

Statement of Gregory H. Friedman

Inspector General

U.S. Department of Energy

Before the

Subcommittee on Environment and the Economy

of the

Committee on Energy and Commerce

U.S. House of Representatives

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Mr. Chairman and members of the Subcommittee, I am pleased to be here at your request to testify on matters relating to the Department of Energy's Yucca Mountain Project.

As you know, issues surrounding the termination of the Project have been widely publicized. They directly impact the Department's responsibilities to manage legacy waste generated from nuclear weapons production and to accept and dispose of spent nuclear fuel emanating from commercial nuclear reactors.

The United States has invested nearly 30 years of effort and expended over \$15 billion to develop a nuclear waste repository. Nearly \$9 billion of these expenditures was funded by fees paid into the Nuclear Waste Fund by users of nuclear-powered electricity and the balance by the Department and the Nation's taxpayers. Establishing a secure and scientifically sound method for storage and disposal of high-level nuclear waste and spent nuclear fuel is critical to ongoing environmental remediation efforts at many Department of Energy legacy sites and to the Nation's nuclear power industry.

Current Status of Repository Development

As you are aware, the Department's Fiscal Year 2011 budget included no funding for the Yucca Mountain Project. Additionally, the Department disbanded the Office of Civilian Radioactive Waste Management, whose programmatic mission was the management and disposal of high-level radioactive waste and spent nuclear fuel. Virtually all personal property and facilities relating to the Project have been either been disposed of or reassigned, and the site is in "cold standby" status.

On January 29, 2010, the Department announced the formation of a Blue Ribbon Commission on America's Nuclear Future to conduct a comprehensive review of policies for managing the back end of the nuclear fuel cycle, including all alternatives for the storage, processing, and disposal of civilian and defense nuclear waste. On May 13, 2011, the Commission issued draft recommendations associated with developing a safe, long-term solution to managing nuclear waste.

Office of Inspector General Reviews Relating to the Yucca Mountain Project

Over the past several years, the Office of Inspector General has completed a substantial amount of work related to the Yucca Mountain Project. A complete listing of the relevant Inspector General reports is included in the attachment at the end of my testimony. Specifically, we reported on:

- Issues with the implementation of a Corrective Action Program to identify and resolve all potential conditions adverse to quality that could affect the license application for the Project. We found that conditions continued to occur after management reported that appropriate corrective actions had been taken;
- The disposition of excess property for which the Government received no monetary benefit. The Department gave a contractor title to approximately 9,000 metric tons of property and derived no benefit from the sale of potentially reusable property, such as a drilling rig, diagnostic trailers, and several tons of iron and steel;
- Problems relating to the development, maintenance, and quality assurance over licensing activities and data maintained in the Licensing Support Network;
- The inappropriate usage by the State of Nevada and affected units of local government of oversight funds provided by the Department; and,

- Payment by the Department of performance-based incentives to the Yucca Mountain Project contractor even though the contractor did not meet performance expectations.

In addition, we have performed several audits that focused on the progress in preparing nuclear waste from Departmental sites for disposal at Yucca Mountain. Finally, Nuclear Waste Fund and Project financial issues are regularly included in the scope of financial statement audits conducted under the auspices of the Office of Inspector General.

Office of Inspector General Reviews Relating to the Closure of the Yucca Mountain Project

Over the last year, the Office of Inspector General has completed work relating to the shutdown of the Project. Specifically, after the Department announced its decision to terminate the Project, we reported that a plan to ensure an orderly shutdown had not been developed. Due to the lack of a formal plan, we outlined a number of lessons learned based on problems we had observed during prior reviews of other project closure activities. In particular, we pointed out that the Department should focus on disposing of personal property; maintaining intellectual, scientific, and technology property; managing the close-out process for prime and sub-contracts; and administering benefits for contractor employees formerly working at the Project.

Additionally, a recent Office of Inspector General report identified approximately \$175 million in questioned and unresolved costs that the Department needed to address as part of its Yucca Mountain Project contract close-out effort. Our review determined that a significant amount of these questioned, unresolved, and potentially unallowable costs had accumulated over a number of years.

Issues Requiring Continuing Attention

We have repeatedly expressed concern regarding the Department's activities to ensure the effective disposal of nuclear waste as part of our annual Management Challenges report to the Department and Congress. Specific concerns relate to the potential financial and environmental impacts associated with the termination of the Project.

The Yucca Mountain Project played a central role in the Department's planned disposal of significant quantities of high-level waste now in temporary storage or being recovered at sites including the Savannah River Site in South Carolina, the Oak Ridge Reservation in Tennessee, and the Hanford Site in Washington. Delays in the opening of Yucca Mountain have, as demonstrated by a number of financial and performance audits, increased the ultimate cost of disposal of this waste. It is likely that the closure of the Project will significantly impact the Department's future environmental remediation liability, currently estimated to be \$250 billion. We will further evaluate the impact of the closure as part of the ongoing financial statement work.

Further, unless a repository or other alternative strategy becomes available in the near term, the Department may miss a number of deadlines that are part of tri-party settlement agreements with Federal and state regulators. If history is any indication, the Department may be subject to significant assessments as a result of the missed deadlines. For example, as of September 30, 2010, more than \$800 million had been expended by the Judgment Fund, administered by the Department of the Treasury, for payments to commercial nuclear waste producers for delayed acceptance of nuclear waste. Overall, the Department has estimated its contingent liability for spent nuclear fuel litigation to be approximately \$15.4 billion.

In summary, in our judgment, the need to develop a viable, effective, and acceptable path forward for nuclear waste disposal becomes more challenging day by day. The United States has announced plans to dismantle a significant part of its nuclear weapons stockpile with the unavoidable reality of increasing the volume of defense nuclear waste. Further, commercial nuclear waste, which was to represent 90 percent of the waste stored at Yucca Mountain, continues to be generated at nuclear power facilities across the Nation. To paraphrase one draft recommendation from the Subcommittee on Transportation and Storage of the Blue Ribbon Commission on America's Nuclear Future, the United States should proceed expeditiously to develop an integrated, comprehensive plan for managing the back end of the nuclear fuel cycle.

Mr. Chairman, this concludes my statement and I would be pleased to answer any questions you may have.

**Department of Energy Office of Inspector General
Yucca Mountain Project Relevant Reports**

	Title	Report Number	Date Issued
1.	Management Challenges at the Department of Energy	IG-0844	2010-11-16
2.	Office of Civilian Radioactive Waste Management's Fiscal Year 2010 Financial Statement	OAS-FS-11-03	2010-11-15
3.	Resolution of Questioned, Unresolved and Potentially Unallowable Costs Incurred in Support of the Yucca Mountain Project	OAS-SR-10-02	2010-07-29
4.	Audit Coverage of Cost Allowability for Bechtel SAIC Company, LLC During Fiscal Years 2004 Through 2009 Under Department of Energy Contract No. DE-AC28-01RW12101	OAS-V-10-15	2010-07-29
5.	Need for Enhanced Surveillance During the Yucca Mountain Project Shut Down	OAS-SR-10-01	2010-07-21
6.	Yucca Mountain Project Purchase Card Programs	INS-O-09-04	2009-08-20
7.	Yucca Mountain Project Document Suspension	OAS-M-08-07	2008-04-28
8.	Review of Alleged Conflicts of Interest Involving a Legal Services Contractor for the Yucca Mountain Project License Application	IG-0792	2008-04-02
9.	Design of the Engineered Barrier System at the Yucca Mountain Site	OAS-L-07-08	2007-02-27
10.	Management Challenges at the Department of Energy	IG-0748	2006-12-13
11.	The Office of Civilian Radioactive Waste Management's Corrective Action Program	IG-0736	2006-08-16
12.	Management Controls over Cesium and Strontium Capsule Disposition at the Hanford Site	OAS-M-06-06	2006-08-04
13.	Management of Spent Nuclear Fuel at the Savannah River Site	IG-0727	2006-05-12
14.	Allegations Involving False Statements and False Claims at the Yucca Mountain Project	I05LV002	2006-04-25
15.	Quality Assurance Weaknesses in the Review of Yucca Mountain Electronic Mail for Relevancy to the Licensing Process	IG-0708	2005-11-09
16.	Use of Performance Based Incentives by the Office of Civilian Radioactive Waste Management	IG-0702	2005-09-30

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	Title	Report Number	Date Issued
17.	Use of Oversight Funds by the State of Nevada and Affected Units of Local Government	IG-0696	2005-07-29
18.	Assessment of Changes to the Internal Control Structure and their Impact on the Allowability of Cost Claimed by and Reimbursed to Bechtel SAIC Company, LLC Under Department of Energy Contract Numbers DE-AC08-01NV12101, and DE-AC28-01RW12101	OAS-V-05-03	2005-01-31
19.	Property Disposals at the Yucca Mountain Project	IG-0664	2004-09-27
20.	Management Controls Over the Licensing Support Network for the Yucca Mountain Repository	OAS-M-04-04	2004-05-20
21.	Oversight Funds Provided to Local Governments in the State of Nevada	IG-0600	2003-05-23
22.	State of Nevada Yucca Mountain Oversight Funds for Fiscal Year 2001	CR-C-02-01	2002-08-22
23.	Yucca Mountain Surface Facilities	WR-L-02-02	2002-04-11
24.	Review of Alleged Conflicts of Interest Involving a Legal Services Contract for the Yucca Mountain Project	I01IG001	2001-11-13
25.	Yucca Mountain Project	I01HQ005	2001-04-23
26.	Management of the Site Characterization Program at Yucca Mountain	IG-0366	1995-02-15
27.	TRW Environmental Safety Systems, Inc.'s Disclosure Statement Adequacy and Cost Accounting Standards Compliance	CR-L-94-33	1994-09-30
28.	Audit of Costs and Management of the Yucca Mountain Project	IG-0351	1994-06-23
29.	Follow-up Audit of the Cask Development Program	IG-0345	1994-03-15
30.	Assessment of Changes to the Internal Control Structure and their Impact on the Allowability of Costs Claimed by and Reimbursed to TRW Environmental Safety Systems, Inc. Under Department of Energy Contract No. DE-AC01-91RW00134	CR-V-94-04	1994-03-01
31.	The Office of Civilian Radioactive Waste Management	WR-L-92-14	1991-12-06

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	Title	Report Number	Date Issued
32.	Credits Due the Department of Energy for Funding High-Level Nuclear Waste Management Research and Development	IG-0287	1990-08-08
33.	The Proposed Maintenance and Operating Contract for Office of Civilian Radioactive Waste Management	CR-LC-89-2	1988-10-28