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T E L E F A X

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PAGES (including cover): 7

COMMENTS:
Judy: For your information concerning the
recent news articles on WIPP
thanks - Jim Otts

OVERVIEW
DOE Office of the Inspector General
Labor Utilization Audit at the WIPP
March 24, 1994

The DOE Office of the Inspector General (OIG) Western Regional Office in Albuquerque conducted an audit of labor utilization at the WIPP. The OIG audit lasted from May 26, 1992, through March 31, 1993. An exit conference was held with the DOE Carlsbad Area Office (CAO) manager on January 19, 1994, and the final report from this audit was issued on February 11, 1994, almost one year after audit conclusion. The CAO did not agree with the finding and recommendations of the report.

At the request of the CAO, the OIG and the DOE initiated a more intensive examination of WIPP staffing/funding in light of current operational and regulatory requirements. The audit team is composed of auditors assigned by the Inspector General, augmented by management and technical experts selected by the Inspector General. The audit objectives are as follows:

- Review relevant baseline data to arrive at a "working" baseline for audit purposes.
- Ensure that the baseline reflects current program and operating policies, particularly the October 1993 revised test strategy, which focuses efforts in the immediate future on regulatory compliance, rather than on-site radioactive waste testing.
- Identify areas where specific cost reductions can be made, consistent with the revised baseline and mission. These areas may include, among others, validation of job skills required, validating position requirements, appropriate span of control, requirements and cost-effectiveness of training, productivity improvements, and overhead and support costs.

An overview of the first labor utilization audit report is as follows:

The stated audit objectives were to determine whether:

- (1) The WIPP used personnel efficiently
- (2) The WIPP Contingency Plan could assist management in deciding whether to reduce operations during delays in bringing waste to the WIPP

Note: The Contingency Plan, developed in June 1991, is a document delineating steps to be taken if land withdrawal legislation failed to pass. The plan considered delays to receipt of waste and associated costs with ramp up and ramp down. The Contingency Plan is irrelevant to the current situation.

The audit scope covered staffing levels and manpower estimates from 1988 to 1994 in five Westinghouse sections, representing slightly over 100 full-time employees.

Overall, the WIPP does not concur with the finding and the three recommendations made by the OIG and submits that many of the statements presented as fact are incorrect, and that the conclusions drawn from those statements are not valid. Additionally, the WIPP notes that the audit broadened in scope and/or view without the benefit of additional on-site inspection or conference with the appropriate WIPP people.

First and foremost, as mandated by Congress (PL 96-164), the WIPP is a research and development facility intended to demonstrate the safe disposal, in deep geologic formations, of mixed wastes generated by the Government's defense activities. While the WIPP can and should do everything in its authority to meet the technical requirements of the WIPP, such a research and development project cannot be expected to plan for the political changes and legal challenges that occur with no significant real notice or expectation. The luxury of hindsight is not afforded to the WIPP. The WIPP believes that decisions it made were valid. They were based on best business practices and given information available at the time decisions were made. To audit based on hindsight diminishes what were very valid business decisions.

To illustrate this point, consider the last paragraph of the "Background" section of the report. This paragraph cites the recent decision by the DOE to conduct radioactive tests at a location other than the WIPP. Considering that the audit was conducted from May 1992 through March 1993, an October 1993 DOE decision to conduct the above-mentioned test elsewhere cannot possibly be construed as a trigger to implement the Contingency Plan. The WIPP understands that everything is background when one looks back from today. The WIPP believes that the OIG should have audited the WIPP to what it knew and could control during the time frame in which the decisions were made and the milestones created. Thus, many of the large savings the OIG claims the WIPP would have realized could have only been possible if the five-year delay in the Contingency Plan had occurred five years ago.

The other general observation concerns the fact that only a portion of the WIPP Project, namely Westinghouse, was audited in this audit, yet the report uses total project costs when stating potential cost savings. Westinghouse utilizes less than half of the WIPP Project funding on an annual basis. The report jumps from Westinghouse-specific funding to overall WIPP Project funding in several areas. This causes significant problems in addressing the issues the report raises and will not properly inform the uneducated reader of the report.

It is very obvious to the WIPP that all parties concerned with this audit are struggling with dated documents and continuously shifting events that impact the WIPP's opening. The WIPP believes that the current review by the OIG will be the best opportunity to resolve the misunderstandings contained in the recently released report.

The single finding and the three recommendations of the report are summarized below:

Finding: When a project experiences operational delays for several years, an expectation arises that staffing levels will be reduced. Despite the WIPP's inability over many years to move into the next operational phase, receiving waste for testing, Westinghouse staffing levels continued to increase. This was attributable to (1) the Department's overly optimistic projection of initial waste receipts, (2) Westinghouse staff levels that were budget-driven rather than requirements-driven, and (3) a contingency plan that DOE could not use to make decisions on suspending

operations. As a result, labor costs in five WIPP departments increased by almost \$1.2 million annually. Future savings of up to \$414 million could be achieved if the WIPP contingency plan is implemented.

Facts: The OIG report indicates that Westinghouse could have a realized cost savings of over \$400 million by reducing operations for a period of 18 months to five years. Those costs are for the total WIPP Project, and include costs for SNL, the waste generator sites, and the DOE. Westinghouse savings would be substantially less than the amounts discussed in the WIPP Contingency Plan. Additionally, the \$400+ million cost savings was for a known five-year delay. Until October 21, 1983, the WIPP had never had a delay longer than one year. The DOE had consistently projected initial waste receipt within a 12-month window. While hindsight has shown that the first receipt of waste continued to be pushed forward, the DOE had to make programmatic decisions based on their knowledge at that time, thus maintaining waste receipt staffing levels and a readiness posture.

Recommendation No. 1: Reduce staffing levels in the five audited departments to the March 1991 operational readiness status.

Facts: DOE nonconcurred with the recommendation. In March 1991 the WIPP was declared operationally ready to operate on an eight-hour-per-day, five-day-per-week basis. Not until October 1991 did management declare readiness to operate on a 24-hour-per-day, seven-day-per-week basis. Therefore, staffing levels should be associated with the later readiness figures, which were 35 higher than the March 1991 levels.

Recommendation No. 2: Prevent all staff increases at WIPP until operating requirements are realigned with its reduced operating mission.

Facts: DOE nonconcurred with the recommendation. The receipt of waste and maintenance of readiness were not the sole drivers behind increases in staff or costs. New requirements of DOE Orders, Secretary of Energy Notices, and other regulatory requirements increased the work scope over the 1991 operational readiness level. The recently approved WID Transition Plan shows scope and corresponding manpower requirements for Westinghouse for the current WIPP program. The plan takes into account the revised WIPP test strategy and the accelerated compliance strategy.

Recommendation No. 3: Implement the cost savings identified in the WIPP Contingency Plan until all external obstacles to receiving waste have been resolved.

Facts: DOE nonconcurred with the recommendation. At no point in time, since preparation of the Contingency Plan in June 1991, had the criteria for implementation been attained. Therefore, implementation of the plan was not warranted.

FACT SHEET
DOE Office of the Inspector General
Labor Utilization Audit at the WIPP
March 24, 1994

Background

- DOE-OIG Western Regional Office, Albuquerque, NM, conducted audit from May 26, 1992, through March 31, 1993
- Title: "Audit of Labor Utilization at the Waste Isolation Pilot Plant, Carlsbad, New Mexico"
- First draft of report received in July 1993, second draft in November 1993
- Final report issued in March 1994
- The Westinghouse Waste Isolation Division (WID) provided comment to the DOE on both drafts
 - DOE nonconurrence was synonymous to WID response
 - Final report acknowledges CAO disagreement

Misleading audit title

- Assumes that the entire project was audited
 - Audit only covered Westinghouse
 - Audit only covered five WID sections

OIG overstated cost savings

- Cost savings were calculated at total project cost.
 - WID portion comprises less than half of annual project funding.
- Cost savings were based on erroneous manpower information.
- Impacts from regulations, Orders, policies, and other external pressures were disregarded.

Incorrect staffing levels used as baseline information

- March 1991 levels were used for operational readiness staffing levels
 - Operational readiness was achieved in two separate stages, which are collectively referred to as operational readiness:
 - October 1991 base facility readiness
 - March 1991 waste receipt readiness

- Staffing levels actually decreased by 6, while OIG claimed that staffing levels increased by 46

OIG accused the WID of budget-driven, rather than requirement-driven staffing levels

- FY 1983 scope was prioritized and reduced from the \$91M baseline
- Scope reduction had associated impacts
- The WID made full disclosure of programmatic impacts associated with the budget cuts

Recommended implementation of an obsolete Contingency Plan

- In several places, the Contingency Plan is discredited, yet the OIG recommends its implementation and associated cost savings OIG audit based on hindsight.
- Although the audit concluded on March 31, 1993, the October 1993 revised test strategy is used in the report to strengthen OIG contentions of over optimism regarding receipt of waste.
- The report fails to recognize the window for waste receipt described in the contingency plan.

WID TRANSITION PLAN
March 24, 1994

The WID prepared a transition plan in response to the DOE's decision not to perform radioactive tests at the WIPP. The WID Transition Plan addresses changes to the near-term program activities at the WIPP based on the revised test strategy and accelerated compliance strategy leading to earlier disposal operations. The plan provides extensive descriptions of scope and resources for the following three categories:

- The deletion of readiness and radioactive test associated scope.
- The recommendation to retain some of the resources in the readiness and radioactive test scope for closeout activities or to maintain capabilities for efficient future restart of activities.
- The new scope required to support the accelerated compliance strategy and earlier disposal operations.

The WID Transition Plan was issued with extensive accounting of readiness and radioactive tests associated resources, and detailed descriptions and justifications for recommended retention of resources and proposed new scope. Over 250 pages of detailed supporting information were developed. The Carlsbad Area Office approved the plan in January.

Based upon the DOE's decision to discontinue radioactive waste testing at the WIPP, several stand-down activities were completed in November. Other actions taken during the preparation of the plan include the elimination of approximately 90 percent of the personal dosimeters at the site, reassignment of waste handling and health physics technicians to scope not impacted by the decision, reassignment of Engineering and Environment, Safety, Health and Regulatory Compliance staff to regulatory compliance activities, and the termination of a significant portion of the surface and underground continuous air monitors, as well as Bin-Scale Test Program activities.

The WID efficiently managed attrition to meet the plan's work force goal of 782 employees, without compromising the integrity of the WIPP mission. Managed attrition is being used to regulate the work force as it is the most cost-effective and least impactful method of restructuring for the project, its employees, and the surrounding communities.