REGIONAL COALITION OF LANL COMMUNITIES
City of Española – Los Alamos County – Rio Arriba County – Santa Fe County
City of Santa Fe – Taos County – Town of Taos – Pueblo of Ohkay Owingeh

REGIONAL COALITION MEETING PACKET
County of Taos, County Chambers
JANUARY 17, 2014

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REGIONAL COALITION MEETING AGENDA
County of Taos, County Chambers
105 Albright Street, Taos
JANUARY 17, 2014

9:00  Info: Welcome & Introductions  Mayor Coss
      Action: Confirmation of Quorum  Mayor Coss
      Action: Approval of Minutes: December 13, 2013  Board Members
      Info: Financial Information  Brian Bosshardt

9:10  Info: Reports from Congressional Delegations

9:20  Info: Executive Director Report  Darien Cabral
      JLH Team

9:30  Action: REDI Program Task Force Proposal  Kathy Keith

9:35  Info: Federal Legislative Priorities  Seth Kirshenberg
      Action: Adopt Federal Legislative Priorities  Mayor Coss
      Action: Approve Travel Plans  Mayor Coss

10:00 Info: Presentation - Area G Update  Pete Maggiore
            Jeffrey Mousseau
            Jay Coghlan

10:25 Info: Supply Chain Management Issue  Chris Fresquez
            Liddie Martinez

10:50 Info: Public Comment  Mayor Coss

11:00 Action: Adjourn  Mayor Coss
PRESENTERS:

Kathy Keith: Director, Regional Development Corp. (http://www.rdcnm.org)

Seth Kirshenberg: Director, Energy Communities Alliance (http://www.energyca.org)

Peter Maggiore: Assistant Manager, Environmental Projects Office, Los Alamos Site Office National Nuclear Security Administration (http://nnsa.energy.gov)

Jeffrey Mousseau: Associate Director for Environmental Programs Los Alamos National Laboratory

Jay Coghlan: Executive Director, Nuclear Watch New Mexico (http://www.nukewatch.org)


Liddie Martinez: President, LANL Major Subcontractors Consortium (http://www.lanl.gov/orgs/ada/consortium_charter.shtm)

About the Regional Coalition of LANL Communities:
The Regional Coalition is comprised of eight cities and counties surrounding the Department of Energy's Los Alamos National Laboratory (LANL). Founded in 2011, the Regional Coalition works in partnership to ensure national decisions incorporate local needs and concerns. The organization's focus is environmental remediation, regional economic development and site employment, and adequate funding for LANL. The Board of Directors includes Chair, Mayor David Coss, City of Santa Fe; Vice-Chair, Commissioner Danny Mayfield, Santa Fe County; Sect./Treas. Councilor Andrew Gonzales, Town of Taos; Mayor Alice Lucero, City of Española; County Councilor Fran Berting, Los Alamos County Council; Commissioner Alfredo Montoya, Rio Arriba County; Commissioner Tom Blankenhorn, Taos County; and Governor Ron Lovato, Pueblo of Ohkay Owingeh

If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or other form of auxiliary aid or service to attend or participate in the hearing of the meeting, please contact the Coalition Office at (505) 577-1347 at least one week prior to the meeting or as soon as possible. Public documents including the agenda and minutes, can be provided in various accessible formats. Please contact the coalition at (505) 577-1347 if a summary or other type of accessible format is needed.

For more information please visit the Regional Coalition website at http://regionalcoalition.org

Contact:
Jennifer Padilla, JLH Media
518 Old Santa Fe Trail #Santa Fe, NM 87505
office (505) 577-1347
Welcome and Introductions
Chairman Mayor Coss called the meeting to order at 9:28am.

Attendance
Mayor David Coss (Chair RCLC), Mayor Alice Lucero, County Commissioner Councilor Fran Berting, Commissioner Alfredo Montoya, and Andrew Gonzales (Secretary/Treasurer), Commissioner Steve Girrens

JLH Media team members Darien Cabral, Jennifer Padilla, Lisa Neal and Elizabeth Cooke.

Confirmation of Quorum
Chair Mayor Coss confirmed a quorum.

Approval of Minutes
The coalition approved the November meeting minutes.

Action Item
Brian Bosshardt addressed the coalition stating that $72,000 of the original $100,000 DOE grant had been awarded to the RCLC. MVM, the former administration of the Coalition, had made mistakes in grant reporting resulting in less money being received. Brian chalked it up to a “learning experience. Brian requested a meeting with JLH Media about indirect costs and invoices associated with the grant to ensure that this does not happen again. Commissioner Girrens stated that when applying for grants, the Coalition should make sure it has a clear understanding of what is required to remain in compliance with awarded funding.
Councilor Fran Berting referenced that an Energy Communities Alliance Peer Exchange meeting was scheduled in Washington, D.C. on February 27th and 28th and stated that the Energy Communities Alliance would reimburse travel costs for one Coalition member to attend the meeting.

Darien Cabral expressed the need for the Coalition to discuss clean-up issues in relation to recent press and the passage of a City Resolution by the City of Santa Fe regarding clean-up of Technical Area 54-G.

Darien stated that he had met with Commissioner Montoya on Rio Arriba economic development issues. Darien spoke of the need to focus economic development emphasis in areas other than Los Alamos and Santa Fe.

Darien mentioned that the approval of the lease to Ealasid by the City of Española marks significant precedence of a high-tech LANL spin-off business coming into to Española and Rio Arriba County. The RDC worked hard on bringing this business into Española, but credit is also due to the hard work and support of Mayor Lucero, Rio Arriba County and the Regional Coalition under Cabral. The Coalition was even able to get a represented from Congressman Udall’s Office to the Española City Council meeting when the lease was discussed.

The need to involve Tribal governments in the work of the Coalition was discussed by Darien, and the potential economic advantages of creating joint venture partnerships with Tribal entities were also discussed. Tribes can bring special marketing and financial incentives to development projects.

Darien recognized a representative from San Ildefonso Pueblo who was present at the meeting. Darien mentioned that he had encountered San Ildefonso Governor Terry Aguilar at another meeting and spoke about getting together with the Governor to address the Pueblo joining the Coalition.

Darien spoke about the RediNet project being coordinated by the North Central New Mexico Economic Development District that is providing high-speed internet to northern New Mexico communities through optic fiber. Darien mentioned that San Ildefonso just passed a Resolution to support RediNet and is in agreement to allow optic fiber to cross Pueblo lands. This will provide a major link that had been missing from the RediNet network. The link crossing San Ildefonso lands will likely require $2 million of funding in addition to the roughly $11 million already spent for the current build out. Darien mentioned that proximity to the Laboratory, high-speed internet and the presence of Indian
Tribes will make northern New Mexico a unique area in the world for specialized economic development projects.

Cabral stated that he is developing a SharePoint website for the Coalition members. The website will facilitate the sharing of documents information, will be interactive, and will allow the members and committees to collaborate with one another online.

Committees
The Coalition discussed implementing committees—small working groups with expertise in specific areas. Committee membership could include employees of Los Alamos National Lab, members of the public, technical and environmental experts, etc. who would advise the Coalition and keep members abreast of pertinent issues. Darien stated that specific coalition members could volunteer to head-up committees and vet committee composition, but would not necessarily have to attend meetings. Coalition Board members could assign topics of study, receive reports, ask questions and receive recommendations from committees that could then be forwarded to the entire Coalition by the Coalition Board member who headed the committee.

Councilor Berting expressed the need for the role of the committees to be clear and was concerned that their work would overlap. Cabral explained that committees would aid in understanding very complex issues and help with decision-making. Chairman Coss noted that steps should be taken to ensure the public understands the issues affecting the region. He questioned whether the Open Meeting Act would pertain to the Coalition’s committees. Bosshardt responded that the committees would not be subject to Open Meeting Act legislation and that public notice of committee meetings would not be required.

Commissioner Montoya spoke in support of creating committees, noting that issues dealt with by the Coalition are very complex and that incorporating individuals with expertise would only benefit the Coalition’s efforts. Mayor Lucero also spoke favorably of creating committees.

The Coalition made a motion to approve the formation of committees in the following areas: Education; Environmental Restoration; and Economic Development. The motion was seconded and approved.

Mayor Coss noted that the term ‘Public Information’ should be used in place of ‘Public Relations’.

Executive Director Report
Darien noted that he thought of Los Alamos as the “head” of northern New Mexico, and Rio Arriba and Taos Counties as the “heart”, and joked that he didn’t know what Santa Fe was. He stated that there are major issues surrounding the loss of LANL contracting jobs due to changes in federal procurement policy that make it hard for New Mexico businesses to compete with national companies on a level playing field. He stated that he is closely following the issue with RDC and the LANL Major Subcontractor Consortium and that a full report would be made to the Coalition at the January meeting.

Jennifer Padilla reported to the Coalition saying that she is working on creating email lists and is making strides in maintaining and revamping the RCLC website. The plan is to make the website an additional media outreach tool. There have been technical glitches in transferring website protocol to JLH Media from Los Alamos County that are being resolved.

Lisa Neal reported that she is contacting local media to make sure they are aware of the Coalition’s mission and progress on issues affecting the region. Two press releases have been released, the first concerning the partnership of Darien Cabral and JLH Media and their joint appointment as the Director Team of the Coalition, and the second related to economic development initiatives in Espanola that will create jobs and hopefully attract further development in the area, including the Ealasid lease and plans for a northern New Mexico Food Hub project designed to support regional agriculture. Articles about or mentioning the Coalition were published in the Los Alamos Monitor and the Albuquerque Journal. In addition, Mayor Lucero was featured on a radio interview regarding Ealasid and the Food Hub projects on KSFR, Santa Fe. JLH Media will continue to reach out to the media to make sure they are aware of the Coalition’s efforts.

Darien noted that he is has been Impressed with JLH Media. He referenced the press releases and media attention in just the first month of the new team working with the Coalition. He also spoke about goals of economic development and food security in Espanola. He noted that area Pueblos and other entities are planning regional food hubs and his desire to establish better communication with Tribal entities in the area.

**Congressional Delegation**

The Coalition discussed the 2013 Omnibus budget bill.

A representative from Senator Udall’s office stated that a letter had been sent from the Coalition asking for additional clean up money. The representative stated that the funding for the Los Alamos Manhattan Project Park Project was not included
in the final Omnibus Appropriations Bill and discussed public land projects. She noted Senator Udall’s understanding of the importance of the bill.

Darian noted that a packet of additional information on this issue would be made available on the Coalition’s website.

**Presentation on Ealasid by Eric Vasquez, Regional Development Corporation**

Mayor Lucero recognized the work of the RDC and its positive impact on the City of Española. Eric thanked Mayor Lucero, noting that the RDC is targeting tech and green businesses specifically, and encouraging business growth in these industries.

Vasquez presented a PowerPoint presentation on Ealasid, a company that has developed the technology to produce phenylethanol (rose oil) through a bioengineering process using poplar trees. Ealasid is undergoing an approval process with the City of Española to lease the 90-acre Prince and Carter Ranch and has received preliminary votes from the City Council approving the lease. The company is expected to create 3 to 5 jobs in the first year of development and as many as 50 jobs once in full-production.

Darien noted that the City and the County are working together to bring Ealasid to Española. The City/County collaboration is setting precedent and is largely due to the efforts of Commissioner Montoya, Rio Arriba County Economic Development Director, Chris Madrid and Mayor Lucero. Vasquez stated that LANL would be involved in the tech side of the company. Ealasid came from efforts of the newly formed New Mexico Consortium at LANL that involves the public, private and academic sectors in development and research and new technology based business development. Mayor Lucero stated that the local production of goods would boost the economy.

**Accelerate Presentation by Cathy Keith, RDC**

Kathy Keith addressed the Coalition regarding the Regional Development Corporation (RDC) Accelerate program, explaining that the purpose of the Program was to develop the workforce of Northern New Mexico. She referenced the need for a trained workforce in industries throughout the state and the program’s success in increasing college graduation rates. The program helps students attain the skills they need to find jobs beginning at the time of enrollment. Keith noted that many first-year college students are not prepared for college-level courses, particularly in math, and that a Math Camp program had been created to quickly prepare students for college-level work.

Keith explained that Accelerate works in conjunction with university professors and assists non-traditional students by providing them with coaches to help with
daily assignments and to keep students accountable for attending class. Students are advised of what is expected of them in the workplace and helped to acquire the skills they need to be competitive in the workplace. Keith noted the success of the program and that additional funding had been provided to Accelerate in 2012. In 2013, $635,000 was awarded to the program and a 2014 application has been filed to extend funding. The program is focused on four-year degrees. Keith requested that RCLC support continued funding for the program. A motion was made and seconded to support the program. Darien asked specifically what RCLC could do that would be most effective. It was agreed that a letter would be submitted on behalf of the program by the RCLC.

**RediNet Presentation by Duncan Sill**

Duncan Sill from the North Central New Mexico Economic Development District presented a PowerPoint presentation on RediNet. Project goals are to develop telecommunication infrastructure and provide high-speed broadband access to Northern New Mexico. He noted the many people and entities involved in the project and its potential for increased economic development in the region, including within Tribal territories. RediNet was created through regional partnerships and is a publicly owned and operated entity. A board of directors, in conjunction with representatives from Tribal Governments, has been appointed to oversee the program.

Sill explained that businesses make choices on where to locate based on access to high-speed Internet and that RediNet’s goal is to increase economic development in Northern New Mexico by providing affordable high-speed access through fiber optic cable. Plans for further infrastructure are in place.

Darien stated that RediNet is a great asset for the Coalition in terms of economic development efforts. Sill stated that RediNet has begun working with federal agencies and will continue to work with regional partners. Once RediNet is complete northern New Mexico will be the only area in the world with proximity to a world-class national laboratory, access to high-speed internet and access to Tribes and the incentives that they can bring to business.

**DOE 3706 TRU Clean-up Project Report - Don Cox**

Don reported on the 3706 TRU Campaign and the successful cleanup of surface waste at Technical Area 54-G - a joint cleanup effort of the federal government and the State of New Mexico. Cleanup efforts began in 2011 and have doubled in size each year creating many jobs. The project is currently ahead of schedule and has received local and national attention for its progress. A total of 4000 storage drums of waste have been removed and shipped out of the area.
Commissioner Montoya referenced the many sides of the contamination issue and the need for public input. Chairman Coss stated that the Coalition continues to push for cleanup efforts in the region. Don noted that continuing cleanup efforts would yield more jobs and help sustain the local economy.

The Coalition briefly discussed issues pertaining to Area 54-G and the need to resolve issues concerning possible contamination and the cleanup of the underground waste deposited there. Secretary/Treasurer Gonzales noted that the Town of Taos had issued a resolution similar to the one issued by the City of Santa Fe calling for the cleanup of Area 54-G. Chairman Coss noted that the Coalition’s relationship with the federal government and local communities would benefit cleanup efforts.

Councilor Berting stated the Coalition’s need for further information on the type of waste buried at Area 54-G. Specifically, the Coalition needs to know whether it is safer to remove waste from the area or, in the interest of public safety, if it is better to leave the waste where it is. Mayor Lucero called for a presentation at the next meeting on what is buried at Area 54-G and clean-up options.

Public Comment
Jay Coghlan of Nuclear Watch NM stated that LANL’s nuclear waste cleanup is behind schedule and should be addressed by the Coalition. He expressed concern about Area 54-G and the need for proactive cleanup measures.

Scott Kovac of Nuclear Watch NM stated that the Open Meeting Act should apply to the Coalition’s committees and that a member of the public should be included in each committee. He noted that minutes should be taken at meetings and made available to the public.

Darien stated that LANL waste cleanup is an issue that affects everyone and that getting accurate information about the issue is key. He noted that the public should have easy access to information on cleanup efforts. He stated that so far as the new Director of RCLC he has attended a number of presentations and meetings, including a LANL sponsored community leaders breakfast, the Northern New Mexico Citizen’s Advisory Board and the Natural Resource Damage Assessment Task Force presentation and has been impressed with the efforts of DOE and the Laboratory to share information with the public and provide opportunities for public oversight and input on environmental issues.

Mayor Coss thanked everyone and adjourned the meeting at 11:45.
# Summary of Receipts and Disbursements

Inception to date, as of 1/10/14

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The Honorable Ernest Moniz
Secretary
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585

December 23, 2013

Dear Secretary Moniz:

We are writing this letter to offer support for an on-going program that is making a difference in New Mexico by strengthening the workforce around Los Alamos and Los Alamos National Laboratory. We are pleased that the Department of Energy, (DOE) Office of Environmental Management has addressed critical community issues in New Mexico by supporting the Accelerate Technical Training and Job Placement Program.

The Regional Development Corporation (RDC) and six northern New Mexico colleges are collaborating with Los Alamos National Labs (LANL), LANL sub-contractors, and private sector entities to on the Accelerate program. Their goal is to graduate more technical career students, place them in jobs, and better prepare them for career and educational advancement.

Substantial workforce training is needed to prepare workers for existing and future jobs in technology at LANL and other Northern New Mexico technology industries. The region’s two and four-year colleges recruit, serve, enroll, and graduate a majority of non-traditional students and transitional workers in technology industries, many through certificate and associate degree programs. Yet, graduation rates remain low and companies often have difficulty finding skilled workers. Accelerate offers an innovative approach to increase technical degree completion, professional readiness, and job placement.

We are pleased at the impact that the Accelerate program is having in our region:

- 67.5% of Accelerate students earning 2-year degrees graduated in three years or less (150% of the time) verses an average of 19% amongst the participating schools
- 28% of those earning associate’s degrees are continuing on to earn 4-year degrees
- Accelerate students have participated in 70 fellowships with employers including LANL, North Wind, Inc., and New Mexico EPSCoR. These fellowships have resulted in a 33% placement rate for fellows that is directly tied to the fellowship opportunity.
- 60 % of Accelerate graduates had been placed in jobs in their field of study in northern New Mexico (as of May 2013)

We wholeheartedly believe collaborative efforts such as the Accelerate program are an important investment in supporting the National Laboratory System and growing jobs in this country. The Accelerate program is currently in year 3 of a 5 year grant award. We appreciate you giving every consideration to continued funding and support for this important initiative.

Sincerely,

Darien Cabral
Executive Director

518 Old Santa Fe Trail #456
Santa Fe, NM 87505
www.regionalcoalition.org
Registration is now open for the ECA Peer Exchange on February 27th at the Liaison Hotel. Join the communities and local governments around DOE sites as we discuss key issues. DOE Officials, administration officials and Washington insiders will discuss important issues and provide you with their insights.

**Invited Speakers:**

- Congressman Mike Simpson
- Secretary of Energy Ernie Moniz
- David Klaus, Deputy Under Secretary for Management and Performance, DOE
- Betsy Connell, Senior Advisor, Office of the Secretary, DOE
- Dave Huisenga, Senior Advisor for Environmental Management, DOE
- Pete Lyons, Assistant Secretary for Nuclear Energy, DOE
- Bruce Held, Acting Under Secretary for Nuclear Security, DOE
- Mary Louise Wagner, Senior Advisor, Office of the Secretary, DOE
- and more!

**Topics will include:**

- FY 2015 Budget
- DOE Priorities for 2014-15
- Facilitating More Efficient DOE/NNSA Sites
- Modernization and the Future of the NNSA Complex
- Role of Local Government at DOE/NNSA sites
- Nuclear Energy
INFORMATION ON ISSUES
DRAFT
2014 Regional Coalition
Federal Legislative Priorities
As Adopted []

Priorities:

- Support a sustained, quality cleanup that protects human health, safety, and the environment, and complies with both the Framework Agreement and binding Compliance Order on Consent between NMED and DOE (“Cleanup Agreements”).

Clean-up Funding

- Cleanup funding remains a priority for local governments. DOE should continue to request funding to meet the requirements of the Cleanup Agreements in the amount of $255 million.
  - LANL needs consistent, reliable and sufficient funding to meet Cleanup Agreement obligations.

- DOE must continue to engage local and pueblo government officials on all aspects of DOE cleanup. Transparent communication between local governments, states, tribes and DOE is essential for achieving successful cleanup.

LANL

- Reverse downward trend in funding for LANL. The Administration should request sufficient funding for LANL’s diverse missions and facilities modernization recognizing the priority to protect human health, safety and the environment.

Other

- Consistent funding for the Regional Coalition of LANL Communities to better enable local governments and tribes to participate in environmental cleanup decision-making and support the DOE mission.
Executive Summary

Although the majority of the work performed by the members of the LANL Major Subcontractors’ Consortium (MSC) occurs at LANL, the circumstances discussed within this paper are not specific to LANL but are in fact complex wide. NNSA’s recent push to require its seven Management and Operating (M&O) Prime Contractors to use the Supply Chain Management Center (SCMC) for up to 50% of all eligible procurements prompted the Los Alamos National Laboratory – Major Subcontractor Consortium (LANL-MSC) to conduct a study and document impacts to the region. We have had several discussions with our 32 members representing the largest LANL Contractors and all are concerned about the potential negative impacts to our surrounding communities. While all agree that the negative impacts are unintended results of the NNSAs approach to gain efficiencies and reduce costs using an enterprise-wide system, there is already one member casualty. A longtime Los Alamos based company reached the ceiling of their $24 million contract at which time LANL switched to an SCMC contractor from outside New Mexico. LANL and the local contractor are currently negotiating to allow the local business to keep a portion of the original job but if these efforts are unsuccessful 11 jobs will be lost to a very small, rural community. The losses are multiplied when you consider that the new contractor has no requirement to contribute to the northern New Mexico region, unlike the previous local contractor.

In order to gather all available data, the LANL MCS Executive Committee met with LANL Subject Matter Experts (SME) within the LANL Acquisitions Division. These experts confirmed that the new requirements to use the SCMC for eligible procurements were, in fact, true and they also shared that the percentage targets are likely to increase overtime. They were very eager to assist our membership in learning about and understanding the process of becoming an SCMC contractor and offered to arrange for a preliminary meeting. With the assistance of the LANL Community Programs Office a meeting with the SCMC is being planned.

We agree that expanding procurement opportunities for our membership by assisting them in becoming SCMC contractors is a great opportunity; however, we also recognize that the long process does not often result in a positive outcome. We have a few LANL MSC members who are currently SCMC contractors and it took them several years and securing multiple DOE contracts on their own before being selected as an SCMC contractor. We acknowledge that this is not possible for all of our members to achieve, but we all agree that finding a way to level the playing field and making adjustments to the current system to create a fair process will immediately improve outcomes for contractors and NNSA alike.

Our recommendations include the following:
Require SCMC’s contractors to meet the same site requirements as those placed on local businesses.

Eliminate use of reverse-auctions in the DOE complex for goods already under contract.

Request assistance from DOE Small Business Office to assist and develop support programs that will allow local businesses to successfully compete for national SCMC contracts.

Request that DOE provide their anticipated local small business impact should SCMC be fully implemented at all DOE sites across the country.

What is the SCMC

The Supply Chain Management Center was created by NNSA in 2006 to integrate purchasing of common goods and services across the DOE Complex utilizing an enterprise-wide approach to lower acquisition costs, gain process efficiencies, and increase standardization across the complex. Originally limited to the NNSA and its seven M&O Prime Contractors, the program has been expanded to include DOE Environmental Management (EM) with the hope of expanding DOE wide.

The SCMC operates two nation-wide programs:

1. SCMC has negotiated nation-wide contracts, for use throughout the NNSA and DOE EM complex, for common goods and services used throughout the NNSA and DOE EM complex. For each category of goods and services they support, SCMC has awarded a single nation-wide contract with a national supplier. SCMC continues to expand its contract offerings each year.

2. SCMC operates a procurement system for managing, bidding, and reverse-auctioning large (> $50K) procurement opportunities. This system was designed to be used for all large procurement opportunities, even those for goods or services already offered under existing contract.

NNSA/DOE SCMC Required Utilization

Initially, SCMC’s programs were optional and the Prime Contractors were not required to use it. SCMC’s expectation was that the sites would choose to use these programs given the potential for cost savings and improved efficiencies. However, many of the sites, especially those run by M&O Prime Contractors, chose not to utilize the system. In many cases, this Prime Contractors’ resistance to using these programs was driven by a need for specialized delivery requirements as well as requirements they had to meet small/disadvantaged business targets and to support local businesses.

To increase utilization, as the M&O contracts expire or are renegotiated and/or extended, NNSA is requiring Prime Contractors to use SCMC for up to 50% of all eligible procurements to meet contract requirements or specified goals. Failure to meet the goals set could result in the loss of part or all of the Prime Contractors compensation. The minimum SCMC utilization goals are increasing each year.
Overall impact of SCMC programs to the Labs and local businesses

For the Labs, including LANL, there are several significant impacts:

- Given that SCMC has no small/disadvantaged business requirements and many of their contracts are with large corporations, the Labs are themselves under pressure to default on and/or reduce the commitments to utilizing small, disadvantaged, and local businesses.
- The Labs are being forced to use contracts and suppliers that do not meet all of their needs and delivery requirements.
- The procurement process is actually more complex because of the additional steps, reporting, and coordination required by SCMC.

For local businesses, the impact is more serious. These local, small/disadvantaged businesses will have their contracts either under-utilized or terminated if they cannot compete with the larger national corporations that have SCMC contracts and/or compete only for the large procurement opportunities hosted on the SCMC site. For LANL suppliers, the problem is even more challenging:

- When LANL issues a contract, LANL places numerous value-added service requirements and community service requirements on the local business. These requirements add significant operating costs for a local business. Examples of these requirements include, but are not limited to, minimum full-time onsite personnel, local inventory, community service, and contributions to local economic development programs.
- When LANL uses an SCMC contract rather than issuing its own contract for specific goods and services, LANL does not require the large corporations holding the SCMC contracts to meet all of the same value-added and community service requirements placed on the local businesses that have been awarded LANL-issued contracts.
- As each LANL-issued contract comes up for extension or renewal, the local business must make price concessions to be price competitive with the SCMC contract holder. However, they are not being relieved of any of the value-added and community service requirements. These unbalanced requirements put the local businesses at further disadvantage.
- The practice of reverse-auctioning large orders for goods and services already under contract further exacerbates the problem. Many of the contractual requirements are waived for the winner of these large purchases, but do not result in those requirements being waived for the local business contract holder.
- The first local business casualty of this imbalance happened this summer. The local business estimates a $24 million loss to New Mexico and eleven local jobs lost in Los Alamos County. As the program expands, the list of local business casualties is expected to substantially grow, as is the loss of revenue and jobs.

Options for Addressing the Problem
The MSC recognizes that many of the challenges that our members and other Northern New Mexico small businesses face have nothing to do with SCMC at all. These challenges include, but are not limited to; obtaining competitive pricing on goods and services we resell; low cost financing, and availability of qualified staff. We further appreciate the complex issues that the Labs, NNSA, and DOE face that are driving them to solutions such as the SCMC. Our objective is to identify and promote effective and fair solutions to the situation that result in a fair system and opportunity for our members and Northern New Mexico small businesses to successfully compete going forward. To that end, the MSC recommends the following recommendations regarding the SCMC:

- Require SCMC’s contractors to meet the same requirements as those placed on the local businesses.
- Institute small/disadvantaged business requirements for SCMC contracts.
- Reconcile the requirements for SCMC utilization with the requirements for utilizing small/local/disadvantaged business, eliminating the conflict that LANL and the other Labs have in trying to meet these disparate requirements.
- Eliminate reverse-auctions for goods and services already on contract
- Develop support programs to allow local businesses to successfully compete for the national SCMC contracts.

Background on the LANL MSC and SRCDPs

LANL- MSC and Subcontractor Regional Community Development Plans (SRCDP) evolved from the original 1997 Northern New Mexico (NNM) Economic Enhancement Initiative (EEI) included as a requirement by the University of California (the M&O Prime Contractor for LANL at the time) to flow down community commitment requirements that were required for their new M&O contract by Congress. The NNM EEI was an effort to leverage investment in the region, with a focus on Economic Development, in an effort to assist with diversification of the northern New Mexico economy, which was heavily dependent on federal dollars. From 1997 until 2005 all LANL subcontracts with a value of $5 million or greater were required to include a Community & Economic Development Plan (CEDP) in their bid package which was evaluated and scored with all other contractual requirements by the LANL Source Selection Committees in the areas of Education, Economic Development and Community Investment. Significant investments were made over the course of eight (8) years with particular focus in Española and the Valley. By actively supporting community activities and developing partnerships with various agencies and organizations, the subcontractors supported the Laboratory’s goals relating to community and economic development and investments were successfully leveraged.

In 2005, Los Alamos National Security (LANS) was awarded the M&O contract to operate LANL. As part of the new M&O contract, the contractual requirements for subcontractor community and economic development were eliminated. Instead, all subcontractors awarded contracts valued at $5 million or greater were asked to submit an SRCDP. Very similar to the CEDP, these SRCDP outlined each organization’s commitment to Northern New Mexico. However, unlike the previous CEDP, the SRCDP
has no weight in the evaluation of each bidder’s response. Since these plans were no longer part of the bid selection criteria, the investment values were greatly reduced compared to the CEDP commitments, especially in the economic development component. Because of this reduction in investment, the Laboratory also created the MSC, an independent organization comprised of every LANL sub-contractor that has one or more SRCDPs, and focused on enhancing the impact of each member’s contributions by facilitating cooperative, strategic, and leveraged economic development investments in the region by Consortium member companies.

The MSC operates a Grant Pool, allowing our organizations to pool our contributions for greater purposes and results. Between 2005 and 2012, the MSC has awarded $300,000 from the Grant Pool for economic development grants in the seven (7) county region surrounding LANL. These awards include the Santa Fe Farmers Market, the Española Fiber Arts Center, Taos Entrepreneurial Network, Los Alamos Youth Entrepreneurs, Taos Mobile Matanza Unit and many others. In December 2013 LANL-MSC will award an additional $100,000 from the Grant Pool to regional economic development non-profit organizations managing strategic economic development programs and projects throughout northern New Mexico. Additionally, numerous MSC members have independently invested in regional economic development initiatives like installing head gates for a rural Acequia del Medio water diversion project and funding the New Mexico Technology Council. Between 2009 and 2012, these additional contributions have been valued at an additional $1.7 million in monetary donations; $1.2 million in In-kind donations; 12,155 hours in volunteer service and $13 million in lower tier subcontracting.

**Case Study – Impact of Reverse Auctioning**

One of the MSC’s member companies holds subcontracts with multiple national laboratories for the procurement and service of specific computer equipment. These contracts have numerous value-added service requirements including, but not limited to, expensive website and electronic order systems integration with each lab’s procurement system, administrative staff trained and cleared to access each lab’s procurement systems and manage the customized ecommerce systems, local inventory for each lab for specified standard computers and accessories, local telephone sales and tech support, onsite DOE Q-cleared tech support services including security hardening, configuration, and warranty services, property tagging every item sold to each lab, custom labeling of every item delivered, generous return terms, and much more. Further, the subcontractor has made a substantial LANL specific SRCDP commitment, exceeding $40K cash contributions per year as well as hundreds of man-hours for voluntary community service in Northern New Mexico.

The investment required to support these requirements is very substantial. Beyond the large staff required, the subcontractor has substantial investments in facilities, equipment, vehicles, etc. When bidding on the contract, all of the bidders, including this subcontractor, had to factor in these costs as well as the probable sales volume in determining how to markup the price of goods sold on the contract.

Over the years, the labs have been pressured by SCMC to shift the purchase of large individual orders off contract. That means that, for individual orders valued at $100K or more, the labs are more and more
often putting those orders out for open bid, using the SCMC reverse auction site, rather than placing the order using the subcontractor’s contract. When put out for bid this way, the labs are waiving virtually all of the requirements placed on the subcontractor for these specific orders. That means that other bidders competing for these specific opportunities do not incur any of the expenses that the subcontractor incurs. Whether the subcontractor wins these bids or not, the subcontractor still incurs most of the expenses involved in operating the contract. Further, even if the labs buy the equipment from other bidders, the labs pressure and expect the subcontractor to still service the equipment even though they didn’t buy it from the subcontractor. Finally, while the labs may save a small amount of money on these orders individually, they incur even greater costs for managing the bidding process and have to provide many other services (e.g. property tagging, delivery coordination, etc.) themselves that the subcontractor traditionally provides, thus incurring additional internal labor costs and creating delays.

As this trend continues, the subcontractor estimates that between 25% and 50% of total order volume will be shifted off contract in the next two years, but its operating costs will remain fairly consistent. Ultimately, the labs and the subcontractor will have to renegotiate the pricing model, allowing the subcontractor to increase the markup percentage on the remaining items sold on contract so that it can remain a viable contract.

SCMC cites the fact that the subcontractor’s normal contract price is being beat, using the reverse auction system, as evidence that the labs are not getting the best possible price on contract and as proof that the reverse auction method is saving DOE and NNSA money. However, SCMC never addresses the additional costs incurred by the labs to process orders this way or the increased cost to the labs for services they have to perform on their own that the subcontractor normally provides for orders placed on contract. In the end, it is questionable whether this model truly saves money or if it actually increases costs.
MEMORANDUM FOR THE MANAGER, LOS ALAMOS FIELD OFFICE, NATIONAL NUCLEAR SECURITY ADMINISTRATION

FROM: Sandra D. Bruce  
Assistant Inspector General  
for Inspections  
Office of Inspector General

SUBJECT: INFORMATION: Inspection Report on "Radiological Waste Operations in Area G at Los Alamos National Laboratory"

INTRODUCTION

Los Alamos National Laboratory (Los Alamos) has a national security mission that includes science, engineering and technology related to radioactive and hazardous materials such as plutonium, americium, asbestos and lead. Material Disposal Area G, located in Technical Area 54, is one of Los Alamos' active disposal areas for low-level radioactive waste. To help ensure that operations are conducted in a safe and efficient manner, Los Alamos developed a program to integrate management and radiological waste operations work practices in Area G. The National Nuclear Security Administration's (NNSA) Los Alamos Field Office is responsible for overseeing the operations of Los Alamos.

Title 10, Code of Federal Regulations, Part 830, Nuclear Safety Management, and Department of Energy (Department) and Laboratory requirements govern the conduct of Department contractors, personnel and other persons conducting activities that affect, or may affect, the safety of the Department's nuclear facilities. Assessments completed by the Los Alamos Field Office and the Department's Office of Enforcement and Oversight, Office of Health, Safety and Security in 2011 identified operational problems that could adversely impact safety at Los Alamos.

Because safety is an essential part of the Department's operations, we initiated an inspection to determine whether previously reported safety weaknesses had been addressed and whether radiological waste operations in Material Disposal Area G were being conducted in a safe manner.

RESULTS OF INSPECTION

We noted that Los Alamos developed corrective actions designed to address safety issues identified during the 2011 safety assessments. While progress had been made, our inspection
identified opportunities for further improvements regarding training, the consistency of Area G operational activities with safety requirements, and updating safety-related documents. Specifically, we found that:

- Seven individuals who worked in Area G did not complete the required safety training, and an additional two individuals' training files were not updated with the employees' most current training information.

- Some Area G operational activities were not conducted in a manner that was consistent with specific operational safety requirements. For example, during our tours of the facility we observed blocked emergency access roads, unsafe forklift operations, and potential cross-contamination of work/break areas.

- The *Technical Safety Requirements* document used to specify required safety and operational procedures contained numerous outdated or cancelled references.

In several observed instances, Los Alamos did not ensure Area G operated in a manner that supported the adequate protection of the workers and the environment, consistent with required safety standards and operational safety requirements. Further, Los Alamos did not periodically review the *Technical Safety Requirements* document to ensure that all references to applicable Laboratory procedures and Department and national consensus documents were updated and current. Because Los Alamos did not take sufficient steps to ensure that unsafe conditions were avoided or mitigated, these conditions may exist and could lead to personnel injury or property damage in Area G.

Based on these observations, we believe Los Alamos can take a number of steps to improve the safety of Area G operations for the workers. Therefore, we have made a number of recommendations designed to assist the NNSA with ensuring that Area G operations are conducted in a safe manner.

**MANAGEMENT REACTION**

Management generally agreed with the report's findings and recommendations and indicated it was in the process of implementing or completing corrective actions. However, management disagreed with our finding concerning the potential risk of spreading contamination between controlled and uncontrolled areas. While we agree that no accessible contamination was known to exist within the Radiological Controlled Area of Area G, and that the probability to spread contamination may not be great, we believe that the condition we observed did create the potential. The potential existed because employees were allowed to return to an area that they had just been cleared to leave. This occurred as a result of the circumvention of a radiological safety measure that was part of the site's overall radiation protection program (e.g. the use of hand and foot monitoring at the Radiological Controlled Area boundary). Management's formal comments are included in Appendix 2.
Attachment

cc: Deputy Secretary
    Administrator, National Nuclear Security Administration
    Chief of Staff
REPORT ON RADIOLOGICAL WASTE OPERATIONS IN AREA G AT LOS ALAMOS NATIONAL LABORATORY

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SAFETY ISSUES

In 2011, assessments completed by the Los Alamos Field Office (Field Office) and the Department of Energy's (Department) Office of Enforcement and Oversight, Office of Health, Safety and Security identified operational problems that could adversely impact safety at Los Alamos National Laboratory (Los Alamos). These assessments found deficiencies in environmental management, operations, safety basis procedures and engineering safety system oversight. In addition to these issues, we identified opportunities for further improvements regarding: (1) training discrepancies; (2) consistency of Material Disposal Area G (Area G) operational activities with operational safety requirements; and (3) the use of safety-related documents that referenced outdated requirements.

Training Discrepancies

We found that seven individuals who worked in Area G did not complete the required safety training. An additional two individuals' training files were not updated with the employees' most current training information. Examples of incomplete training included safety training in the areas of Radiological Worker, Resource Conservation and Recovery Act and Resident Employee Training that addresses field hazards. Training necessary to maintain specific skill proficiencies and unescorted entry into Area G was also not completed as required. Department Order 426.2, Personnel Selection, Training, Qualification, and Certification Requirements for DOE Nuclear Facilities, contains requirements to ensure personnel have requisite knowledge, skills and abilities to properly and safely perform work. The Los Alamos Standard Operating Procedures for Personnel, Training and Qualification requires personnel to receive training that addresses work-specific risks and hazards consistent with personnel roles and responsibilities. Responsible managers must identify the qualification requirements, training needs and proficiency requirements for personnel assigned to work.

Our review of Los Alamos' recently implemented training program, UTrain, which handles all employee training authorizations and training transactions, identified these errors. Specifically, our review of 42 files for employees working in Area G identified a total of 9 discrepancies. Four files showed that individuals had not maintained specific skill proficiencies, such as working around lead and asbestos, working in high noise areas and using fire extinguishers. Three files showed that individuals had not taken the necessary training courses to gain unescorted entry
into Area G, including *Hazardous Waste Operations* and *Emergency Response and Radiological Worker* training. Also, two other files were not updated with the employees' most current training information to include *Powered Air Purifying Respirator* and the *Hazardous Waste Operations and Emergency Response* training. Failure to take training necessary to maintain specific skill proficiencies could result in unsafe activities.

We also found that Los Alamos' implementation of UTrain could allow for future training discrepancies. As an example, training alerts were disseminated to employees by e-mail; however, if an employee did not have regular access to e-mail, the employee would not always know when training was required. Additionally, we were told by Los Alamos training officials that Laboratory craft workers were not receiving training alerts. We also noted that a number of Area G workers had similar issues. Failure to provide timely notification of training requirements could prevent Area G workers from maintaining the skill proficiencies in the areas previously discussed, which could result in Area G workers not being able to successfully deal with a safety incident or accident.

**OPERATIONAL SAFETY ISSUES**

Our review determined that some Area G operational activities were not conducted in a manner that was consistent with operational safety requirements. The following items are examples of concerns we found during our review.

**Roadway Emergency Access**

The emergency access roadway in Area G was blocked on two occasions; a practice that could limit access for wide vehicles such as ambulances and fire trucks. While there is no Los Alamos or Department policy or procedure that addresses this issue, the roadway in question is considered an "emergency access route" where the Los Alamos Fire Department has the responsibility to periodically conduct "walk-downs" to identify obstacles that impede emergency access. Therefore, we believe that delayed emergency vehicle access due to roadway obstruction could lead to additional and/or more severe worker injuries.

**Forklift Warning Systems and Spotter Positioning**

During four separate onsite visits, we found one forklift that did not have an audible reverse beeper and a forklift operator unloading drums who was not in line-of-sight and/or verbal communication with a spotter. This warning device and safe operating procedure are required by *EWMO* (Environment and Waste Management
Facility Operations) *DIVISION SPECIFIC FORKLIFT OPERATIONS* (EP-DIV-DOP-0111) and Los Alamos National Laboratory Procedure P101-4, *Fork Lift and Powered Industrial Truck*, respectively. Absent required audible warning devices on forklifts, a worker or workers not paying attention could be injured. Additionally, without proper spotter positioning and communication, a forklift operator could miss an obstruction and drop the load or injure other employees.

**Radiological Safety Practices**

Personnel moved between controlled (less than the releasable limit for radiological contamination) and uncontrolled (uncontaminated) zones, creating the potential to spread contamination to an uncontaminated facility. Specifically, a broken turnstile east of Area G forced employees to re-enter the controlled area after being cleared of contamination at a screening facility enroute to an uncontaminated break facility. With the turnstile broken, the employees went to the screening facility to be cleared for radiation contamination. The employees then obtained a key to a padlock for the vehicle gate, re-entered the controlled area to unlock the vehicle gate and walked to the break facility. Upon return, the employees repeated these steps. This condition conflicted with basic radiological safety practices outlined in Los Alamos National Laboratory Procedure P121, *Radiation Protection*, dated June 1, 2011. We were provided written notification that the turnstile was repaired on December 8, 2011.

NNSA disagreed with our statement that this issue created the opportunity for the spread of contamination to an uncontaminated facility. Area G is a Radiological Controlled Area (RCA) with Contamination Areas (CA) located within its boundaries. NNSA said that because processes are performed in the CA that could result in contamination such as "box remediation" and "drum venting," this area is subject to constant air monitoring and step off boundaries where anti-contamination clothing is taken-off and whole body monitoring is conducted. As an added safety measure, additional hand and foot monitoring is performed at the radiological buffer area around the CA and at the RCA boundary where the broken turnstile was located. NNSA took the position that as neither the RCA nor an uncontrolled area is "contaminated," there is no direct risk of spreading contamination via movement between those areas. NNSA said that while the observed temporary routing of employees through the RCA after screening is not the desired practice under routine operations, the action did not present a risk for the spread of contamination.
However, while we agree that no accessible contamination is known to exist within the RCA and that the probability to spread contamination may not be great, we believe that the condition we observed did create the potential for the spread of contamination outside the RCA. This potential existed because employees were allowed to return to an area that they had just been cleared to leave through the circumvention of a radiological safety measure that was part of the site's overall radiation protection program (e.g. the use of hand and foot monitoring at the RCA boundary). We believe that NNSA's intent to require Los Alamos to perform technical evaluations/justifications for future operational constraints of this type, to include recommendations for compensatory measures such as defined walkways from the monitoring station to the exit, should ensure that such constraints are managed in a manner consistent with the site's overall radiation policy.

Other Safety Concerns

We noted the following additional safety concerns during our walkthrough:

- Failure to properly "chock" wheels on one parked truck, as required by local safety regulations, creating the potential for property damage or injury to personnel;

- Failure to comply with aisle width standards between container stacks in one instance, as required by the Waste Disposition Project Resource Conservation and Recovery Act Inspections document, potentially hampering emergency operations; and,

- Missing the annual safety certification tag on a bridge ladder, as required by the Waste Disposition Project Resource Conservation and Recovery Act Inspections document, potentially compromising the safety of workers. The ladder was not in use at the time.
OUTDATED SAFETY DOCUMENTS

We found that the Technical Safety Requirements document in effect during our review contained numerous outdated or cancelled references to performance requirements and standards. Specifically, the Technical Safety Requirements document contained 29 Los Alamos references, of which 21 were either previously cancelled or replaced. For example, this document referenced Los Alamos Performance Requirement 230-02-00, Facility Condition and Inspections that was cancelled by Los Alamos National Laboratory Procedure P951, Conduct of Maintenance, in September 2006. Additionally, the eight remaining references were found to address outdated Department and national consensus documents. For example, Department Order 5700.6C, Quality Assurance, was cancelled by Department Order 414.1, Quality Assurance, that has since become Department Order 414.1D. In addition, National Fire Protection Association's (NFPA) 1999 edition of NFPA 70: National Electrical Code, was cited instead of the current 2011 edition, and the Institute of Nuclear Power Operations (INPO) 90-020, Performance Objectives and Criteria for Corporate Evaluations, was cited instead of the current, INPO 05-003 Performance Objectives and Criteria.

The Basis for Interim Operations was intended to update and replace the Documented Safety Analyses and the Technical Safety Requirements documents. The Field Office had required Los Alamos to review and modify approximately 150 policy and procedural documents. These support the Basis for Interim Operations and Technical Safety Requirements that were approved on March 1, 2012. NNSA agreed that the references had not been updated in the currently approved and implemented Documented Safety Analyses. NNSA also indicated that a new Area G Documented Safety Analyses was approved in March 2012 and does have updated references, but has yet to be implemented. In addition, NNSA indicated that safety basis documents undergo an annual review and approval process as required by Title 10 Code of Federal Regulations (CFR) 830.202 and that references were updated in the Area G Technical Safety Requirements document in September 2012. NNSA indicated that the words "or successor document" were added to references to ensure that the Technical Safety Requirements document remains current and technically accurate, even when reference changes occur between Technical Safety Requirements updates.
However, given the fact that the current *Technical Safety Requirements* document contained numerous outdated references, and that some of the outdated or cancelled references survived the annual review and approval process, we believe that continued attention to this issue is warranted to ensure that references to performance requirements and standards are kept current.

**CONTRIBUTING FACTORS AND IMPACT**

The issues discussed in this report occurred, in part, because Los Alamos did not always ensure Area G personnel operated in a manner that supported the adequate protection of the workers and the environment under the nuclear safety requirements of Title 10, CFR, Part 830, and related Department and Los Alamos requirements. Additionally, Los Alamos did not ensure that all personnel working in Area G were fully trained to perform required duties, and that UTrain files were updated to reflect current training records. Also, Los Alamos did not ensure that Area G operational activities were consistent with specific operational safety requirements. Finally, while the *Technical Safety Requirements* document had been reviewed as late as January 2012, Los Alamos did not properly ensure that all references to applicable Laboratory procedures and Department and national consensus documents were updated and current.

As a consequence, unsafe conditions could lead to personnel injury or property damage in Area G. Specifically, because of training deficiencies, some individuals may have been performing work activities without the necessary skills. In addition, some individuals may not have been aware of the applicable policies and procedures necessary to perform work in a safe manner. Because Area G operational activities were not always consistent with specific operational safety requirements, the potential exists for unsafe conditions that could have led to personnel injury or property damage. Finally, because of outdated references to requirements in safety-related documents, Los Alamos workers could have performed procedures that did not conform to current standards.

**RECOMMENDATIONS**

To address the issues outlined in our report and to help prevent recurrence, we recommend that the Manager, Los Alamos Field Office:

1. Ensure Area G employees receive UTrain notifications and take the training required to maintain current skills and perform work involving nuclear waste operations in a safe manner;
2. Ensure Area G operational activities are consistent with specific operational safety requirements, such as those found in the *Waste Disposition Project Resource Conservation and Recovery Act Inspections* document; and,

3. Conduct periodic reviews of Los Alamos safety-related documents to ensure that references such as Los Alamos performance requirements, Department requirements and national consensus documents are current.

**MANAGEMENT REACTION**

Management generally agreed with the report's findings and recommendations and indicated it was in the process of implementing or completing corrective actions. However, management disagreed with the finding concerning the potential risk of spreading of contamination between controlled and uncontrolled areas. NNSA believes the issue relates to a misinterpretation of existing policies relating to controlled and uncontrolled areas.

Management comments have been provided in their entirety in Appendix 2.

**INSPECTOR COMMENTS**

Management's comments and planned corrective actions are generally responsive to our report findings and recommendations. With regard to management's disagreement on the issue of spreading contamination, we agree that no accessible contamination was known to exist within the RCA of Area G, and that the potential to spread contamination may not be great. However, we believe that the condition we observed did create the potential for the spread of contamination outside the RCA. The potential existed because employees were allowed to return to an area that they had just been cleared to leave. This occurred as a result of the circumvention of a radiological safety measure that was part of the site's overall radiation protection program (e.g. the use of hand and foot monitoring at the RCA boundary).
Appendix 1

**OBJECTIVE**

The objective of this inspection was to determine whether previously reported safety weaknesses had been addressed and whether radiological waste operations in Material Disposal Area G (Area G) were being conducted in a safe manner.

**SCOPE**

This inspection was conducted from September 2011 through March 2013, at the National Nuclear Security Administration (NNSA) Albuquerque Complex, the Los Alamos Field Office (Field Office) and the Los Alamos National Laboratory (Los Alamos).

**METHODOLOGY**

To accomplish the inspection objective, we:

- Reviewed and analyzed Title 10, Code of Federal Regulations, Part 830, *Nuclear Safety Management*, and Department of Energy (Department), NNSA and Los Alamos guidance and requirements documents;

- Received informational briefings from the Department, NNSA and Los Alamos personnel;

- Participated in a video conference with the Department's Environmental Management officials;

- Interviewed personnel at the Field Office and Los Alamos;

- Conducted four walkthroughs of Area G; and,

- Received a UTrain familiarization briefing and reviewed Los Alamos training records.

This inspection was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*, January 2012. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives. Accordingly, the inspection included tests of controls and compliance with laws and regulations to the extent necessary to satisfy the inspection objective. In particular, we assessed the Department's compliance with the *Government Performance and Results Act Modernization Act of 2010* by reviewing Los Alamos' performance measurement.
Appendix 1 (continued)

processes related to the Safety Program. We found that Los Alamos National Security, LLC, had performance measures in the areas of *Legacy Transuranic Waste Disposition, Sustained Implementation of Formality of Operations, Conduct of Operations Maturity*, and *Conduct of Training*. These measures appear to address training, operational safety and the Documented Safety Analyses. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our inspection. Finally, we relied on computer-processed data, to some extent, to satisfy our objective. We confirmed the validity of such data, as appropriate, by conducting interviews and reviewing source documents.

The exit conference was waived by NNSA management.
LANL revenues uncertain as nuclear stockpile costs rise

By Staci Matlock
The New Mexican | Posted: Sunday, January 12, 2014 8:00 pm

The costs of maintaining and modernizing the nation’s nuclear weapons are spiraling upward, setting taxpayers up for sticker shock in the next decade, according to recent reports and nuclear watchdog groups.

The staggering costs — more than $350 billion over the next 10 years, according to one federal agency — already have been a source of tension between federal lawmakers and the White House as they prepare for a defense spending package and the omnibus budget. The final budget is due out soon.

Los Alamos National Laboratory, the birthplace of nuclear weapons, depends heavily on funding for the nuclear stockpile and is impacted by any cuts. More than half of the lab’s revenues come from federal funding to keep the plutonium pits used in warheads safe and secure, produce new pits and help redesign warheads.

A report last month by the Congressional Budget Office estimated the cost to maintain and modernize the nuclear stockpile at $355 billion by 2023. A separate report this month by the James Martin Center for Nonproliferation Studies at Middlebury College goes further, putting the costs at more than $1 trillion over the next 30 years. That doesn’t include costs for cleaning up legacy waste from past nuclear weapons development, dismantling nuclear warheads or paying the pensions and health care of people working in the programs.

Both anti-nuclear activists and those who support a strong nuclear deterrent program think there needs to be better cost accounting for policymakers to decide which programs to fund in the decades ahead.

Advocates for the nuclear stockpile projects, like the National Nuclear Security Administration, say they are needed to keep the nuclear arsenal in fighting shape and deter attacks on the United States and its allies.
Critics say the agency and Congress must take a harder look at the need for some of those projects and their costs.

Eight facilities make up the United States’ nuclear weapons complex, including LANL and Sandia National Laboratories. Together, the facilities oversee maintenance of existing nuclear warheads, replacing and modernizing them.

The United States government is determined to maintain and improve its nuclear triad, which consists of bombers carrying ballistic missiles, intercontinental ballistic missiles and ballistic missile submarines, according to the Congressional Budget Office report and the White House Nuclear Posture Review from 2010.

But the stockpile program has come under increasing scrutiny in recent years as cost overruns on nuclear stockpile programs and security breaches have plagued some of the facilities, including LANL.

A $213 million project to improve security around the lab’s plutonium facility at Technical Area-55 was delayed a year and cost an additional $41 million due to poor construction and management problems. A multimillion-dollar project to improve security around the lab’s plutonium facility at Technical Area-55 was delayed a year and cost an additional $41 million due to poor construction and management problems. A multimillion-dollar project to improve security around the lab’s plutonium facility at Technical Area-55 was delayed a year and cost an additional $41 million due to poor construction and management problems.

A U.S. Government Accountability Office report in the fall found 10 major projects were $16 billion over budget and a combined 38 years behind schedule. Other projects already in the works were canceled because they were too expensive.

Meanwhile, the lab has grappled with reduced revenues of $457 million in the last two years. Only the revenues for nuclear programs increased. To deal with the budget decrease, the lab has reduced staff by more than 1,300 employees through layoffs or attrition, including contractors and career staff.

The Congressional Budget Office released a report in late December projecting the costs of the U.S. nuclear forces from 2014 to 2023 at an estimated $355 billion.

Line by line, the Congressional Budget Office staff combed through the long-term budgets of the Department of Defense and the Department of Energy, looking at the costs associated with nuclear programs. The analysis only included the costs of maintaining and modernizing the nuclear weapons that can be launched from air, land and sea. The agency also looked at the probable unbudgeted costs for the programs based on the historical overruns.

Those costs don’t include another $215 billion to clean up the legacy radioactive waste from past nuclear activities, defense missile
programs, threat reduction and arms control. More than $74 billion of that is estimated for cleanup efforts alone, like those occurring at Los Alamos National Laboratory.

New watchdog groups such as the Los Alamos Study Group, which usually find such reports lacking, applauded this one.

“This report is by far the best and most authoritative on nuclear weapons costs over the coming decade,” said Greg Mello, co-founder of the Los Alamos Study Group. “Until now, these huge costs have been carefully shielded from the public eye. CBO uses past cost overruns to guide their estimates, but we believe the data show cost overruns are increasing — as are project cancellations. The long and short of it is that these modernizations will not all take place.”

A lot of the money after this year will be spent on “modernizing” the nuclear arsenal, a move that some New Mexico nuclear advocates say is unnecessary. Moreover, Mello said, “vast streams of money go to the weapons programs,” and few people really understand the total costs.

Authors of this month’s Trillion Dollar Nuclear Triad report from the Center for Nonproliferation Studies at Middlebury College say it unveils the true future costs of the nuclear programs, which a nation struggling with a budget deficit can ill afford.

“The United States plans, from 2024-29, to build five strategic submarines, 72 strategic bombers and 240 intercontinental ballistic missiles,” said the center’s deputy director, Jon Wolfsthal. “This represents more delivery vehicles than the combined nuclear forces of China, the United Kingdom and France.”

Wolfsthal supports nuclear weapons as a deterrent, but he said lawmakers need to understand the costs better. Redesigning and testing nuclear weapons takes well over a decade, and those costs are hard to capture. “I’m not a critic of appropriate spending,” he said. “But today’s Congress is assigning a mortgage for the U.S. taxpayer in 20 to 30 years.”

When the bill comes due in 2024 and beyond, taxpayers could feel the same dismay as a homeowner suddenly faced with a balloon payment.

The report recommends that Congress require the Department of Defense to craft an annual estimate of the lifetime costs for maintaining and replacing nuclear weapons systems.

*The Associated Press contributed to this report.*

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