

April 28, 2015

The Honorable Greg Friedman
Inspector General
U.S. Department of Energy
1000 Independence Ave. SW
Washington, DC 20585

Dear Inspector General Friedman:

I am writing to request that your office examine wasteful contracting practices at the Waste Treatment Plant (WTP) at the Department's Hanford site. Since the contract for the plant was awarded in 2000, this plant was to have been the cornerstone of DOE's plans for the final treatment of over 50 million gallons of high-level radioactive waste stored in 177 deteriorating underground storage tanks. Instead, it is years behind schedule and billions of dollars over budget. In ongoing litigation between DOE and the States of Washington and Oregon, DOE argues that it lacks sufficient funds to meet enforceable environmental compliance milestones to clean-up Hanford including the retrieval of waste from the aging tanks. However, as shown in the attached letter from the WTP project contractor – Bechtel National, Inc. – hundreds of millions of dollars have been misspent on components and services for just a single portion of the WTP due to questionable procurement practices by the contractor and inadequate oversight by the Department. Millions of dollars more are at stake if the suspended purchase orders are not concluded.

As you know, work on the Hanford Pretreatment Facility has been suspended since 2012 because of unresolved technical and quality problems ranging from safety questions about the design and construction of waste handling vessels, to the safety of mixing equipment, to violations of quality controls for portions of the plant known as black cells where high-level waste would be processed without any ability for plant operators to fix or maintain equipment. It is not clear when, if ever, the plant will be completed. And in its proposed FY 2016 Budget, DOE proposes to initiate a series of projects to bypass the pretreatment facility including \$80 million for an alternative Low Activity Waste Treatment System to allow DOE to treat tank waste without using this part of the plant.

As described in the attached letter, Bechtel has suspended some 56 purchase orders for work and components associated with the Pretreatment Facility portion of the WTP valued at \$277 million if they were completed. Continuing these purchase orders costs approximately \$5.3 million a year simply to pay for the expenses associated with keeping them in place, such as storing components that were ordered but will never be used. Bechtel proposes a range of actions including full payment for components that cannot be used in the plant because the design of the plant has changed or because the equipment that cannot meet quality control requirements. For other purchases, Bechtel proposes to cancel the contract because the

contractor no longer has the capability of doing the work or is out of business. In one such case, the contractor's manufacturing plant to produce valves needed for the plant has been closed since 2010, well before the formal suspension of work at WTP.

While the Bechtel letter only addresses a handful of purchases for just a portion of the WTP, it illustrates a range of questionable procurement and project management practices that are emblematic of problems with the project and have proven so costly to the taxpayers. I am therefore asking you, as part of your continuing oversight activities at Hanford, to examine these purchases, the practices that Bechtel followed in making them, and the Department's role in allowing them to occur. I am also requesting that you look into the question of whether Bechtel has earned fees for managing these procurements and whether those fees are appropriate.

Sincerely,



Ron Wyden
United States Senator