Department of Energy
Washington, DC 20585

MEMORANDUM FOR SUSAN J. GRANT
CHIEF FINANCIAL OFFICER
OFFICE OF MANAEMENT, BUDGET
AND EVALUATION/CHIEF FINANCIAL OFFICER

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DIRECTOR
OFFICE OF MANAGEMENT

FROM: RAYMOND L. ORBACH
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SUBJECT: Action: Approval of exception request to include a request for funding in the FY 2007 budget request prior to having CD-2 approval for the Capability Replacement Project at Pacific Northwest National Laboratory

BACKGROUND: Approximately one-third of Pacific Northwest National Laboratory (PNNL) space, about 700,000 square feet, is located in government owned facilities in the 300 Area which are scheduled for demolition and cleanup by Environmental Management (EM). The current planning assumption, based on coordination with EM, is that all 300 Area facilities currently occupied by PNNL must be vacated by the end of FY 2009.

CD-0 (Approval of Mission Need) was signed by the Deputy Secretary on September 23, 2004.

CD-1 (Approve Alterative Selection and Cost Range) is scheduled for the fourth quarter in FY 2005.

CD-2 (Approve Performance Baseline) is scheduled for the third quarter in FY 2006.

There is significant Congressional interest in the replacement of the 300 Area facilities. In FY 2004, Congress approved a reprogramming of $986k of SC and $600k of NNSA funds (total

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$1,586k) to begin project engineering and design (PED) for new replacement facilities at Richland. Attached are the two letters from David L. Hobson, Chairman, Subcommittee on Energy and Water Development, dated June 2, 2004, and addressed to the Secretary of Energy and to the Acting Chief Financial Officer directing specific funds be used to perform project engineering design for a PNNL facility.

In the FY 2005 Appropriation, Congress provided $5,000k in the SC budget and $5,000k in the NNSA budget for additional OPC and PED funds for this project.

The House Report directed both SC and NNSA to request sufficient construction funds in FY 2006 to support replacing the facilities to accommodate the Area 300 closure by the end of FY 2009.

SC's FY 2006 Budget Request includes $3,000k in the SLI program for additional PED. Both the HAC and SAC added $2,000k. NNSA's FY 2006 Budget Request includes $5,000k and both the HAC and SAC added $8,000k.

The Principals have a high confidence that all project planning necessary to award construction contracts will be complete in time to cost-effectively use the FY 2007 construction funds. This includes having a well defined scope requiring no significant changes following the start of construction; all design requirements are well defined and agreed upon by the Integrated Project Team; both the preliminary and final design will be complete; the baseline will have been validated; and the construction planning will be complete, including the bid package(s).

IMPACTS:

If the 300 area is not vacated by September 2009, the greatest impact will be to the Environmental Management's River Corridor Clean-up Contract (RCCC). It is estimated a delay of a year would cost as much as $50M to $200M in payments to the contractor for delaying the schedule.

It would require contract modification. It would impact the contractor work planning and phasing. It would be subject to escalation. It would reduce the time to comply with the Tri-Party Agreement.

The work in the 300 area cannot be phased because as long as the 300 area is occupied the utilities must be maintained. The utilities, i.e., water, sewer, gas, electricity, are all underground and must be removed/de-energized before full scale soil remediation can begin. The electrical substation, sewer-lift station and water distribution are all north of the PNNL occupied buildings. The risk of contamination from demo activities spreading to adjacent occupied structures is high as well as vibration from heavy equipment disrupting research involving sensitive instrumentation.

ISSUE: Completing the project by the end of FY 2009 is a significant issue. The project will not achieve the CD-2 milestone by the date needed to support the FY 2007 Construction Funding Request. FY 2007 construction funds are absolutely essential to meet the completion deadline and to satisfy Congressional direction for the Capability Replacement Project at Pacific Northwest National Laboratory. An exception is required.

SENSITIVITIES: Potential impact on the existing Tri-Party Agreement and the impact to the cost and schedule of RCCC are of major concern as are the regulator and stakeholder expectations to promptly address the risks in the 300 Area and their contribution to the risks to the Columbia River.

POLICY IMPACT: None

RECOMMENDATION: Both the Office of the Chief Financial Officer and the Office of Management concur in this request for exception and recommend approval by the Deputy Secretary.

Attachments

CONCUR_____ DO NOT CONCUR_____ DATE_____

CONCUR_____ DO NOT CONCUR_____ DATE_____

APPROVED_____

DISAPPROVED_____

DATE_____