

**Statement of J. E. "Jack" Surash
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Office of Environmental Management
United States Department of Energy
On
Department of Energy's Major System Construction Projects
Before the Subcommittee on Energy and Water Development
Committee on Appropriations
United States House of Representatives**

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Good morning, Mr. Chairman, Ranking Member Kaptur, and Members of the Subcommittee. Thank you for having me here today to provide you an update on the Department of Energy's Office of Environmental Management (EM) major system construction projects and the progress in implementing contract and project management reforms.

I am Jack Surash, Deputy Assistant Secretary for Acquisition and Project Management (APM) in the Office of Environmental Management (EM). I am a registered professional engineer and have been with the Department for seven years. Previously, I served as a U.S. Navy Civil Engineer Corps Officer for nearly 28 years. Similar to Department of Energy's (DOE) Office of Acquisition and Project Management and the National Nuclear Security Administration (NNSA) Office of Acquisition and Project Management, the EM Office of Acquisition and Project Management was established in February 2012 to provide integrated acquisition and project management services for the EM Complex. My office provides project management assistance, independent project oversight, and performance evaluation. My office is also responsible for effective and efficient operation of the procurement functions within EM, including the management of the closeout of EM's program for American Recovery and Reinvestment Act of 2009.

Updates on Major Projects

The Office of Environmental Management is continuing to make progress with the construction of its two largest projects -- the Waste Treatment and Immobilization Plant in Richland, Washington and the Salt Waste Processing Facility in Aiken, South Carolina.

The Waste Treatment and Immobilization Plant (WTP) is vital to the DOE's mission to treat and immobilize in glass the bulk of approximately 56 million gallons of radioactive waste stored in 177 underground storage tanks at the Hanford site. Physical construction on this project is approximately 62% complete. Currently, DOE is focused on resolving the technical issues with

the Pretreatment Facility and the High-Level Waste Facility. Over the last several months, the Energy Secretary and a number of top scientists and engineers have been reviewing many aspects of the project. Approaches are being evaluated to resolve the criticality, hydrogen generation, erosion/corrosion, and tank mixing issues. Technical teams were developed as a result of this review drawing upon expertise from academia, industry, and the Department's national laboratories. The Department is committed to resolve these issues in order to produce a high-confidence design and baseline for the Pretreatment and the High-Level Waste facilities of the WTP, prior to resuming full construction activities. While DOE works towards resolution of these technical issues, we expect to provide direction to the contractor to begin ramping-up construction activities in the High-Level Waste Facility in areas not impacted by technical issues.

For other parts of WTP, the Low-Activity Waste Facility, Analytical Laboratory and the Balance of Facilities (support facilities), full construction continues.

EM's second largest construction project is the Salt Waste Processing Facility (SWPF), which will process 31 million gallons of the liquid radioactive waste inventory at the Savannah River Site. Physical construction on this project is approximately 69% complete. A pilot version of the plant has been operational since 2008, and as a result we have high confidence in the technical capabilities of SWPF. To date, the pilot plant has processed over 3 million gallons of tank waste. Due to delays in the delivery of key facility components at acceptable quality levels for nuclear facilities, SWPF is experiencing cost over-runs and schedule delays. Since the delivery of the key facility components last year, we are working closely with our contractor to identify the most economical and timely path for completion of this project.

EM Has Made Progress in Implementing Contract and Project Reforms

EM's contract and project management has long been designated a governmental "high risk area" by the Government Accountability Office (GAO). I am pleased to report that in the 2013 biennial update, the GAO narrowed the scope of its high risk designation, focusing on EM capital asset projects with costs greater than \$750 million. In the 2013 biennial update, GAO recognized EM management for demonstrating "strong commitment and top leadership support for improving contract and project management." I view our improvements as a journey and not a destination. A number of improvements have been made and we will continue to develop and apply further improvements in the future.

Key reforms EM has instituted include implementing policies requiring more front-end planning; ensuring federal project directors and contracting officers have access to relevant training to help enhance their contract and project management knowledge; improving cost estimating; conducting more frequent project reviews by peers and experts in project

management to ensure issues are identified early and lessons learned are being applied in real-time; selecting proper contract types; tying fee strategies to final outcomes; and restructuring our portfolio into smaller, better defined capital asset projects.

Additionally, we will adhere to the following guidance for contracts for complex nuclear capital construction projects:

- *Improved Upfront Planning.* We will assure proper upfront planning has been conducted so that requirements have been clearly identified and appropriate design maturity and technology readiness have been achieved and depending on the complexity of the project we now require 90 percent design completion prior to baseline approval. We will ensure that safety is fully integrated into design early in the project. We will make sure that contract requirements are clearly defined prior to issuing a solicitation for construction or major equipment purchases. We will also engage our internal and external oversight organizations such as Department of Energy's Office of Acquisition and Project Management and the Defense Nuclear Facilities Safety Board at every critical stage of project development to ensure their expertise is incorporated early in the process. We will also ensure the project is planned based on funding that is affordable and executable.
- *Contracting Strategy.* We will first consider the use of a firm-fixed-price contract to complete work requirements in order to cap the government's cost liability. When a firm-fixed-price contract is not the appropriate contract vehicle, we will incorporate contract clauses, such as liquidated damages (that provide an additional incentive for on-time delivery of products and services and make the Government whole for damages suffered as a consequence of non-performance), and ensure the contractor uses qualified and reliable sources for procurement of critical items. We will structure contracts such that all or a significant portion of the fee for interim milestones will be provided provisionally and must be returned if the contractor does not fulfill its ultimate contractual obligations. In cases where it is appropriate, and when the total cost to perform can be estimated with reasonable certainty, we will also use hard cost caps or a cost share approach to shift greater risk to the contractor.
- *Performance Measures.* We will put in place objective performance measures to the maximum extent possible to incentivize optimal contractor performance and reduce costs. We have also enhanced our performance reporting system to make actionable performance data available to each Acquisition Executive to maintain real-time situational awareness of costs, performance, and other important metrics so they can proactively engage and mitigate potential issues. We are also ensuring that contractor

performance continues to be reported into the Government's web-enabled contractor past performance database that is available for use in evaluating future contract awards. Finally, we will enhance the federal oversight of contractors to ensure products are delivered as specified on time and within budget.

- *Project Peer Reviews.* We have expanded the use of project peer reviews following a process similar to DOE's Office of Science. We have partnered with US Army Corps of Engineers to obtain cost estimating services as well as resources for project peer reviews.

Areas that Still Need Attention

Both WTP and SWPF were initiated over ten years ago long before we instituted these rigorous contract and project management processes. Applying the lessons learned over the last decade, we would have taken a different approach to WTP and SWFP. However, at every opportunity, we ensure the lessons from our new initiatives are being applied to these projects. Areas we are currently focused on include: resolving technical issues that have impacted the progress on the WTP, contract negotiations consistent with the Deputy Secretary's guidance on contractors accountability for their actions, and establishing new revised baselines for both projects.

Conclusion

Mr. Chairman, Ranking Member Kaptur, and Members of the Subcommittee, I am honored to be here today representing the Office of Environmental Management. EM is committed to achieving our mission and will continue to apply innovative environmental cleanup strategies to complete work safely, on schedule, and within cost thereby demonstrating value to the American taxpayers. I am pleased to answer any questions you may have.