

nuclear watch new mexico

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Fee Award Assessments Show Nuclear Weapons Complex in Disarray; Untested Changes to Reliable Stockpile Planned and Encouraged; NNSA Head Increased Profits For Contractors Despite Poor Performance; Greater Federal Oversight of Taxpayers' Money Needed

Santa Fe, NM - The National Nuclear Security Administration (NNSA) has recently released Fiscal Year 2012 Performance Evaluation Reports on its contractors at its eight nuclear weapons sites, following Nuclear Watch New Mexico's successful lawsuit for FY 2011 Reports. These assessments are the scorecards for Performance Evaluation Plans negotiated between the government and its nuclear weapons contractors, which awards the contractors hundreds of millions of taxpayers' dollars. Public access to these reports is of increasing importance as federal oversight is being continuously diminished. The trend of soaring contractor profits paired with decreasing accountability should be reversed, especially given sequester budget cuts that will further handicap federal oversight.

Nuclear Watch New Mexico has released an analysis and selected excerpts of the FY 2012 NNSA Performance Evaluation Reports. In summary:

In June 2012 the House Energy and Commerce Committee issued a press release entitled "Committee to Examine Eroding Oversight at Nation's Most Critical Nuclear Sites - "Hands Off, Eyes On" Approach Raises Bipartisan Concerns" and asked the Government Accountability Office to report on the effectiveness of NNSA's contractor assurance system.

In September 2012 the GAO testified "A basic tenet of effective management is the ability to complete projects on time and within budget... the problems we continue to identify in the nuclear security enterprise are not caused by excessive oversight, but instead result from ineffective oversight." GAO then listed NNSA cost overruns, which include the ~\$7 billion National Ignition Facility (originally ~\$1B), the \$10B B61 Life Extension Program (originally ~\$4B), the ~\$6B MOX Fuel Fabrication Facility (originally ~\$2B), the \$6B Chemistry and Metallurgy Research Replacement Project (originally ~\$660 million), and the ~\$7B Uranium Processing Facility (originally ~\$660 million). Not mentioned was the most expensive project Department of Energy's Waste Treatment Plant at Hanford, which under contractor Bechtel has ballooned from ~\$3.5 billion to ~\$13 billion.

DOE's own Inspector General has very recently issued a damning report on NNSA's contractor assurance system, concluding:

The contractor governance system was rendered ineffective by what Federal site level officials referred to as an "eyes on, hands off" approach to contract management... improving contractor performance is, in our view, highly dependent on well defined metrics and a transparent relationship between metrics in contractor assurance systems and performance evaluation plans. These elements, functioning together, are essential to a credible pay-for-performance regime; that is, reward excellence in contractor performance and penalize poor performance.

The sad fact is that NNSA is not consistently penalizing poor contractor performance. To the contrary, in two recent cases involving FY 2012 Performance Evaluation Reports NNSA HQ overrode local Site Offices and granted one waiver and one adjustment that resulted in higher contractor profits and contract extensions. Los Alamos National Security (LANS), LLC, received only 68% of its possible at-risk award fee of \$46.5 million, primarily because of cost overruns that ballooned a security project from \$213 million to \$254 million. Earning at least 80% of the at-risk incentive award fee is the threshold for eligibility for a one-year contract extension, which the NNSA Los Alamos Site Office therefore declined to grant. However, the top NNSA award determining official, who is now acting NNSA Administrator Neile Miller, overrode that and granted LANS a one-time waiver, extending LANS' contract through FY 2018.

Similarly, Lawrence Livermore National Security, LLC, earned 78% of its available at-risk incentive fee, still short of the gateway of 80%. However, acting NNSA Administrator Neile Miller overrode that too, giving the lab contractor an extra \$541,527 to help it meet the 80% mark and extending the management contract another year.

Moreover, in the name of more "cooperative" relationships with its contractors, NNSA has stripped concrete evaluation benchmarks from its Performance Evaluation Plans. For example, the FY 2012 Los Alamos Lab Plan was 88-pages long with specific benchmarks, but the Lab's FY 2013 Plan is only nine pages long with very general and vague benchmarks.

So-called modernization of the U.S. stockpile involves increasingly aggressive Life Extension Programs that prolong the service lives of existing nuclear weapons 30 years or more. LEPs and/or other modifications also provide existing nuclear weapons with new military capabilities, which generally involve substituting lower yield nuclear weapons for higher yield weapons. The new-design fuze for the W76 (in part responsible for its new military capability) had initial design problems that delayed start up of its Life Extension Program. Future LEPs are planned to be even more aggressive, with the B61 LEP proposed to consolidate four different modifications into one new B61-12.

An even more aggressive LEP is a proposed joint warhead replacing both the W78 ICBM warhead and the sub-launched W88 that will use the plutonium pit of yet a third type of warhead. At what point do cumulative untested changes to existing nuclear weapons erode confidence in their reliability? Simple logic dictates that the last thing we should do is intentionally introduce unnecessary major changes to our tested, reliable stockpile. All of this argues for a conservative "curatorship"

approach to maintaining existing nuclear weapons, one that avoids both unnecessary risk and expense.

But that conservative approach would be of little profit to nuclear weapons contractors. For example, Los Alamos National Security, LLC was awarded ~\$1.7 million dollars above costs in FY 2012 to pursue Life Extension Programs at LANL. In this way we may be perversely incentivizing the undermining of our own national security by paying contractors large profits to unnecessarily change our reliable, tested nuclear weapons.

Related, Livermore Lab's flagship National Ignition Facility (NIF) is now costing up to \$7 billion, but has failed to produce promised results. The LLNL Performance Evaluation Report has one tantalizing clause pointing out "the discrepancies of the ICF codes not predicting reality in the implosions." NIF is the biggest single component of NNSA's Inertial Confinement Program. What this may mean is that NIF-derived data are not matching the empirical data collected in explosive tests, and hence are of dubious worth to Stockpile Stewardship.

The potential significance of this may be hard to overstate. Former NNSA Administrator Tom D'Agostino has claimed that NIF is absolutely essential for future ratification of the Comprehensive Test Ban Treaty. Therefore we need a clear idea of whether NIF is essential to Stockpile Stewardship or not (and more narrowly whether it can ever have adequate predictive capability for nuclear weapons codes). A number of prominent nuclear weapons scientists have long said NIF would never be relevant to stockpile maintenance.

In the Y-12 Site Performance Evaluation Report NNSA rated contractor Babcock and Wilcox's work on design of the Uranium Processing Facility (UPF) "Unsatisfactory." It was discovered after spending nearly a half-billion dollars on design that not all of the planned production equipment was going to fit. This has already eaten up nearly half of UPF contingency funds even before ground is broken. But the biggest Y-12 news was the break-in by three Plowshares protesters who cut through four fences and splashed blood on the highly sensitive uranium storage building before finally detained by guards. This security breach has become a seminal event, perhaps helping to reverse declining federal oversight of nuclear weapons contractors.

Sandia Lab received 97.5 % of its available award, the highest of any contractor, primarily due to its aggressive schedule in Life Extension Programs feasibility studies and plutonium experiments at its Z Machine (which unlike NIF is of growing relevancy to NNSA's nuclear weapons programs). Sandia's nuclear weapons programs now exceed Los Alamos and Lawrence Livermore Labs (\$1.435 billion vs. \$1.3 billion and \$987.5 million respectively in requested FY 2013 funding). Meanwhile, a potential water violation could be tied to the huge fuel leak at Kirtland AFB where Sandia is located, which could have serious implications for the Lab as well.

In response to the NNSA's FY 2012 Performance Evaluation Reports Nuclear Watch New Mexico makes these recommendations to Congress:

- It should require NNSA to hold contractors accountable to concrete evaluation measures. Reverting back to the formats of the FY 2012 Plans would be a good start.

- Congress should also require that Performance Evaluation Plans and Reports are standardized across the nuclear weapons complex for all sites.
- Waivers and/or adjustments to the findings of Performance Evaluation Reports must be fully justified and documented in writing by the NNSA Fee Determining Official.
- Contractor fees as percentages of sites' total institutional budgets vary widely. They too should be standardized with the aim of saving taxpayers' money.
- Excessive, chronic cost overruns must stop. Congress should prohibit "design-builds" and mandate that project construction begin only when 90% design is certified to be complete with credible cost estimates. Contractors should be penalized for cost overruns.
- Congress should find the courage and political will to pull the plug on exorbitant failed projects, such as the National Ignition Facility and the MOX Fuel Fabrication Facility.
- Untested changes to existing nuclear weapons should be rigorously avoided, with a focus on scrupulous surveillance and standard maintenance.
- The creation of new military capabilities for existing nuclear weapons should be legislatively prohibited.

Nuclear Watch New Mexico Director Jay Coghlan commented, "There should be greater, not less, federal oversight of our limited resources given massive sequestration cuts. Nuclear weapons contractors should have to earn their keep by measuring up to concrete performance benchmarks before pocketing hundreds of millions of American taxpayers' dollars. NNSA must get out of the nuclear weapons contractors' back pockets and provide the strong technical and fiduciary oversight American taxpayers deserve.

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Please go to <http://www.nukewatch.org/PERs-PEPs.html> for NNSA's FY 2012 Performance Evaluation Reports, our extensive excerpts and Analysis and Conclusions, past Performance Evaluation Plans and Reports, and some relevant Congressional and Government Accountability Office documents.

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