



Development of Hanford's FY 2003 Budget

U.S. Department of Energy • U.S. Environmental Protection Agency • Washington State Department of Ecology

The U. S. Department of Energy (DOE), Richland Operations Office (RL) and the Office of River Protection welcome your participation at the fiscal year (FY) 2003 budget meetings. The regulators and stakeholders will also offer their perspectives on the RL and Office of River Protection budgets at these meetings. Public comments help the DOE, the Washington State Department of Ecology (Ecology), and the U.S. Environmental Protection Agency understand public values and issues regarding Hanford Site cleanup and compliance. Comments may be submitted at the regional public meetings, or electronically to either Richard_A_Holten@rl.gov for RL or to Jennifer_L_Sands@rl.gov for Office of River Protection. Written comments can also be mailed to the following address:

Richard Holten
U. S. Department of Energy, Richland Operations Office
P. O. Box 550, MSIN A5-16
Richland, WA. 99352

Jennifer Sands
U. S. Department of Energy, Office of River Protection
P. O. Box 450, MSIN H6-60
Richland, WA. 99352

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Hanford Cleanup Budget Meetings

March 6	Workshop Red Lion Hotel – Hanford House 802 George Washington Way, Richland, Washington	10:00 – 5:30 p.m.
March 8	Tri-Cities Public Meeting Red Lion Hotel – Hanford House 802 George Washington Way, Richland, Washington	7:00 – 10:00 p.m.
March 13	Portland Public Meeting Oregon State Office Building 800 NE Oregon, Portland, Oregon	7:00 – 9:00 p.m.
March 14	Hood River Public Meeting Hood River Hotel 102 Oak Street, Hood River, Oregon	7:00 – 10:00 p.m.
March 20	Seattle Public Meeting Seattle Center 305 Harrison Street, Seattle, Washington	7:00 – 10:00 p.m.

U.S. Department of Energy, Richland Operations Office

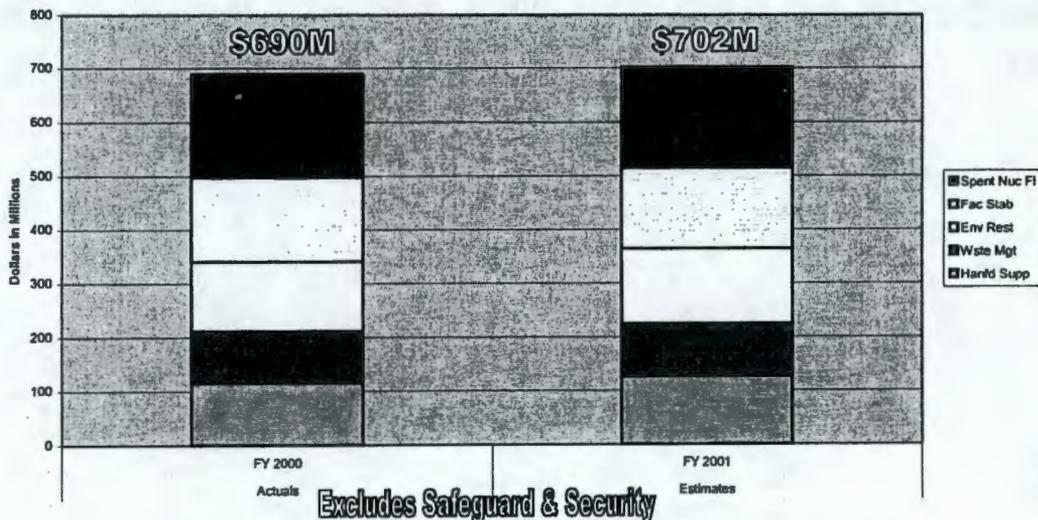
RL's approach to cleanup of the Hanford Site has changed. Embracing the priorities of our regulators, stakeholders, and area Tribal nations, we have reorganized our work and established goals to complete key pieces of the Hanford cleanup by 2012. This will enable us to shrink the Hanford Site from 560 square miles to about 75 square miles. Our strategy covers three outcomes: 1) restoring the Columbia River Corridor; 2) transitioning the Central Plateau; and 3) preparing for the future.

There is a distinct difference in our approach to each of these outcomes. The scope of work for the River Corridor is well defined and we are clearly driving to complete most projects by 2012. In the Central Plateau, where waste treatment, storage, and disposal operations are expected to last for another 40 years, the plan is more strategic and long term. And finally, we seek to support—but not lead—the local community's economic diversification efforts and derive the maximum taxpayer benefit from the nation's multi-billion dollar investment at Hanford.

In the past year, Hanford completed the first shipment of spent nuclear fuel from the K Basins to the Canister Storage Building in the Central Plateau. We also sent the first shipment of transuranic waste from the Hanford Site to the Waste Isolation Pilot Plant in New Mexico, and shipped excess uranium fuel rods from the Hanford Site to the Sandia National Laboratory in New Mexico.

While large increases in funding for RL are not realistic, we will be working to get moderate increases. A critical part of this plan will be to work closely with our regulators and others to factor Hanford's budget realities into further planning and commitments. With clear expectations, smart contracting, and supportive workers, regulators and regional communities, we can and will accelerate cleanup and shrink the site.

FY 2000-FY 2001 DOE RICHLAND ENVIRONMENTAL MANAGEMENT



The FY 2002 budget required to support the Hanford 2012 Plan is \$762M.

U.S. Department of Energy Office of River Protection

Office of River Protection's primary mission is to build and operate the Waste Treatment Plant to complete the cleanup of highly radioactive tank waste at the Hanford Site. This includes the safe storage, retrieval, treatment, and disposal of 53 million gallons of highly toxic, high-level radioactive waste stored in 177 underground tanks located within 7 miles of the Columbia River.

In May 2000 DOE announced its intention to terminate BNFL Inc. whose proposal to build the Waste Treatment Plant more than doubled its original estimate to \$15.2 billion. To overcome any further delay in the nation's largest environmental cleanup challenge, two essential contract actions were necessary.

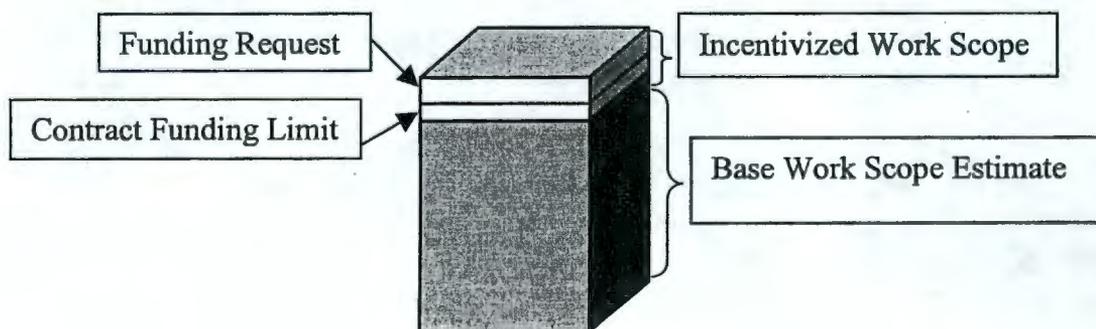
1. On December 11, 2000, Office of River Protection awarded a new cost-plus-incentive fee completion contract to Bechtel Washington to acquire a Waste Treatment Plant that builds on the design from the BNFL Inc. contract.
2. On January 17, 2001, Office of River Protection extended the CH2M HILL Hanford Group, Inc. (CH2M HILL) contract through FY 2006 for maintaining safe storage of Hanford's tank waste, retrieving and delivering the waste to the new waste treatment plant, and for providing future storage or disposal of the tank waste after treatment.

Contracts Determine Funding Request

The two new contracts have special features which make the amount of funds to be requested in FY 2003 in essence "pre-determined." Bechtel Washington has agreed to deliver the Waste Treatment Plant for a fixed \$690 million in each of fiscal years FY 2002 and FY 2003 and the funding is not to exceed \$690 million per year for the period FY 2004 – FY 2011. Bechtel Washington has been incentivized to improve cost, schedule and operational performance through the contract.

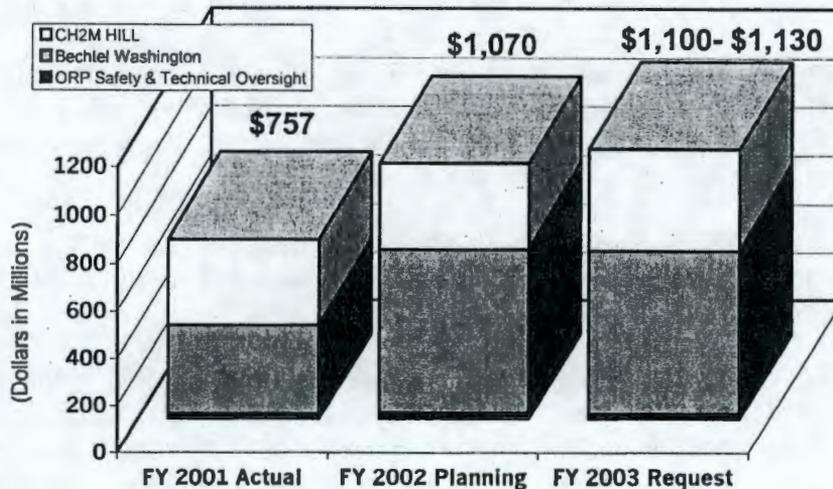
A unique feature of the CH2M HILL contract, which differs from the Bechtel Washington contract, is it identifies the estimated cost of the work to meet the schedule and then sets funding limits for FY 2001 – FY 2006. CH2M HILL has been incentivized to complete all the work, which is estimated at \$2.5 billion for FY 2001 – FY 2006, for \$2.2 billion in funds. Because there is no guarantee of CH2M HILL's performance, Office of River Protection will be requesting the full amount of funds to support the schedule in FY 2003.

New Contracting Approach Between The Office Of River Protection and CH2M HILL Hanford Group, Inc.



Below is a graph showing the funding received in FY 2001, the minimum funding needed in FY 2002, and the amount of funds to be requested in FY 2003, with a range presented for the CH2M HILL portion.

Office of River Protection FY 2001-2003 Funding Profile – Total Project



CH2M HILL and Office of River Protection are currently reviewing CH2M HILL's schedule in context with the new contract. The exact amount of funds to be requested for the CH2M HILL portion has not yet been determined at the publication of this fact sheet; however, a specific funding request will be identified by the March 6, 2001 public meeting. The increase from FY 2001 to FY 2002 for Bechtel Washington is due to starting construction on the Waste Treatment Plant.

If Office of River Protection is unsuccessful in acquiring adequate funds in FY 2002 or FY 2003, both CH2M HILL and the Bechtel Washington contracts will need to be renegotiated and will cause delays in cleanup.

Regulatory Perspective

U.S. Environmental Protection Agency

This is a difficult year for Environmental Protection Agency to discuss the budget and its implications for Hanford cleanup. We will only share our perspective on the RL budget as Ecology has regulatory oversight on Office of River Protection work. Given that the federal government is in a time of transition, DOE has still not received their budget mark for the 2002 budget; this makes the discussion about the 2003 budget even more speculative than normal. Having said that, EPA's approach this year is to continue to hold DOE accountable to complete the work they have committed to under the Tri-Party Agreement.

EPA's focus over the next several years will be to ensure spent fuel is removed from along the Columbia River, to continue the momentum on soil and contaminated building cleanup in the 100 and 300 Areas, and to focus more on solving our most severe groundwater problems as identified in our recent Superfund 5-year review.

EPA is currently reviewing the new contract RL recently established with Fluor Hanford as well as the expectations RL has set forth in DOE/RL-2000-62, *Hanford 2012: Accelerating Cleanup and Shrinking the Site*. EPA's goal in this review is to ensure the commitments made between DOE and their contractors are in sync with the Tri-Party Agreement.

Washington State Department of Ecology

The Washington State Department of Ecology (Ecology) has not changed our primary focus for Hanford cleanup – construction of a tank waste treatment facility is still our highest priority. It is essential that progress continues on the tank waste treatment project, and we will continue to insist that DOE request adequate funding to design and construct the vitrification facility.

We are also very concerned that other aspects of Hanford cleanup be adequately funded.

We agree that the concept of the "Hanford 2012" cleanup plan is worthwhile, and we support the idea of accelerated cleanup and integrating cleanup activities, as long as any associated changes to current cleanup requirements make sense technically. However, without a clear picture of budget levels, we cannot be sure whether acceleration is possible without significantly delaying critical compliance work identified in the Tri-Party Agreement. Ecology and USEPA will continue to discuss changes in existing milestones that in fact achieve better environmental results sooner or at less cost.

Additionally, we are still learning, on a daily basis, details of contracts that DOE has recently signed for major aspects of Hanford cleanup and management work. We're deeply concerned that there appear to be instances in which these contracts presume the outcome of future Tri-Party Agreement (TPA) negotiations without the regulatory agencies or the public having been consulted. Ecology is hopeful that DOE will move quickly to bring the regulatory agencies and the public into the process.

Therefore, we encourage you to participate in the FY03 budget workshops and hearings to provide input regarding your values and concerns related to Hanford cleanup. What is your highest priority? Are there areas where you are willing to see delays, in order to achieve expedited cleanup in other projects? Make sure your voice is heard on these critically important issues.

For More Information...

Useful background material, such as Hanford Site annual reports, can be found on the Hanford homepage at www.hanford.gov. For more information, please contact Gail McClure at (509) 373-5647, or contact the Hanford Cleanup toll-free line at 1(800) 321-2008.

Historical Note

The U.S. Department of Energy's Richland Operations Office owns the Hanford Site in southeastern Washington State. Hanford was established during World War II as part of the top secret Manhattan Project to produce plutonium for nuclear weapons. Weapons material production was halted in the late 1980s. The Hanford Site is now engaged in the world's largest cleanup effort to deal with the legacy of radioactive and hazardous wastes that resulted from the plutonium production era. Hanford's cleanup program is regulated by the U.S. Environmental Protection Agency and the Washington Department of Ecology under a long-term compliance contract called the Tri-Party Agreement. This agreement sets the framework and timelines on the cleanup work so that Hanford meets current environmental standards.

Hanford FY 2003 Budget
P.O. Box 550 A7-75
Richland, WA 99352

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