal balling and all that
17 stuff, what we typically would do, we would take the HR,
18 legal, safety, all of those disciplines that had some
19 factor of risk and their mission was to identify the risk,
20 but not just identify them, but to also come up with
21 mitigating measures. And the mitigation was how you got
22 that confidence level, you could price it and so forth.

1 Again, where industry is now moving is in a more
2 formalized basis because the capital markets are requiring
3 it. And that's the other aspect is that when you look at
4 where most of the financing for a lot of the projects, you
5 know, whether they be cost plus incentive, you know, to
6 back up the working capital issue that Jim looked for, the
7 market guys behind it in order to hedge their bets and they
8 loan the money or advance it and put that working capital
9 out there from a line of credit, they want to be able to go
10 back and so it's forcing us an industry, you know, to have
11 those dispositions and come forward with it.

12 So, again, some things that I'm certainly glad I
13 know through the board we can certainly help him put to
14 that.

15 MS. GUEVARA: Very good. Thank you.

16 MR. WINSTON: I thought it was an intriguing one
17 bullet item that you had up here which is schedule
18 contingency versus cost contingency. I assume that's for
19 your portion of the risk that you're talking about. And
20 given that, what might that look like?

21 MS. GUEVARA: In the end it all looks like cost.
22 It really just by extending the schedule, by deferring work

1 scope that we would be doing now, we would defer both the
2 end date, but the lifecycle cost as well.

3 And so it's a matter of saying -- Jay alluded to
4 it briefly when he said that this can mean descopeing work
5 out of a current contract that what you get to a point is I
6 simply cannot give you enough money now for you to complete
7 this work under this contract vehicle. So now I just have
8 to descope it and I'm putting it off until my next
9 acquisition and I'm going to hope to capture the costs
10 there in that subsequent acquisition so that I can get the
11 work done.

12 In budget formulation space, it's an opportunity
13 for us to consider whether there is any way for us in a
14 subsequent budget cycle to find a way to maybe still keep
15 to that schedule and see what another contractor can come
16 up with. Can they come up with a way to deliver the
17 product with higher confidence than the contractor that
18 wasn't able to do so in the first one?

19 MR. FERRIGNO: Karen, in the private sector,
20 whether it be a version that you're coming out with a
21 software package or trying to meet a market deadline for a
22 production of a product or a schedule takes on a different

1 form than just what it translates to cost. And it may mean
2 getting to market at a certain period of time. It may mean
3 complying with certain performance criteria. In the case
4 of EM it could mean milestones that have regulatory impact.

5 I have noticed that the Department -- the DOE for
6 EM has not -- they speak to schedule, but there has been
7 no, in my estimation, no teeth put behind it as far as
8 either incentives or penalties tied to delivery dates as
9 opposed to translation of costs. I would think that you
10 may want to, for the very specific performance-based
11 deadlines where you've gone to Congress and said, this will
12 be done at this period of time, that some real significant
13 teeth get put into those schedule deadlines and use the
14 same incentivized penalty type sharing that you might have
15 in addition to just, you know, the cost use the schedule
16 issue also.

17 When we did the review a while back on the
18 metrics, one of the things that we thought was a dichotomy
19 -- by the way, I would comment that almost all the things
20 we addressed in the metrics review you have not only
21 addressed in your update, but in spades you've even done a
22 great job.

1 [Laughter.]

2 MR. RHODERICK: We don't get to do that very
3 often.

4 MR. FERRIGNO: Seriously. When you look at the
5 report --

6 MS. GUEVARA: And it wasn't captured on tape.

7 MR. FERRIGNO: When you look -- we're not on
8 tape?

9 [Laughter.]

10 MR. FERRIGNO: Oh, that, the high-fi. When you
11 look at the report you'll see a number of the issues and
12 they're right in your presentation which is fantastic. But
13 one thing that was not necessarily captured, and I don't
14 know how you capture it, it is still an open issue in my
15 mind and that is, you're going for budget and you're
16 reporting to Congress on the goal chart metrics. And
17 you've got these 16 items and it's a great way to monitor
18 and I see that you are maybe doing some crosscutting and
19 looking at the efficiency of producing a metric, you know,
20 a cubic meter to material and WIPP and to things like that.
21 But where the performance-based contracting or the
22 incentivized contracting, where you're going with the

1 current contractors is you're really incentivizing the cost
2 of the facility. And even though they report on the 16
3 items of the goal chart, I don't see it contractually being
4 put into their contracts.

5 Now, I'm not privy to all the contracts, so maybe
6 they are. But it seems to me that you would want the
7 metrics, if we are going to measure performance that is
8 going to Congress and the Department is on the hook to
9 those, it would seem to me that in the contract that you
10 have with the contractors who are essentially doing the
11 cleanup at these various closure sites, you would want them
12 to be accountable to the same kinds of metrics you are
13 accountable for.

14 Could you address that?

15 MR. FREI: I think it's fair to say in the recent
16 contracts we've had we're factoring those metrics in into
17 the scope of work.

18 MS. GUEVARA: That's where the linkage is that
19 part of what Jay was saying about how many cubic feet of,
20 you know, soil needs to --

21 MR. FERRIGNO: So they are getting certain
22 metrics per --

1 [Simultaneous conversation.]

2 MR. RHODERICK: You have to look at the
3 individual metrics, the true metrics, the spent fuel
4 metrics, the high-level waste, you will find them in spades
5 in the contracts.

6 When you start talking about volume of low-level
7 waste disposed it runs in the opposite direction of keeping
8 costs down. So you won't see a requirement that that
9 volume amount was put in there specifically because that
10 site had not done any previous characterization. So it was
11 known that when the contractor goes in he's going to be
12 chasing plumes.

13 So the uncertainty as far as how much soil was
14 going to actually be dealt with in that contract was very
15 wide. Our legal counsel wanted to put in a volume amount
16 to specifically cap that risk. So some of the metrics are
17 at one-for-ones, other ones like especially the mixed and
18 low-level waste area, you're not going to find that kind of
19 a translation. But plutonium, spent fuel, those track
20 directly in the contract.

21 MR. FREI: Savannah River producing X number of
22 cans through DWPF matches up with the metrics.

1 MR. RHODERICK: Yes.

2 MR. FREI: Hard metrics. I know how much true
3 waste you're getting shipped to WIPP. WIPP how much you
4 can accept from shipping sites.

5 CHAIRMAN AJELLO: So that's a change and
6 improvement from two years ago?

7 MR. FREI: I guess so.

8 MR. RHODERICK: Yeah, obviously it is.

9 CHAIRMAN AJELLO: One of the things we didn't
10 comment on was that there weren't these items passed
11 through, there was a gap of accountability. And it sound
12 like that's been closing.

13 [Simultaneous conversation.]

14 MR. RHODERICK: Another one would be how we track
15 our remediation sites, the number of cleanups of
16 remediation sites. Because our contractors have gotten
17 very creative in creating lags and allowing many cleanup
18 areas to be consolidated into a single regulatory action.

19 MR. FREI: When the time is right, I would like
20 to add one more bullet, as it were. We would like some
21 advice.

22 CHAIRMAN AJELLO: Okay.

1 MR. FREI: And I don't know if this is the right
2 time. It goes back to something Mr. Allred and I were
3 discussing at the end of lunch. I don't think we touched
4 on, I apologize, I wasn't here when we talked about
5 baselines. And that is for some of our larger sites, we
6 only have baselines in place for the contract period.
7 Savannah River is a good example. We have a baseline I in
8 place at the CCB Overseas through the end of the contract
9 '06, and yet there's still another 14, 15, 16 years' work
10 at Savannah River. Has the Department captured all that in
11 a baseline for Savannah River through cleanup? The answer
12 is no.

13 One of the initiative Paul Golan initiated about
14 a year ago was that we would develop federal life cycle
15 baselines for all of our sites to capture not only the
16 contract period, but through all the contracts until we got
17 to the end of cleanup. We have been developing guidance
18 and working with the sites for a number of months. We have
19 not yet issued that guidance and the deadline was, I think,
20 by the end of September '06 to have federal lifecycle
21 baselines in place.

22 Coming back to advice, I would very much like

1 hear from this board what your views are on that. We have
2 not yet briefed Mr. Rispoli on that. We think he would
3 probably embrace this. But it's something that we've been
4 kicking around for some time. We think it's still the
5 right answer, but I would appreciate your views on that and
6 we can tell you more about that development exercise
7 whenever you like.

8 CHAIRMAN AJELLO: We will put it on the list.
9 The letter that we have from July that Terry brought
10 forward based on all this ground up advice is very
11 consistent with the chart here.

12 MR. FREI: We try, yes.

13 CHAIRMAN AJELLO: So we are going to make that an
14 additional item.

15 MR. FREI: All right. Thank you.

16 MR. WINSTON: I would just ask Mark, how would
17 that be used? [Unclear].

18 MR. FREI: It's one of the things we struggled
19 with and said all right, now we are briefing the assistant
20 secretary and said, good news, we want to go out and do
21 this. How in the heck are we going to use this as a tool?
22 And I don't know, I'm going to need Karen's help here

1 thinking about how we would use that in change control
2 board space.

3 MS. GUEVARA: And that is in fact some of how we
4 use it. The concept of getting to the end of a contract
5 period and discussing this concept of pushing scope out, a
6 federal lifecycle baseline gives us some sense of is that
7 particularly difficult high risk work that we are pushing
8 out, are we now rewarding the contractor to complete scope
9 with a fee that is no longer now tied to the risk of the
10 work that they were to be completing? And so part of it is
11 to get a sense of what happens by pushing it out so that we
12 get a sense of how much cost or schedule are we pushing
13 into the --

14 MR. FERRIGNO: I think we probably need to speak
15 to this off line. Because there are certain -- the
16 government has certain regulations and policies on
17 lifecycle cost analysis which have some application to this
18 but it's meant for going through the critical decisions,
19 getting appropriation and then estimating the lifecycle
20 cost of operations for a 25-30-year period. Sometimes you
21 can get exemption to go 40 years or so. And then it has
22 certain D&D and all that kind of stuff that's all factored

1 into the lifecycle of capital facilities.

2 Applying it to what you are talking about is an
3 interesting challenge and we probably need to talk that out
4 with our group on an offline. That's my recommendation,
5 Jim.

6 MR. SWINDLE: I think with some of that
7 discussion there may be an opportunity clearly to use it to
8 the advantage which I know is what you are looking for
9 here, both on budgeting prioritization within OMB which is
10 always a challenge, they have their own criteria. And it
11 does cross those guidelines, Dennis, you cite. The major
12 acquisition programs, ACAP programs, you know, that OMB
13 looks at on a routine basis.

14 MR. FERRIGNO: The only last comment I have that
15 I would like to keep in the record is the risk analysis.
16 When you had made the presentation of risk analysis you
17 spoke to dealing with risk and of course it's the
18 incidence, the identification scenarios, the probabilities
19 and what's the impact, and then mitigation. What I didn't
20 get a clear understanding was, do you then go back and
21 post-mitigation look at the risk analysis, okay, and then
22 at your confidence level are you funding -- or not funding,

1 but are you looking at management reserve on prior or post-
2 mitigation?

3 MR. FREI: I'm not sure I followed that.

4 MR. FERRIGNO: In other words, when I go through
5 my analysis I have these are my risks, these are my
6 scenarios, this is the impact, this would be the
7 probability of occurrence. Okay. And I would do whatever
8 crystal ball, Monte Carlo, whatever analysis I want with a
9 certain level of confidence and come up with whatever it
10 is.

11 Then I add mitigation that I can either make it
12 go away or take management actions to be able to minimize
13 the potential or the impact. Do you fund and do you look
14 at management reserve on the post-mitigation or do you do
15 it prior to mitigation.

16 MS. GUEVARA: I think we largely do it prior to
17 mitigation in that all of that is put in place at
18 establishment of the baseline. We go in and look at the
19 risk management plans as we are validating that baseline
20 which for the most part is all pre-mitigation. I mean,
21 it's this is the plan. Maybe part of what you're raising
22 are some potential questions to the project oversight

1 questions which has more to do with project risk management
2 documents as living documents in which there is management
3 involvement on an ongoing basis of as we're in execution
4 where are we now, what have we just learned, what do we do
5 from here as a baseline execution effort rather than some
6 of the initial validation that we go through. So good
7 point.

8 CHAIRMAN AJELLO: All right. I think we are at
9 that point in the agenda, we are right on time, by the way.
10 And we can call for public comment at this point in time.
11 While you're here for a moment there may be some topics
12 germane to your presentation. Is there any public comment?

13 [No response.]

14 CHAIRMAN AJELLO: Okay. No public. Jay and
15 Karen, thank you very much and Mark, it was very
16 informative.

17 MS. GUEVARA: Thank you very much.

18 CHAIRMAN AJELLO: I think I would say that, you
19 know, clearly we have seen -- you know, the last time we
20 looked at this -- much more detail and some progress.
21 That's great.

22 Okay. So that brings us actually to the end of

1 the agenda for today. So, is there any other business or
2 other comments from the board before we call for
3 adjournment?

4 [No response.]

5 CHAIRMAN AJELLO: Hearing none, we are adjourned.

6 [Whereupon, at 4:12 p.m., the meeting was
7 recessed to be reconvened on Friday, September 30, 2005 at
8 9:00 a.m.]

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