



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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Jennifer A. Salisbury
CABINET SECRETARY

June 26, 1996



Ms. Barbara Smith
Contracting Officer
Carlsbad Area Office
U.S. Department of Energy
P.O. Box 3090
Carlsbad, New Mexico 88221

RECEIVED

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NM ENVIRONMENT DEPARTMENT
OFFICE OF THE SECRETARY

Dear Ms. Smith:

This provides the information you requested on the state of New Mexico's FY 1997 and FY 1998 cost estimates, as indicated in your letter of June 19, 1996. The enclosed information should allow you to complete the audit process on our proposal in sufficient time to execute the next amendment to the DOE/New Mexico WIPP Cooperative Agreement by July 1, 1996.

The following corresponds to the questions and format of your referenced letter.

Direct Labor Rates: The state concurs in the auditor's recommendation that a proposed 2.5% escalation rate is appropriate when applied to current payroll rates for the positions to be funded, excluding positions at the Fire Marshal's Office (Planner) and the Environment Department (Environmental Specialist). The 2.5% rate is appropriate for most of our requested positions based on historical cost-of-living increases granted by the New Mexico Legislature in recent years. However, the position in the Fire Marshal's Office is a newly funded position; the midpoint of that classification's salary range, as determined by the New Mexico State Personnel Office, was used to determine the appropriate labor rate. The position in the Environment Department (NMED) is being reclassified to facilitate job performance and human resource development. The proposed rate for the NMED position is therefore based on the midpoint of the new classification's salary range, as determined by the New Mexico State Personnel Office. Supporting documentation on labor rates for all positions is attached, and has already been provided to the auditor.

Fringe Benefits Rates: Fringe benefits rates may vary somewhat from Department to Department and from position to position, but they are generally comparable. It is not appropriate to use an average, as recommended by the auditor. The reason for differences in rates is directly tied to the fact that benefits are calculated based on the classification of the position and the sum of various components comprising benefits for that particular position. For example, some elements of the benefits calculation (such as F.I.C.A. payments and P.E.R.A. retirement withholding) apply to all positions but differ in amount depending on the classification. Other elements of the calculation may not apply to each and every position. Supporting documentation on fringe benefits rates for all positions is attached, and has already been provided to the auditor.

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Indirect Cost Rate: As we have discussed previously, the Energy, Minerals and Natural Resources Department has an Indirect Cost Negotiation Agreement with the U.S. Department of Energy. Another copy of this Agreement is attached. For the current fiscal year ending June 30, 1996, the negotiated indirect cost rate is 34.46% applied to total direct salaries/wages and fringe benefits. However, as indicated in the attached Agreement, over the last eight years the negotiated indirect cost rate has averaged 31.04%. Because negotiations on a new indirect cost rate for FY 1997 (July 1, 1996-June 30, 1997) have not yet been completed, we proposed using a 30% indirect cost rate. This seemed reasonable considering the higher current rate (34.46%) and higher historical average rate (31.04%).

If this proposed rate is acceptable to DOE, we believe it will be necessary to add some clarifying language in the Cooperative Agreement amendment as to the applicability and application of the rate. In the past, DOE had agreed that all state agencies were able to use the indirect cost rate negotiated by EMNRD. This will generally continue to be the case under the current proposal, except for the Motor Transportation Division (MTD) of the Taxation and Revenue Department and for the Department of Health (DOH). Because MTD doesn't charge indirect costs, the rate is immaterial to that organization; this should be noted. Similarly, it should also be noted that DOH charges only 9% of salaries and benefits and will therefore apply that indirect cost rate.

Documentation for "Unsupported Cost" Items: Following and attached is the requested documentation for various items contained in our proposal that were identified in the auditor's report (DCAA Audit Report No. 3581-96K2100013) as being "unsupported." Included in the attachment are copies of price quotes as well as pages from supply catalogs where pricing information for capital outlay and other items were identified. It is important to note that none of the supplies and equipment proposed for purchase by the state are new in terms of DOE funding; all proposed items in these budget categories have previously been authorized by DOE for acquisition during prior budget periods.

1. In-State Travel.

The \$10,000 in funding requested by the Department of Public Safety (DPS) for in-state travel in association with the WIPP/Hazardous Materials Transportation Symposium is derived as follows: Approximately 25 Emergency Response Officers (EROs) within the State Police Division of DPS are located along the WIPP transportation route. We believe it is important to have these individuals at the symposium due to their statutory incident command function in the event of a WIPP transport accident. The requested funding therefore amounts to \$400 per person, which will be used to reimburse those ERO participants for travel and per diem expenses. Those expenses (\$400) were estimated assuming the state per diem rate of \$65/day for 5 days (\$325), the state mileage rate of \$.25 per mile multiplied by an average total of 200 miles roundtrip (\$50), and any incidental expenses for items such as parking, tips, etc. (\$25).

2. Supplies.

The state proposed \$41,300 and \$62,700 in funding for supplies for the Fire Marshal's Office (FMO) and the Department of Public Safety (DPS), respectively. For the FMO, the costs break down as follows: general office supplies for the individual filling the FTE position @ \$100/mo. for 24 months = \$2,400; field supplies, including tyvek suits, full-face respirators/filters, decontamination equipment, and other personal protection gear, for use by fire department personnel in emergency response training, drills and exercises to be conducted along the WIPP route in New Mexico @ \$18,250/yr. for 2 years = \$36,500; and office furniture and equipment (e.g., book shelves, computer table) costing under \$500/unit @ \$1,200/yr. for 2 years = \$2,400.

For the DPS, the costs break down as follows: general office supplies for the individuals filling the 2.5 FTE positions @ \$200/mo. for 24 months = \$4,800; field supplies, including tyvek suits, full-face respirators/filters, decontamination equipment, and other personal protection gear, for use by fire department personnel in emergency response training, drills and exercises to be conducted along the WIPP route in New Mexico @ \$27,250/yr. for 2 years = \$54,500; and office furniture and equipment (e.g., book shelves, computer table) costing under \$500/unit @ \$1,200/yr. for 2 years = \$2,400. Supporting price information on supplies, including historical expenses incurred by state agency, is attached.

It is important to note that FMO and DPS are handling the procurement and distribution of all field supplies and equipment used by both state and local government personnel along all transportation corridors in New Mexico during WIPP-related emergency response training, drills, and exercises. Considering that there are over 90 fire departments and numerous municipal, county, and state law enforcement officers involved in the program, \$46,000 per year for such essential supplies and equipment is deemed reasonable and appropriate by those two state authorities with statutory responsibility for emergency response preparedness in New Mexico.

3. Operating Costs.

The auditor questioned \$19,600 of total operating costs requested by the Fire Marshal's Office (FMO) for the two-year budget period. The costs, which will be incurred by the individual filling the FTE position at FMO, break down as follows: telecommunication charges for cellular and office phone services @ \$400/mo. for 24 months = \$9,600, which is in line with historical costs incurred by the other participating state agencies; subscription fee for professional trade publication @ \$600/yr. for 2 years = \$1,200; and employee training, in a radiological/hazardous materials curriculum (2 courses per year @ \$2,000 per course = \$8,000) and on personal computer hardware/software (2 courses per year @ \$200 per course = \$800). The relatively extensive amount of training requested is necessary due to the fact that the new hire at FMO will likely be unfamiliar with

transuranic waste and the risks it presents in terms of emergency response. With WIPP projected by DOE to open in less than two years, it is imperative this individual get up to speed as quickly as possible.

4. Capital Outlay.

With respect to the \$201,300 in capital equipment purchases proposed by the Department of Public Safety (DPS), the costs break down as follows: 4 weather stations (1 each for the DPS and DOH WIPP emergency response trailers and 1 for each of the two regional emergency response teams along the New Mexico WIPP route) @ \$3,500/unit = \$14,000; 1 air compressor (@ \$7,500) and 1 air cascade unit (@ \$5,000) for use in WIPP emergency response training, drills and exercises; 40 "level A" protective suits for training and distribution to emergency responders at the local government level in communities along the WIPP route @ \$500/unit = \$20,000; 66 radiation survey meters for medical facilities (20 units or 2 per each of the remaining 10 hospitals), truck inspection ports-of-entry (6 units or 2 per each of the 3 remaining ports), and fire departments (40 units or 2 per each of 20 departments) along the WIPP route in New Mexico @ \$800/unit = \$52,800; 10 decontamination shelters (1 each for DPS and DOH emergency response training trailers and 1 each for fire/rescue units in the communities of Raton, Las Vegas, Los Alamos, Eldorado, Vaughn, Roswell, Artesia, and Carlsbad); and 12 SCBA (self-contained breathing apparatus) for use in WIPP emergency response training, drills and exercises by fire/rescue personnel in and between the communities of Raton, Springer, Wagon Mound, Las Vegas, Los Alamos, White Rock, Santa Fe, Eldorado, Vaughn, Roswell, Artesia, and Carlsbad, with distribution to be determined on the basis of demonstrated need.

5. Miscellaneous/Other Expenses

The Department of Public Safety requested \$48,000 for state and local government participation in 4 sessions of a DOE-sponsored training course ("REO" or Radiological Emergency Operations). The cost per each session (\$12,000) was calculated as follows: The REO course is 5 ½ days long and conducted at the Nevada Test Site. Based on past interest and attendance at this course, we estimated that 12 individuals along the WIPP route in New Mexico would attend each of the 4 sessions. This translates to \$1,000 per person for travel and per diem expenses. Assuming the out-of-state per diem rate of \$95/day for 2 days in Las Vegas, NV, and \$75/day for 4 days in Mercury, NV, travel expenses (air or personal vehicle) to a major airport, plane travel from the airport to Las Vegas (currently averaging \$250-\$400 roundtrip), and incidental expenses (parking, cabs/shuttle service, tips, etc.), the total cost per person comes to approximately \$1,000 per person attending the training. This estimated cost also corresponds well with historical information for participation in the course earlier this year and last.

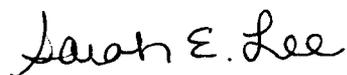
In conclusion, the preceding information and attached supporting documentation referenced herein provides our justification for those items in our funding proposal that were in question. It is the state of New Mexico's position that the revised proposal represents the minimum technical and financial assistance required to facilitate adequate preparations for the commencement of WIPP disposal operations during the coming two years.

We strongly encourage you to resolve with us by phone any other issues that may arise so that this negotiation can be brought to closure. It is critical that we execute the next amendment to the WIPP Cooperative Agreement by our mutually agreed deadline of July 1, 1996.

Sincerely,



Chris J. Wentz
Project Director
WIPP Cooperative Agreement



Sarah E. Lee
Business Officer

Enclosures: State Personnel Board's Classification and Pay Schedule--1996
Fringe Benefits Calculation Methodology
Indirect Cost Rate Agreement
Equipment/Supply Price Information
Lab Safety Supply, Inc.
Zumro, Inc.
Artesia Fire Equipment, Inc.
Vallen Safety Supply Co.
EMNRD: Historical Expenses by Department

c: Jennifer A. Salisbury, Cabinet Secretary and Chair
N.M. Radioactive Waste Consultation Task Force
Task Force Cabinet Secretaries (NMED)