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Department of Energy

Washington, DC 20585

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DNF SAFETY BOARD

The Honorable John T. Conway
Chairman
Defense Nuclear Facilities Safety Board
625 Indiana Avenue, NW
Washington, D.C., 20004-2901

Dear Mr. Chairman:

This letter is in response to your letter dated March 29, 2002, concerning the Independent Assessment of the Savannah River (SR) Performance Based Incentives (PBI's) for the High Level Waste (HLW) program. Three recommendations were offered by the Team to further enhance and balance management risks associated with Defense Waste Processing Facility (DWPF) production and Tank Farm space management. These were:

1. Development of a new PBI to encourage additional space gain through source reduction.
2. Application of negative incentives on the fee allocated for production if the contractor fails to manage Type III space.
3. Addition of more visible administrative controls (involving DOE decision makers) that explicitly prohibit waste transfers into Type I tanks unless such transfers are used to retrieve the waste contained in those tanks.

On the first recommendation, SR has a \$7.5 million incentive in place to ensure the contractor provides additional space through source reduction and evaporation. This incentive has averaged \$150,000 per month over the last six months. Additional incentive fees will be considered for the results of recycle dispositioned in saltstone. Further incentives are being considered relative to final disposition of DWPF recycle and not simply on creating more space.

On the second recommendation, SR plans to utilize the Comprehensive Performance Special Performance Area, as required. This incentive allows fees to be withheld and if necessary, taken back by the SR Manager when the contractor does not demonstrate acceptable performance. This provision is invoked in those cases, not otherwise covered by a PBI, when performance is less than acceptable and results in a reduced value of the services rendered to the Government.



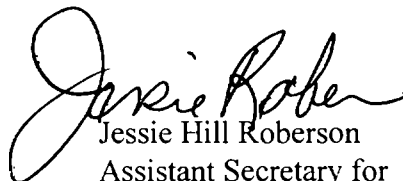
The minimum level of performance is that which if not achieved, would invoke the conditional payment of fee clause. In this particular case, a minimum of 750,000 gallons of Type III tank space must be available.

The Comprehensive Performance Special Performance Area, however, is still too subjective and does not fully leverage incentives to drive contractor performance. I will be reviewing every EM contract to ensure objective, meaningful, and measurable performance expectations are established for all incentives. While I believe there is adequate focus and a good implementation strategy on the high level waste program, I will continue to evaluate and reassess performance and direct modification if EM expectations are not met.

The third recommendation is being addressed via a more visible administrative control for the transfer of waste into older style tanks. Specifically, an update to the Authorization Agreement for the Tank Farms has been implemented to limit the use of the older style Type I and Type II tanks to waste removal activities but prohibits new waste receipts into these tanks.

Please contact me or have your staff contact Paul Golan of my staff at 202-586-7709 with any questions related this matter.

Sincerely,



Jessie Hill Roberson
Assistant Secretary for
Environmental Management

cc:

M. Whitaker, S-3.1

G. Rudy, SRS