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Department of Energy
Richland Operations Office
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02-RCA-0257

Mr. Michael L. Goldstein
Acting Hanford Project Manager
U.S. Environmental Protection Agency
712 Swift Boulevard, Suite 5
Richland, Washington 99352

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Dear Mr. Goldstein:

DELAY IN COMPLETION OF HANFORD FEDERAL FACILITY AGREEMENT AND
CONSENT ORDER (TRI-PARTY AGREEMENT) INTERIM MILESTONE M-34-29
"COMPLETE K EAST BASIN AND K WEST BASIN FACILITY MODIFICATIONS FOR
ALTERNATE FUEL TRANSFER STRATEGY CASK TRANSPORTATION SYSTEM"

This letter serves as formal notification that the subject milestone will not be completed by the due date of March 31, 2002. My letter to Douglas R. Sherwood of November 28, 2001, reported completion of target milestone M-34-26-T01, "Approve Start of Construction for the K-East and K-West Basin Facility Modifications for Alternate Fuel Transfer Strategy Cask Transportation." The letter also noted that emerging project issues had the potential to impact completion of the subject milestone and that the U.S. Department of Energy, Richland Operations Office (RL), would keep the U.S. Environmental Protection Agency apprised when additional information was available. On December 3, 2001, representatives from the RL Office of Spent Nuclear Fuels (SFO) and my staff met with Douglas Sherwood and Larry Gadbois to discuss specific issues that RL expected would delay the completion of the M-34-29 interim milestone, including delays in completing the design and follow-on procurement activities.

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RL had previously reported that a projected 30-day slip in the approval to construct would not impact the M-34-29 interim milestone; however, there were additional delays in obtaining an adequate design package for the Fuel Transfer System (FTS) equipment. RL did not provide the final approval to construct the FTS until November 16, 2001. Additionally, the procurement of a key equipment package to support the FTS was delayed due to problems in selecting a fabrication contractor that could meet both the project's needs in terms of quality performance, and a delivery schedule to support installation, testing, and acceptance of the equipment by March 31, 2002. The Fluor Hanford, Inc. (FHI) contract with the fabrication contractor for the FTS requires delivery of the equipment no later than April 30, 2002, with financial incentives to accelerate the delivery date to as early as March 15, 2002. However, even with the additional contract incentives the equipment could not be fabricated, delivered, installed, and tested in time to meet the milestone completion date.

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The following is a summary status of the five key activities required for completion of M-34-29:

1. Transfer Cask Assembly (TCA) Cask delivery:

The first of two TCA Casks will be delivered to the primary FTS fabricator, Petersen, Inc., in Ogden, Utah, by April 8, 2002, to support the integrated factory acceptance tests. This cask will be delivered to the Hanford Site by April 29, 2002, in time to support installation and construction acceptance testing by June 1, 2002. The second cask will be delivered to the Hanford Site by June 14, 2002. These items are not on the critical path for completion of M-34-29.

2. TCA Cask Trailer delivery:

The TCA Cask Trailers have been delivered.

3. Annex construction:

All annex construction and construction acceptance testing will be complete by April 17, 2002, and the construction contractor will be demobilized. The original construction completion date, as required by the contract with the fabricator, was much earlier; however, it was necessary to extend the completion date due to the discovery of unforeseen site conditions at each basin. The Spent Nuclear Fuel (SNF) Project staff is working a 6 x 9 shift schedule for portions of the annex construction, to optimize the schedule and reduce overall costs. Completion of annex construction is not on the critical path for completion of M-34-29.

4. In-basin modifications:

These modifications include the preparatory work necessary for installation of key equipment, such as the lift tables, straddle carriers, and rail systems.

K-East Basin – These modifications are well underway and will be completed by April 4, 2002. The SNF Project staff is working a 6 x 9 shift schedule for portions of the K-East Basin modification work, to optimize the schedule and reduce overall costs. The K-East Basin modification work is not on the critical path for completion of M-34-29.

K-West Basin – These modifications have begun and the majority of work will be completed by April 4, 2002. Remaining activities, such as tie-in to active systems in the K-West Basin, must be completed during a period when the fuel removal system is not in operation. These activities will be completed during the next scheduled maintenance outage, which is scheduled to begin April 8, 2002. The Construction Projects organization and the Operations organization in the SNF Project are working closely together to plan, coordinate, and schedule the detailed work packages, and to ensure the availability of necessary resources to

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complete the in-basin modifications. Work will be performed under a 6 x 9 shift schedule to complete the work as expeditiously as possible. The K-West Basin modification work is not on the critical path for completion of M-34-29.

5. Lift Tables, Straddle Carriers, and Rail Systems delivery:

The fabrication contractor, Petersen, Inc., is required by contract to deliver the required FTS equipment to the Hanford Site by April 30, 2002. This equipment consists of the lift tables, straddle carriers, and rail systems for both the K East and K West Basins. Upon delivery, the SNF Project will begin installation and startup testing of this equipment. The SNF Project added an incentive to the Petersen, Inc. contract in January 2002, that provides for a bonus payment for every day it delivers the equipment early, up to March 15, 2002. The first equipment, consisting of base plates, is scheduled for delivery during the week of March 18, 2002, approximately 42 days ahead of the contract schedule. The SNF Project will begin installing the base plates in the K East Basin shortly after delivery. This is a good example of sequencing delivery, so as much work as possible can be completed in the basins prior to final equipment delivery. The SNF Project is working with Petersen, Inc. to arrange for early delivery of additional equipment components as they become available. Petersen, Inc. will deliver all remaining equipment by April 29, 2002.

The SNF Project placed onsite representatives in the Petersen, Inc. fabrication facility in Ogden, Utah, and in Petersen's engineering facility in Spokane, Washington, in December 2001. This was done to provide direct oversight and timely communication with the contractor to expedite the fabrication process. The delivery of the lift tables, straddle carriers, and rail systems is on the critical path for completion of M-34-29 at this time.

The SNF Project has undertaken several steps to ensure the equipment will be delivered at the earliest possible time. A multi-disciplined team representing the SNF Project has been at the fabrication facility and the engineering facility through factory acceptance testing. Also, a team was established to provide a rapid turnaround for all questions, requests for information, design changes, and document approvals generated during the fabrication process. The RL SFO staff continues to evaluate all risks associated with the FTS and has been proactive in supporting FHI on parallel design reviews, visits to design and fabricator subcontractor facilities, as well as performing inspections of construction activities at both the K East and K West Basins.

Although completion of M-34-29 will be delayed to June 1, 2002, RL is confident that this delay will not impact interim milestone M-34-17, which requires RL to "Initiate Removal of K-East Basin Spent Nuclear Fuel" by November 30, 2002.

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The RL SFO staff will continue to closely track project activities and will update your staff on the progress toward completing the work required by M-34-29 on a regular basis. If you want to discuss this matter further or require additional information, please contact Ellen Dagan, of my staff, at (509) 376-3811, or Steve J. Veitenheimer, Director, SFO, at (509) 373-9725.

Sincerely,



Joel Hebdon, Director
Regulatory Compliance and Analysis Division

RCA:EBD

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Administrative Record (100-KR-2)