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NM ENVIRONMENT DEPARTMENT
OFFICE OF THE SECRETARY

1996

Annual Report

National
Security

Environmental
Management

Science &
Technology
Management

Communication
& Trust

Business
Operations

Technical
Operations



United States Department of Energy
Albuquerque Operations Office



9716



Our Mission

AL will:

- *Maintain a safe, reliable nuclear weapons stockpile*
- *Manage nuclear materials awaiting permanent disposition*
- *Achieve a restored environment*
- *Support these missions with a strong science and technology base*

We will achieve these missions through:

- *Innovative leadership*
- *Safe, environmentally responsible operations*
- *Teaming with laboratories and plants*
- *Best business practices*
- *Results-oriented approaches*
- *Responsiveness to our customers*
- *Continuous improvement*

Our Vision

Our vision is to provide exceptional federal leadership of nuclear weapons/stockpile and nuclear materials programs.

Our Values and Keys to Future Success

*The hallmark of our organization
is the high standard of performance we set for ourselves.
We adopt and embrace the following set of values:*

Leadership is the foundation of our future.

As representatives of DOE AL, our responsibility is to be professionally competent. We teach and listen, encourage and inspire, set an example and reinforce organizational values.

People are AL's most important asset.

We value our diversity, knowledge, and individual contributions.

The integrity of AL is based on our personal and professional reputation.

We conduct ourselves within the highest standards of fairness, honesty, accountability, and professionalism.

Teamwork is vital to accomplishing our mission and realizing our vision.

We promote an atmosphere of communication, trust, and respect for others through cooperative teamwork.

Quality begins with the individual. Quality is both an ethic and a discipline.

We are committed to stewardship, continuous improvement, and professional excellence. Customers are our livelihood and therefore their satisfaction becomes our passion.

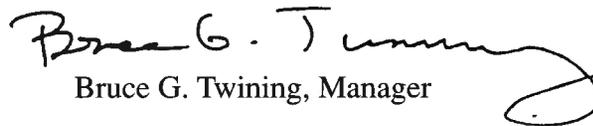
Albuquerque Operations Office

Albuquerque Operations Office is the largest field organization in the Department of Energy. Although its roots can be traced to the Manhattan Engineering District's efforts to provide the nation with a nuclear weapons capability, AL did not officially come into existence as a civilian organization until the establishment of the Atomic Energy Commission in 1956. Today, in managing a national program, our primary mission continues to be stewardship and maintenance of the nation's nuclear weapons stockpile. But as the Atomic Energy Commission evolved into its successor organizations, our mission portfolio diversified. In addition to our national security mission, we now also devote significant resources to restoring and improving the environmental quality of our operations, extending the contributions of our national laboratories to basic and applied research in science and technology, and improving America's industrial competitiveness.

We accomplish these missions by directly applying our Federal resources to achieving agency program objectives, and overseeing the contractors who operate the multi-program national laboratories, production facilities, and environmental management sites under our cognizance. With annual funding of over \$4 billion and a contractor work force of more than 25,000, AL's 1400-plus federal employees are engaged in challenging and complex program management and technical oversight. Our federal work force is well suited to the challenge. With 350 engineers, 191 scientific and technical staff, 121 program managers, administrators and analysts, 246 transportation security agents, 72 security specialists, and approximately 450 administrative and support staff located in eight offices at various locations around the country, AL has the requisite skills mix to be successful. We ensure integrated and cohesive management of those resources through a common understanding of our mission, vision and values, and by emphasizing accountability to the tenets of our published strategic plan (*located on the Internet at: <http://www.doeal.gov>*).

AL's work force reflects the cultural diversity of our region. That has been a key to our success, and gives us a real advantage. Our culture-rich organization guarantees a multi-dimensional perspective on the operational challenges facing us, an asset that has undoubtedly been a factor in our past recognition as a recipient of the Energy Quality and Quality New Mexico Awards, the ten Vice Presidential Hammer Awards our process quality teams have received, and the first DOE Procurement Excellence Award.

This annual report is an extension of AL's efforts to periodically measure progress toward achieving the goals, strategies, and success indicators embraced in our strategic plan. We hope the report is useful, informative, and meets your expectations. As with all our efforts, we encourage suggestions to improve its utility, and welcome your ideas for making it a better document.


Bruce G. Twining, Manager

Organizational Overview

The physical evolution of the nuclear weapons production complex and our environmental management mission have resulted in geographically dispersed operations for AL. Although our activity is primarily in the western part of the country and predominantly in New Mexico, we have an economic impact in eighteen states. The map below depicts the geographical scope of our operations.

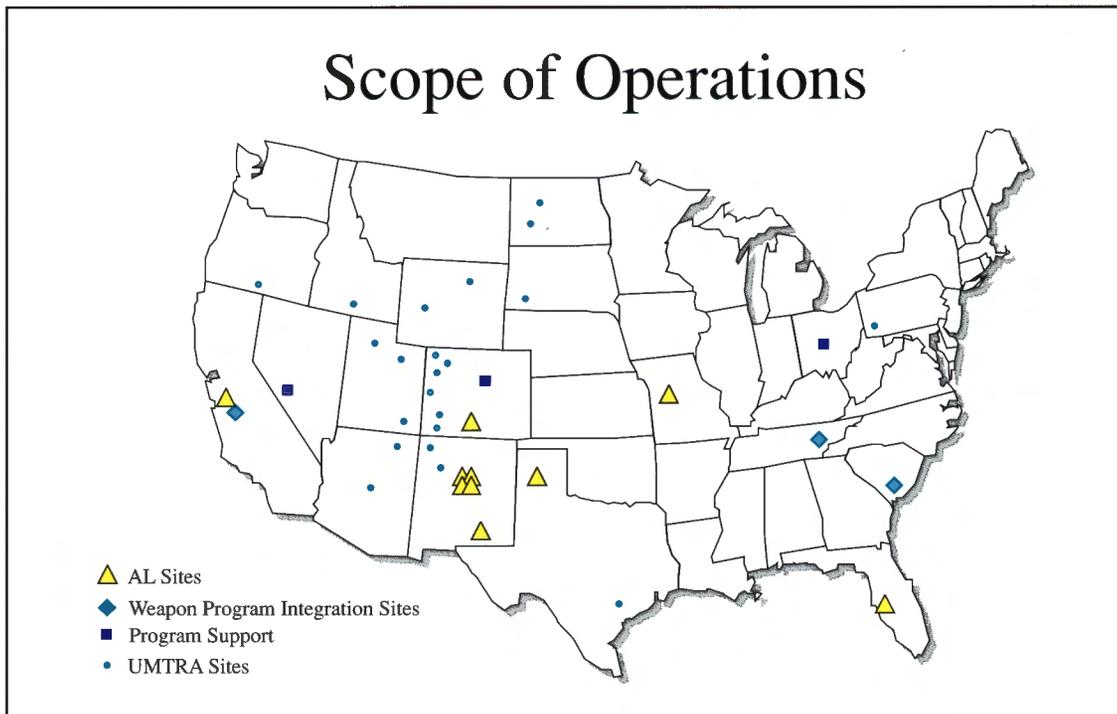


Figure 1. Geographical Map of Albuquerque Operations Office Activity

To integrate the management of our activities, we use five councils to plan, direct and control institutional direction and operational performance. Each council has a defined charter and consists of individuals with the requisite expertise and background to carry out that council's responsibilities. They are also balanced to ensure all elements of our operation are represented in the management policy-making processes.

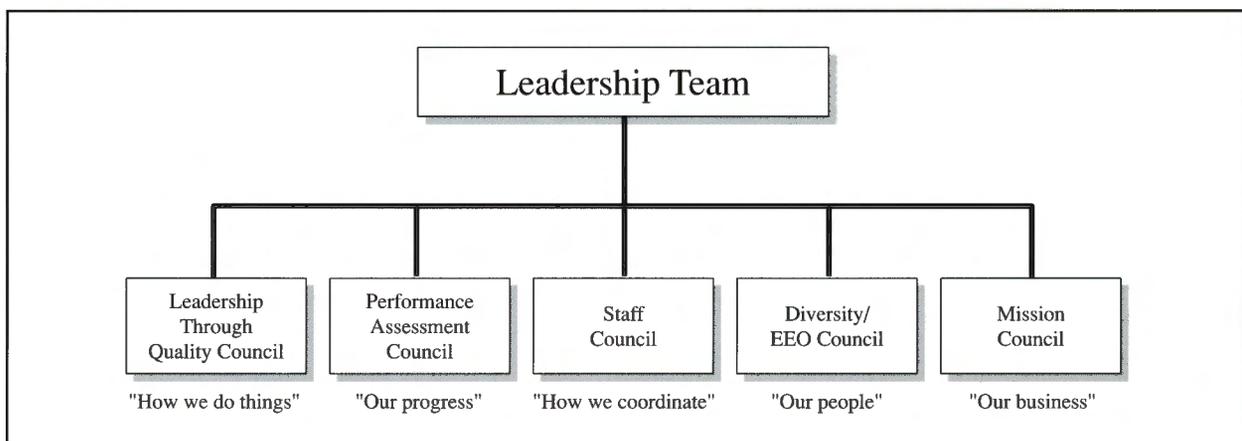


Figure 2. Albuquerque Operations Office Management System

Organizational Overview, continued

AL accomplishes many of its mission responsibilities through management and operating contractors. Our two national laboratories comprise the largest component of our contractor work force (over 14,000 employees): Los Alamos National Laboratory, operated by the University of California; and Sandia National Laboratories, operated by Lockheed-Martin Corporation. Five weapons production facilities are, in varying degrees, still actively supporting the stockpile management mission. Three of those are under contract to AL: the Kansas City Plant, operated by AlliedSignal-Federal Manufacturing Technologies; the Pantex Plant, operated by Mason & Hanger Corporation; and the Pinellas Plant, operated by Lockheed-Martin Specialty Components.

The remaining two production facilities are under contract to other DOE field offices, but continue to receive stockpile management program guidance from AL: the Y-12 Plant, operated by Lockheed-Martin Energy Systems; and the Savannah River Site, operated by Westinghouse-Savannah River. Four other major AL suppliers are: the Waste Isolation Project Plant, operated by Westinghouse Electric Corporation; the Inhalation Toxicology Research Institute, operated by the Lovelace Biomedical Research Institute; Ross Aviation; and the Grand Junction Office, operated by Wastren Incorporated and MacTec.

Our organizational structure reflects the diversity of our mission portfolio and the importance of our management and operating contractors to our missions. We have three Assistant Managers to plan, direct and control programmatic performance, two Assistant Managers to plan and direct crosscutting business and technical operations, and six Area Office Managers to direct and oversee the activities of each of our major operating contractors.

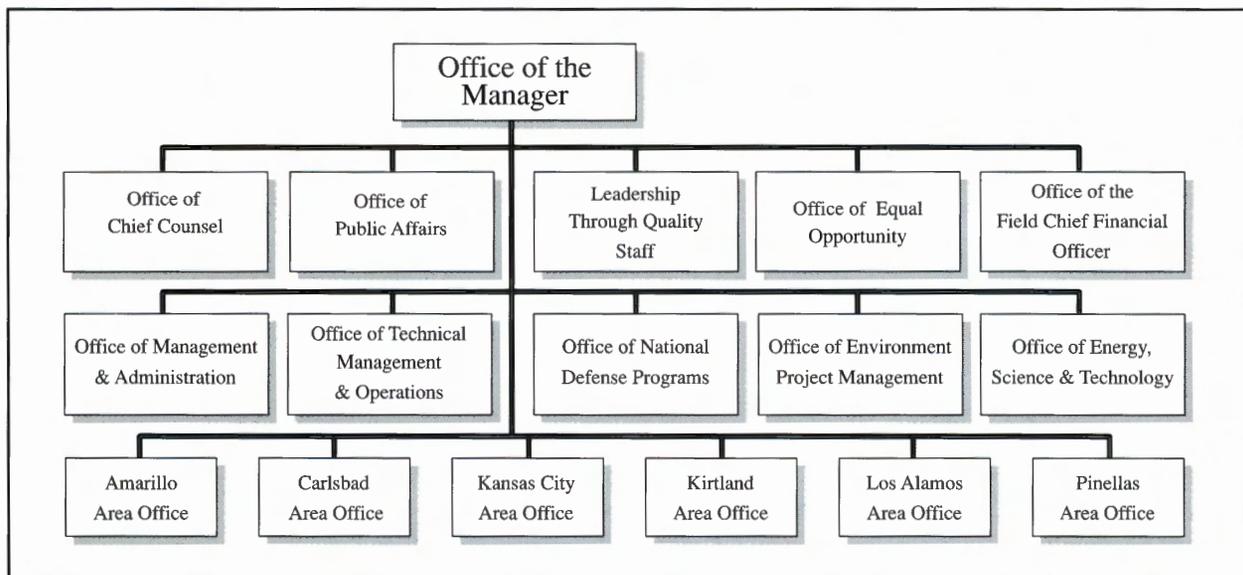


Figure 3. The Albuquerque Operations Office Organizational Structure

We are a large organization with stewardship responsibilities for over \$4 billion annually of taxpayer resources. Executing our assigned mission requires careful management of these resources, and comprehensive oversight to ensure they are being effectively applied to achieve the outcomes anticipated by Congress, senior program officials and, ultimately, the taxpayer. The following two-page financial statement provides insight to our operations.

**Department of Energy
Albuquerque Operations Office
Statement of Operations and Changes in Net Position
for the Period Ended September 30, 1996**

REVENUES AND FINANCING SOURCES

Appropriated Capital Used	\$ 3,238,201,236
Revenues from Goods & Services Provided	
Public	55,148,553
Intergovernmental	435,937,673
Other Revenues & Financing Sources	17,001,045
Less Receipts Transferred to Treasury & Other Agencies	(20,631)
Nuclear Waste Fund Deferred Revenue Adjustment	<u>367,209</u>
Total Revenues and Financing Sources	<u>\$ 3,746,635,085</u>

EXPENSES

Program Expenses	
Energy Resources	\$ 338,298,315
Science and Technology	109,974,625
National Security	1,914,763,049
Environmental Quality	665,179,711
Management and Other Activities	10,388,759
Cost of Goods Sold	
Public	53,069,159
Intragovernmental	429,643,949
Depreciation	334,094,745
Other Expenses	<u>(137,962,026)</u>
Total Expenses	<u>\$ 3,717,450,286</u>

Excess of Revenues and Financing Sources Over Expenses

Before Extraordinary Items	29,184,799
Extraordinary Items	<u>(24,352,777)</u>

Excess (Shortage) of Revenues and Financing Sources Over Total Expenses **\$ 4,832,022**

Net Position, Beginning Balance	\$ 23,304,371,499
Adjustments	(12,191,669)
Non Operating Changes	235,385,311

Excess of Revenues and Financing Sources Over Total Expenses **4,832,022**

Net Position **\$ 23,532,397,163**

**Department of Energy
Albuquerque Operations Office
Statement of Financial Position
for the Period Ended September 30, 1996**

ASSETS

Intragovernmental	
Fund Balance with Treasury	\$ 2,158,268,390
Accounts Receivable, net	190,240,704
Governmental	
Accounts Receivable, net	9,821,059
Nuclear Materials, net	20,509,032,950
Property and Equipment, net	2,878,866,115
Other Agency Assets	<u>104,064,050</u>
Total Agency Assets	\$ 25,850,293,268
Custodial Assets	<u>1,755,173</u>
Total Assets	<u>\$ 25,852,048,441</u>

LIABILITIES

Liabilities Covered by Budgetary Resources	
Accounts Payable, Intragovernmental	\$ 50,044,757
Accounts Payable, Governmental	631,137,621
Deferred Revenue and Other Credits	<u>42,599,964</u>
Total Liabilities Covered by Budgetary Resources	723,782,342
Governmental Liabilities not Covered by Budgetary Resources	
Pension and Other Actuarial Liabilities	1,553,133,780
Other Governmental Liabilities	<u>42,735,157</u>
Total Liabilities Not Covered by Budgetary Resources	<u>1,595,868,937</u>
Total Liabilities	<u>\$ 2,319,651,279</u>

NET POSITION

Balances	
Unexpended Appropriations	\$ 1,643,362,228
Invested Capital	23,447,175,844
Cumulative Results of Operations	(7,265,134)
Future Funding Requirements	<u>(1,550,875,776)</u>
Total Net Position	<u>\$ 23,532,397,162</u>
Total Liabilities and Net Position	<u>\$ 25,852,048,441</u>

National Security

Our goal is to serve the nation by being the program integrator for DOE weapons activities. We achieve this goal by safely managing weapons activities in a reconfigured complex and in an environment of effective safeguards and non-proliferation. Our success will be demonstrated by the condition and status of national security programs.

1996 Accomplishments

We were successful in meeting our national security objectives:

- We developed a schedule to bring all weapon operations at Pantex under Seamless Safety (SS-21) within five years. This plan represents a major commitment of federal, laboratory, and contractor resources to safe operations. Completed dismantlement of all B61-0 bombs as the first application of the SS-21 methodology.
- In support of post-Cold War disarmament, we safely dismantled 1,064 nuclear weapons at our plant in Amarillo, Texas. As Figure 4 depicts, more than 9,000 weapons have been removed from the U.S. inventory since 1990.
- AL's effort to reconfigure the non-nuclear activities of the nuclear weapons complex made significant progress. Our comprehensive study of the complex culminated in the publication of the *Stockpile Stewardship and Management Programmatic Environmental Impact Statement*, and paved the way for over 20 public hearings across the country to obtain stakeholder input on the proposed alignment. As far as the actual realignment of non-nuclear weapons activities, transfers of processes, staff, and equipment, we are now about 80% complete.
- AL led DOE's effort to secure a new, reliable source for the production of tritium. The Secretary accepted our recommendation of both the site and the contractor for the Accelerator Production of Tritium project.
- One of our critical missions we hope never to perform, is to lead the response to accidents involving U.S. nuclear weapons, a joint responsibility shared with the Department of Defense. We train continually for this vital task, and maintain our facilities, equipment, and emergency response staff in a constant state of readiness. Periodic exercises are used to sharpen response times and effectiveness, and significant effort has been expended to prepare for what will be the largest exercise in the history of DOE. "Exercise Digit Pace" will occur in May of 1997, and will involve more than 2,000 participants, a military airlift of support personnel and equipment, and include participation from other federal agencies and state, tribal, and local governments.
- With our secure transportation fleet we moved 551 weapon and special nuclear material shipments over 4.2 million miles. Five packaging certificates and 13 transportation authorizations were issued for weapon and material movements. New business produced \$4.3 million in reimbursable revenues for the Department; primarily from the Department of Defense, but we were also involved in an unusual secure cross-country shipment of historical treasures for the Smithsonian Institution in support of their 150th anniversary.

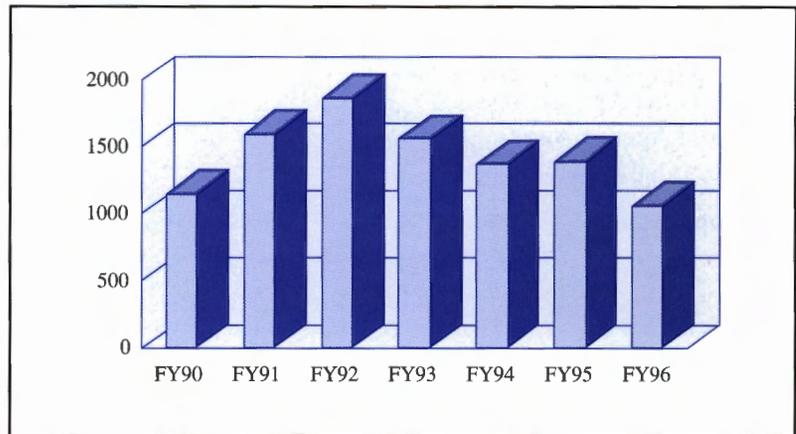


Figure 4. Nuclear Weapon Dismantlements, FY 1990-1996

- We completed the design of the Safeguards Transporter replacement trailer and took delivery of the prototype vehicle ahead of schedule and within estimated cost. We also completed production planning and developed strategies for proper sizing of the vehicle fleet for out-years.
- We authorized about \$40 million in reimbursable funding to various DOE laboratories to support dismantlement and nonproliferation activities within the independent states of the Former Soviet Union. These activities included emergency response capabilities, safety analysis of long-term storage facilities, and national nuclear material protection and accountability systems at nuclear sites in Russia, Belarus, Kazakstan, and the Ukraine.

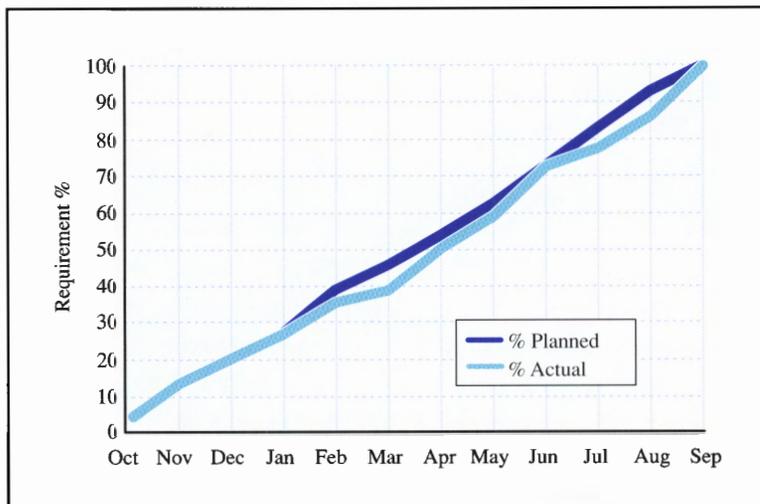


Figure 5. B83 Modification Status

- We improved the safety, reliability and control of the B83 modern strategic bomb and the B61 bomb through our stockpile modification program. The B83 modification was performed as a factory retrofit at the Pantex plant as shown in Figure 5. Reliability and safety evaluation tests were also completed on 116 weapons, either through joint flight tests with the Department of Defense or in DOE facilities.
- The Transportation and Safeguards Division successfully underwent an Inspection and Evaluation by the Headquarters Office of Environment, Safety and Health. The Division achieved satisfactory ratings in all areas and was awarded, for the first time in the department, a superior rating in resources management.

Near-Term Challenges

We expect 1997 to be as challenging and successful as 1996. During the remainder of the year we will:

- Safely dismantle approximately 900 additional nuclear weapons.
- Continue safety and reliability modifications of the B83 and B61 bombs, and perform evaluations on 143 weapons from the enduring stockpile.
- Aggressively pursue reconfiguration through the Stockpile Management Restructuring Initiative.
- Finish the conceptual design report for the Accelerator Production of Tritium project, and oversee the prime contractor's initial project integration efforts.
- Conduct both a preliminary exercise and the largest nuclear weapons emergency response exercise (Exercise Digit Pace) in the history of DOE.
- Increase the utility of our secure transportation resources to the Nation by expanding our business with other federal agencies.
- Provide management and coordination of interim staging of fissile materials while awaiting national decisions on long-term disposal solutions. We will, for example, provide for packaging of pits (plutonium triggering device for nuclear weapons) in a new container and improve the Nuclear Material Allotment Forecast Process. We will also implement tasks related to the Material Disposition Programmatic Environmental Impact Statement Record of Decision which includes consolidation of pits, metals, and oxides at appropriate sites.
- Continue to improve the safety of operations at Pantex in partnership with the National Laboratories and Mason & Hanger Corporation.

Environmental Management

Our goal is to achieve a restored environment. We achieve this goal by proactive and aggressive management efforts to ensure effective and efficient cleanup and waste management operations of our facilities. Our success will be demonstrated by commercialization of the Pinellas Plant and 100 percent work-off of all legacy wastes, closure of all surface remedial actions by 2005, continued progress in achieving cost-efficiencies, and completion of groundwater remediation.

1996 Accomplishments

Our plans for environmental management were aggressive, but we achieved a majority of our objectives.

- The Vice President of the United States presented us with three Hammer Awards for “building a government that works better and costs less.” We were recognized for a \$2.7 billion reduction in the estimated cost of our total environmental restoration program, for eliminating a long-term DOE mortgage by sanitizing classified waste prior to disposal, and for \$61 million in savings generated at Los Alamos and Sandia National Laboratories and at our Pantex plant. Our project office in Grand Junction, Colorado, was cited for streamlining the design, regulatory approval, subcontractor procurement, and repository cell construction process. We also accelerated construction at the Monticello, Utah, Superfund remedial action project by one year.
- We achieved the halfway point of our environmental clean-ups, and demonstrated all clean-up activities and the work-off of legacy waste can be accomplished within a decade. Coinciding with the DOE’s Environmental Management Ten Year Plan, we continued to engage our stakeholders in regular exchanges of information and comment. This involvement will be reflected in the final version of the Plan due in early 1997.
- We provided leadership and effective management of remediation of environmental sites nationwide and became a service center for technical, professional and administrative support and guidance to other organizations in waste management. We are committed to be the first DOE office to complete all remedial actions. By participating in materials management issues for waste minimization and pollution prevention, we institutionalized the Pollution Prevention Opportunity Assessment process into weapons program activities. With collaborative effort, we managed a cost-effective environmental management program while continuously seeking program enhancements through innovative strategies and solutions.
- In 1995 the Department of Energy sold the Pinellas Plant to the Pinellas County Industrial Council. Since that time, we are on schedule for completing shutdown and commercialization in FY97 and are 70% complete on shutdown and clean-up activities. Eleven new tenants employing 350 people are occupying space on-site. The tenants are producing products and services which result from the successful transfer of 15 key defense technologies.

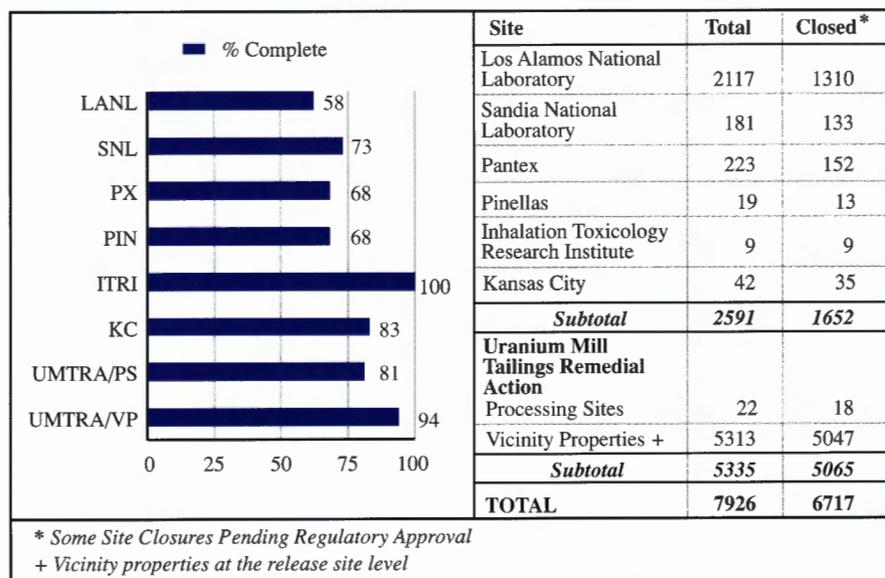


Figure 6. Status of Environmental Cleanups

- We met or exceeded all performance measures at Los Alamos National Laboratory, completing 92 clean-ups, including 53 voluntary corrective actions at potential release sites. Additionally, we decommissioned 22 facilities and structures. Through a teaming approach with DOE headquarters and the laboratory, a decision was made to treat legacy low-level mixed waste off-site at facilities equipped with treatment technologies. Using commercial and other DOE site technologies, this waste can now be worked off faster and cheaper.
- Sandia National Laboratories submitted the Corrective Action Management Unit permit application to the U.S. Environmental Protection Agency, and received approval of the temporary unit permit. Both are important to complete clean-up actions at Sandia within the next five years. In the waste management arena, significant accomplishments included sorting and recharacterizing all mixed waste for treatment as required by the Federal Facility Compliance Act, shipping mixed waste organic liquids off-site as required by the Act, and shipping low level waste off-site for disposal.
- We successfully completed our groundwater treatability project at the Pantex Plant and cleaned up 12 sites, performed 8 interim actions, and submitted draft final RCRA facility investigation reports for all solid waste management unit groupings. The Amarillo Area Office and the Pantex Plant received the White House Closing the Circle Award for their waste minimization and pollution prevention initiatives.
- We completed our accelerated schedules on two solid waste management groups at the Kansas City Plant. Approximately 2,700 tons of PCB contaminated soil and debris was removed and more than 75,000 gallons of contaminated water was treated. As a result, we pushed the clean-up of this project forward by two years.
- The Uranium Mill Tailings Remedial Action (UMTRA) project has now completed 18 of the original 24 sites, with over 42 million cubic yards of radioactive material remediated to date. Congress has extended the UMTRA project through fiscal year 1998. The Grand Junction Office received awards from the Small Business Administration and DOE for converting a single, large management and operations contract into two small business contracts.
- We made considerable progress in managing UMTRA's long-term surveillance and maintenance and groundwater restoration programs. We have completed one-third of the clean-up of our Superfund site in Monticello, Utah, and one-fourth of vicinity property remedial actions.
- Our South Valley Superfund deep zone groundwater remediation system in Albuquerque, New Mexico was initiated. This marks the end of all remedial actions at this site. All low-level waste from lagoons at the Inhalation Toxicology Research Institute on Kirtland Air Force Base, New Mexico was shipped off-site and surface remediation is 100% complete.

Near-Term Challenges

Institutionalizing waste management strategies, working off all legacy waste, and safely closing inactive facilities will be our predominant focus next year. However, AL also expects to have a role in several functions DOE is transferring to the field as a part of an effort to streamline environmental management activities.

- Aligning our programs and projects to the EM Ten Year Plan initiative will require close coordination and interface within DOE AL and Headquarters as well as with our stakeholders and regulators.
- The establishment of three new national programs in AL are progressing with the identification of clear roles and responsibilities for a smooth continuity of mission. The Pollution Prevention Program will be located at AL. Additionally, AL will co-host the National Transportation Program with DOE's Idaho Operations Office and the Plutonium Stewardship Program will be co-hosted with the DOE's Savannah River Operations Office.
- Continue the transition of the Pinellas Plant in Largo, Florida, from a former weapons component manufacturing facility to commercial re-use. The remaining 40% of the square footage of the facility will be cleaned up by the end of FY97. Future activities will be associated primarily with contract close-out.

Science and Technology Management

Our goal is to support our missions with a strong science and technology base. This goal will be achieved by partnering among government, industry, and universities to maintain a strong science and technology base. Success will be demonstrated by customer investment in capabilities.

1996 Accomplishments

- AL provides program management oversight for over 2400 technology development projects that address stockpile stewardship, nonproliferation, energy, environment, manufacturing, laboratory-directed R&D (LDRD), and work for other federal and non-federal customers. These projects ran the gamut from non-polluting processes for cleaning silicon wafer surfaces to new crystalline silicotitanate materials for ion exchange. (Both technologies received “R&D Magazine’s” coveted “R&D 100 Award.”) Overall, LANL and SNL received eight of the 32 “R&D 100 Awards” issued to DOE in 1996.

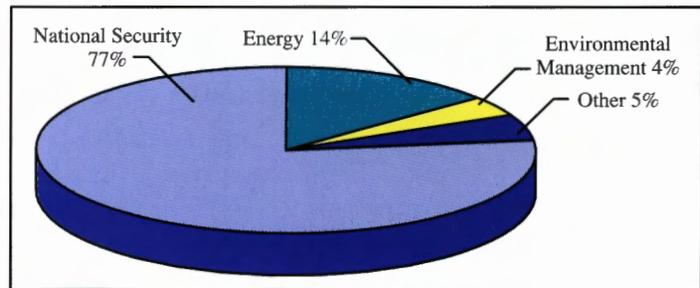


Figure 7. Science and Technology Support of Missions

- AL’s specialized expertise and facilities have been developed to serve customer’s requirements. AL and its laboratories are now specially equipped to develop and manage complex international programs. We pioneered joint technology development programs with the independent states of the Former Soviet Union and created the tools and network that establishes AL as a focal point for technical interactions with Mexico.
- AL also pioneered the advancement of environmental education and training. Our efforts to develop and deliver curricula for the National Environmental Education and Training Program and our academic partnerships with university consortia contribute to a technically trained and diverse future workforce.
- Construction of the Carlsbad Environmental Monitoring Center was completed providing an independent capability to monitor environmental conditions.
- We provided program management for bringing on-line “Solar II,” the world’s first prototype power tower system using molten salt thermal storage technology. It serves as both a test bed and generator of 10 MW of power to the electrical grid.
- Through our program management effort, the unique fissile fuel fabrication facility at LANL was successful in delivering plutonium fuel pellets for NASA’s new space vehicle.
- AL was responsible for converting the Inhalation Toxicology Research Institute Management and Operating contract to a cooperative agreement. The facility was leased to the Lovelace Institute and is the first DOE laboratory fully privatized. The conversion will serve to reduce DOE costs while ensuring this unique facility’s continued availability for DOE mission work.
- We streamlined AL processes for accessing laboratory capabilities by reducing Work Authorization and Cooperative Research and Development Agreement (CRADA) processing time to a single day and achieving our processing time targets of 14 days for Interagency Agreements and six days for Funds-In Agreements with the private sector. A new process in the Technology Deployment Center/User Facility program and several new partnering instruments were developed and implemented. These instruments, the multi-laboratory modular CRADA, a consortia modular CRADA, and a model Personnel Exchange Program, met a broader range of customer requirements, received industry recognition, and prompted DOE to consider AL as a “Technology Transfer Center of Excellence.”

- AL makes projects possible that are largely industry funded, but contributes to weapons activities, such as modeling liquid film coatings. AL's Stockpile Stewardship Program directly benefits from knowledge gained on deposition processes, physical properties of materials and forms, and simulations. It will further benefit from such activities as the AL and SNL formed and industry-sponsored "Coatings and Related Manufacturing Processes Consortium." Similarly, CRADA's approved by AL for work paid for by the Goodyear Tire and Rubber Company increased our mutual understanding of forming and deformation of thin structures, but also helped SNL engineers address issues associated with exclusion region barrier crush and neutron generator encapsulation.

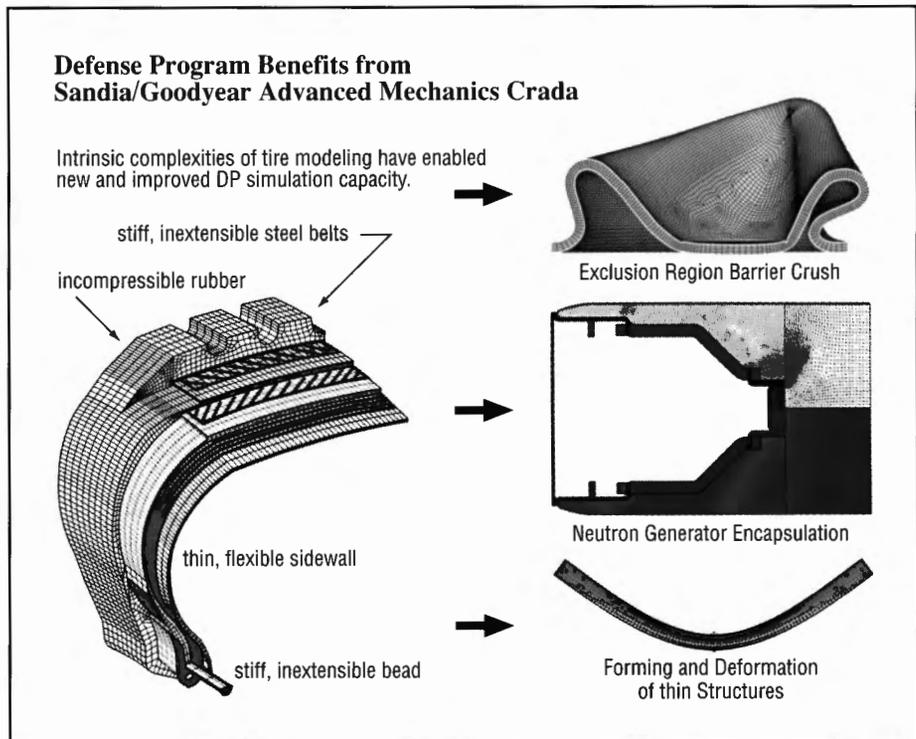


Figure 8. Formation and Deformation of Thin Structures

- We negotiated that fifty percent of the annual appraisal/evaluation of the University of California (LANL) and Lockheed-Martin (SNL) be based on performance in Science, Technology and Engineering.
- We met the Secretary's commitment to the President and supported the U.S. health care system by successfully developing, implementing and managing the Medical Isotope Production Environmental Impact Statement leading to a positive Record of Decision, the Mo-99 target fabrication process at LANL, the Mo-99 extraction process validation at SNL, and the initiation of the FDA approval process.

Near-Term Challenges

AL enters 1997 facing changing missions, new Congressional priorities, impending budget reductions, and Departmental restructuring. However, despite likely funding reductions, we will continue to pursue our operational objectives:

- Maintain a science-based stockpile stewardship program that maintains core competencies.
- Streamline processes to access the unique DOE science and technology programs.
- Form partnerships among government, industry and universities that benefit the DOE's missions and strengthen core competencies.
- Manage programs that foster a supply of diverse and technically trained students for the work force.
- Provide support for the Nuclear Material Stewardship efforts.

Technical Operations

Our goal is to operate safely. In this context, safe operations include secure, healthful, and environmentally benign operations. We achieve this goal by implementing the Integrated Safety Management Systems (ISMS) and integrated security activities at each site, by aligning AL resources consistent with the structure and priorities of ISMS, by enhancing the skills of the AL technical community, and by dedication to the principles of line management authority, line management accountability, and competent staff work. Our success will be demonstrated by work force and workplace conditions that meet or exceed safety, health, and environmental standards and by measurable improvement in safety and security management practices.

1996 Accomplishments

Our approach to technical operations took a significant turn in 1996. We re-examined our methods of achieving our stated objectives and identified ways to increase our effectiveness.

- We participated in the DOE executive level group that directed the development of a comprehensive Department-wide Implementation Plan responding to the Defense Nuclear Facilities Safety Board Recommendation 95-2, Integrated Safety Management (ISM). AL dedicated the necessary resources, developed an AL Implementation Plan and is currently executing a challenging yet achievable schedule for site implementation.
- Developed initial system descriptions and implementation plans for integrated safety management at several nuclear weapon program sites and provided feedback from this experience to the working group responsible for developing implementation guidance for DOE.
- Piloted a process that relies on contractor self assessments, day-to-day presence of facility representatives and on-site staff, and performance measures to gain insight and operational awareness of operations without direct oversight. We demonstrated that a single integrated performance-based assessment eliminates duplication and provides a forum for identifying weaknesses and developing mutually agreed upon fixes. At Los Alamos National Laboratory, the pilot approach reduced on-site assessments from an average of fifteen to one per year, and realized a \$3.6 million cost avoidance.
- Since 1994, we have supported DOE's Voluntary Protection Program (VPP) to encourage and recognize excellence in occupational safety and health and have played a strong role in supporting our M&O contractor's pursuit of recognition under the program. The STAR program parallels a similar one in the Department of Labor. It is based on the characteristics of the most comprehensive health and safety programs used in a broad range of industries. It recognizes outstanding injury and illness prevention programs that have been successful in reducing work place hazards and encourages other programs to emulate their success. The Kansas City Plant, operated by AlliedSignal Federal Manufacturing Technologies, has met the expectations in management leadership, worksite analysis, hazard prevention, training through benchmarking, obtaining STAR mentor site support, and promoting employee involvement. The site demonstrated these attributes to an independent evaluation team and earned VPP STAR recognition this year. The Westinghouse Waste Isolation Division maintained their VPP STAR status, and the Pantex Plant, operated by Mason and Hanger, submitted their final application in August 1996.



Recognizing VPP STAR achievement at the Kansas City Plant

- The AL Radiological Assistance Program provides assistance to other federal agencies, tribal governments, and private citizens during radiological incidents. The states of Kansas, Oklahoma, Texas, and New Mexico praised us for responding to seven radiological incidents. The Western Governors' Association expressed their appreciation to us for preparing the routes for transuranic waste shipments going to the Waste Isolation Pilot Plant. We assisted the National Aeronautics and Space Administration in emergency planning for the Mars Pathfinder and Saturn Cassini launches which carry radioisotope units. In coordination with the Department of Defense, we assisted the independent states of the Former Soviet Union in developing the capability to prevent, respond, and remediate radiological incidents associated with dismantlement of their nuclear weapons.
- We have long recognized that as the nuclear weapons complex downsizes, inventories of nuclear materials will increase and become more static. We identified several opportunities to reduce operating costs, reduce the risk of theft, diversion and sabotage, and reduce radiation exposure to personnel conducting inventories. These opportunities include the following changes.
 - Performing fewer inventories if materials are not at risk.
 - Reducing access to storage areas; therefore reducing personnel exposure.
 - Extending time periods for physical inventories in low risk areas.
- We implemented a comprehensive Federal Occupational Safety and Health Program which resulted in the reduction of the number of lost work days for both federal and on-site contractors working at the AL complex. (See Figure 9.)
- We accepted approval authority for Environmental Assessments and Findings of No Significant Impact, and developed process improvements that reduced the cycle time for these processes from 24 months to less than six months. We used team approaches throughout these efforts to provide line management with the appropriate recommendations based on evaluation by the right mix of technical expertise.

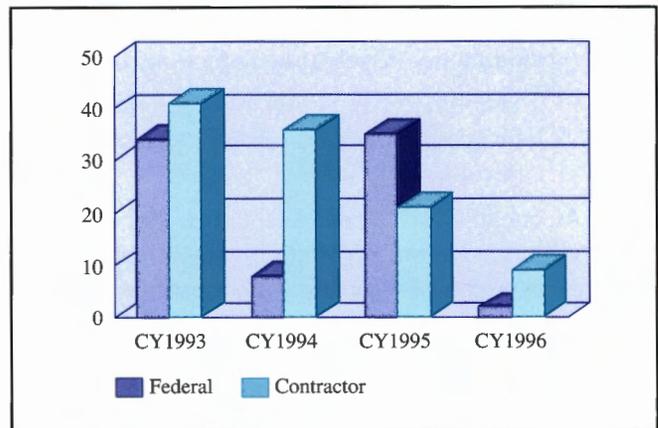


Figure 9. Lost work days due to injuries/illnesses.

Near-Term Challenges

During 1997, we will take additional steps to increase the efficiency and effectiveness of technical oversight.

- Establish fully defined ISMS at each site and achieve the commitments established in the ISMS plans.
- Engage AL and senior contractor managers in joint assessments of safety performance and in establishing priorities.
- Establish a defensible allocation of resources among the deliverable products required for effective safety management.
- Achieve defined authority, accountability, and staff roles associated with the deliverable products for effective safety management.

Business Operations

Our goal is to achieve excellence in business management services in support of our customers and stakeholders. We achieve this goal by meeting the diverse needs of our customers while streamlining and promoting efficiencies in the conduct of operations. Our success will be demonstrated by the satisfaction of our customers.

1996 Accomplishments

- In FY 1996, our single greatest challenge was achieving the personnel savings targeted by Secretary O'Leary's Strategic Alignment Initiative while preserving service capability. To succeed, we tasked eight process reengineering teams consisting of 126 employees to critically examine more than 100 business processes. Significant changes were made to our practices as a result of their efforts and promise a cost avoidance of approximately \$6.5 million.
 - *Vendor payments:* We achieved an eighty percent cycle-time reduction by eliminating 44 process steps.
 - *Work for Others Billing and Collection:* In partnership with our contractors, we facilitated absorption of billing and collection activities into existing accounts receivable processes. This put the customer and supplier closer by eliminating the Federal role and resulted in tangible staff savings.
 - *Funds Control:* We began streamlining methods to provide contract funding and authorize our Federal purchases. Cycle time reductions between 35-50% are expected.
 - *Simplified Acquisition:* We reengineered to eliminate non-value added steps and reduce process cycle times in acquisition planning, purchase request preparation, and requirement/specification development.
- As one of DOE's three Accounting Centers of Excellence, we upgraded our accounting system hardware, adopted an encrypted host-to-host payment processing connection with the Treasury, installed an interactive voice recognition system to automate telephone inquiries, and installed the Department's travel processing software throughout AL. We assumed accounting responsibility for the Golden Field Office in April and also migrated the financial databases of Idaho, Nevada, and Oakland onto our hardware. Over 95% of travel claims were paid in 10 days or less, and we exceeded DOE's goal of 93% for prompt pay performance.
- We used an integrated Business Management Oversight Program to shift the primary focus from compliance-based to performance-based oversight. Greater reliance on contractor self assessments, increased analysis of data, and enhanced operational awareness allowed us to reduce the number of on-site reviews from 100 to two and the amount of time by a factor of four (13,000 to 3,000 hours). With our Financial Stewardship Program, we partnered with contractors to assess financial risk, define performance expectations, and identify areas for review emphasis. Our program was recognized by DOE as a "best practice."
- Continued support of the Secretary's Strategic Alignment Initiative allowed us to beat staffing targets by 54 employees, reduce support services contracting by \$10 million, and realize a 15% travel savings.
- Considerable effort was expended to continue automation of our business processes.
 - We implemented the Automated Procurement Express System to increase procurement efficiency and incorporate new technologies for electronic routing, contract preparation, archiving, and Electronic Commerce/Electronic Data Interchange. A first year cost avoidance of \$325,000, and \$651,000 annually thereafter is projected.
 - By automating routine administrative paperwork, a savings of over 100,000 paper copies and a monthly cost avoidance of approximately \$3,000 resulted.

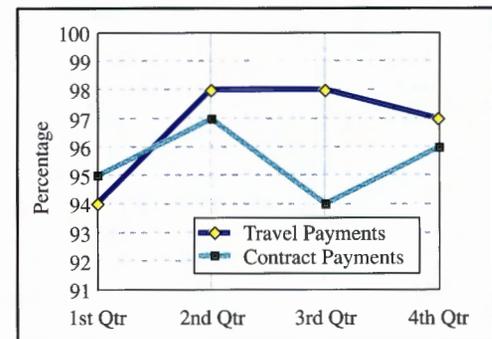


Figure 10. On-Time Payments

- We installed and implemented the Energy Time and Attendance system for savings of almost \$100,000 annually.
- We initiated DOE's standardized Integrated Safeguards and Security Systems' Electronic Transfer for security management information.
- We installed remote access connections, achieved site-wide Internet access, and created an AL home page (<http://www.doeal.gov>) to improve information gathering and communication with the general public.

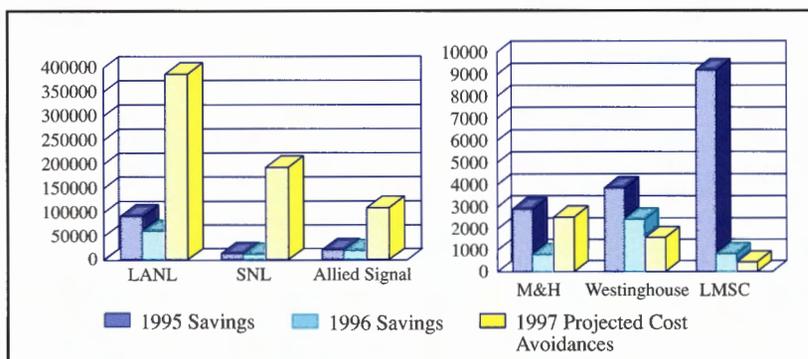


Figure 11. Contract Reform Savings (in thousands)

- Performance-based contracting techniques (Contract Reform) were used in a variety of contracting arrangements. We are on the leading edge of the Department in this regard and have been asked by Headquarters and other operations offices to share our ideas and practices.
- Working groups comprised of AL and National Laboratory experts in the areas of procurement, property management, financial management, construction, reporting, and business management oversight partnered to identify ways to streamline lab business processes. The Financial Management Team results include a \$7.4 million cost avoidance by implementing 22 best practices. The Personal Property Team's efforts produced a \$5.3 million annual combined cost avoidance for Sandia National Laboratories and Los Alamos National Laboratory. (Cost avoidance includes cost of acquiring control of new property, inventorying, and maintenance.) The Reporting Requirement Team's recommendations resulted in a \$1.69 million annual cost avoidance and reporting reductions of 41.7%. If adopted, Line-item Construction Team recommendations would result in cost and cycle time reductions approaching 28% and 50%, respectively.
- The AL Energy Training Complex opened to conserve training funds. More than 19,000 employees participated in over 900 on-site classes and seminars, avoiding an estimated \$500,000. We also implemented a system to provide employees on-line access to their training records and facilitate self-management of professional and skills development. A new Technical Qualifications Program (TQP) was established for individuals in critical safety, security, and reliability programs, and the TQP Tracker Program was developed to track an individual's progress toward needed certification or qualification.

Near-Term Challenges

The next twelve months will be as challenging as the last twelve as we pursue our 1997 objectives:

- Assume responsibility for all Idaho, Nevada, Oakland, and regional support office payments.
- Complete installation of Windows NT as the AL client-server operating system.
- Pursue process streamlining, automation, and integration to achieve AL strategic plan objectives.
- Complete customer surveys and develop service enhancement strategies for all business lines.
- Continued Laboratory Partnering to identify further opportunities for streamlining and cost avoidance.
- Completion of negotiations with the University of California for the management and operation of Los Alamos National Laboratory.

Communication and Trust

We will attain stakeholder understanding, trust, and confidence in DOE and AL. This goal will be achieved by communicating and sharing information in a timely, open, and customer-oriented manner, and our success will be measured by our level of credibility with our customers and stakeholders.

1996 Accomplishments

Communicating clearly about complex energy issues is a formidable challenge. Simply sending information does not guarantee it will be received, or if it is, that recipients will be prepared to understand it and use it to reach sound decisions.

We strive for excellence and accountability in a four-step, continuous process of research, action, communication, and evaluation that is rooted in dialogue amongst all parties.

We continued several initiatives and launched others to enhance communication and trust:

- Continued our mindset change to becoming less of an overseer and more of a partner with our major contractors. The organizational and communications challenges we face are similar, and we continue to learn from and help each other to better serve the American people.
- Through a management lead process called “Challenge the Plan” over 80% of AL’s employees participated in the development and revision of our mission, vision and values incorporated into the 1997 strategic plan.
- For the first time we researched and consolidated communications metrics from both federal and contractor operations. We found some sites were ahead of others and began to improve our common measures. A metrics team, made up of representatives from our sites, has taken on the challenge.

- Inaugurated a Public Affairs Plan to provide direction and set-specific, measurable, and time-bound objectives based on our benchmark research. It also provides accountability for what we do. Based on a model widely used in the communications profession, the Plan emphasizes a proactive communications process, increased responsiveness to public concerns (see Figure 12), and enhanced customer trust.

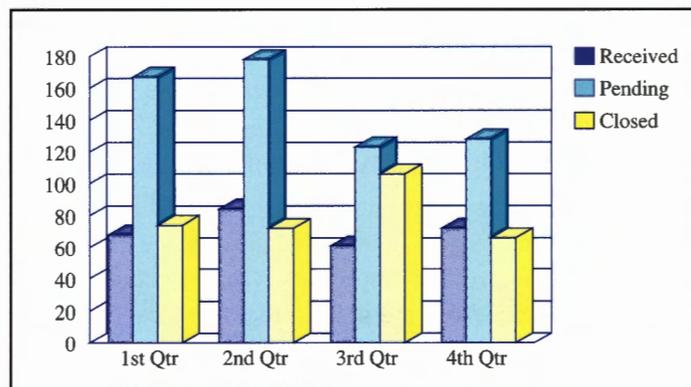


Figure 12. Freedom of Information Act Requests FY96

- Held our first “Public Affairs University,” where 60 participants from industry, academia, news media, special interest groups, and other government agencies shared their “best practices” in communication and trust.
- Sustained effective communication and enhanced stakeholder relationships through public participation initiatives and outreach to groups not necessarily predisposed to our mission.
- Partnered with two national professional communications organizations, the Public Relations Society of America and the International Association of Business Communicators, to provide lower-cost, on-site training in state-of-the-art communications.
- We successfully met the first milestone to declassify information under the Atomic Energy Act and Executive Order 12958 by declassifying 15% of AL’s national security information documents meeting the criteria of being historically significant and 25 years old or older.
- Improved our relationships with Congressional delegations through more visits locally and on Capitol Hill, providing specialized briefings on subjects of interest. In an era of rapid change, we found this increased communication very effective and mutually rewarding.

- Continued the government-to-government relationship between the Department of Energy and the New Mexico pueblos who have entered into cooperative agreements with us to study the potential for adverse environmental impacts from activities at Los Alamos National Laboratory.
- We co-sponsored the first, "National Hispanic Sustainable Energy and Environmental Conference" with the Society of Hispanic Professional Engineers. The conference attracted over 250 engineering students and 200 professional engineers.
- Cut our cycle time in employee communications from one month to minutes by substituting electronic media for a print product. Urgent news is now flashed via the micro-computer, while feature news will be available electronically and in color using digital photography early in 1997. These new products helped meet goals of speed and brevity of communication. Retirees received a new low-cost magazine designed especially for them.
- Partnered with Intel Corporation to create the New Mexico Public Affairs Roundtable, a group of senior communications practitioners who meet regularly to exchange ideas and work on mutual concerns. This year the Roundtable embraced a major project to help improve math and science education in New Mexico.
- We dramatically improved our average processing times in handling requests under the Freedom of Information (Figure 13) and Privacy Acts, from a high of more than 300 days in December 1995 to less than 50 days in September 1996. A major reason for the improvement was the purchase of three high-speed, optical disk scanners - a first for AL.
- This year our sites were featured consistently in national news media through an aggressive program to disclose all AL news, both positive and negative. Each of the major television networks, national newspapers, and trade publications carried news of the AL community. Through exercises and real-world incidents, we tested our emergency and crisis communications.

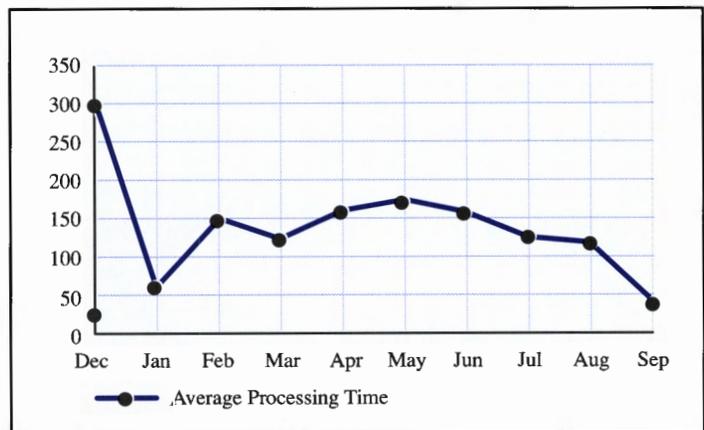


Figure 13. FOIA Processing For 1996

Near-Term Challenges

We moved closer to our goal of attaining stakeholder understanding, trust, and confidence in DOE and AL during 1996. We accomplished this by communicating and sharing information in a timely, open, and customer-oriented manner. We will not only continue, but also amplify that effort in 1997.

- Have interested and affected citizens participate in a meaningful process with AL.
- Have key messages effectively delivered to the media.
- Provide employees with necessary information.
- Have effective working relationships with all levels of government.
- Ensure public has access to appropriate information and records.
- Provide effective crisis and emergency communications.
- Make improvements based on analysis of the 1996 Organizational Climate Survey results.

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