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Contact: Peter Stockton, POGO, 703.589.1718, pstockton@pogo.org

Jay Coghlan, Nuclear Watch NM, 505.989.7342, c. 505.470.3154, jay@nukewatch.org

Watchdogs Urge Reduced Contractor Fees at the Los Alamos Lab

Washington, DC and Santa Fe, NM – Today, the Project On Government Oversight and Nuclear Watch New Mexico sent the Secretary of the Department of Energy a letter urging that the contractor award fee for the Los Alamos National Laboratory (LANL) be slashed. The total possible fee that can be earned for FY 2014, which ended September 30, is \$17.1 million in fixed fee and up to \$40 million in incentive fee. The watchdog organizations argue that the incentive fee award should be cut at least in half because of grossly substandard contractor performance.

The Los Alamos Lab is run by Los Alamos National Security, LLC (LANS), whose two main partners are the University of California (UC) and the privately held Bechtel Corporation. UC ran the Lab as a nonprofit until June 2006, and received approximately \$8 million in annual compensation. In contrast, the for-profit LANS was awarded \$51.9 million in FY 2013, or more than six times the old nonprofit fee, for no apparent improvement in contract management. As recently reported by *The Albuquerque Journal*, LANL Director Charlie McMillan makes \$1.5 million annually while also acting as president of LANS, which is a possible conflict of interest.

LANS' contract performance in FY 2014 was demonstrably worse than other years. The best, well-publicized evidence is that the Lab used unapproved waste handling methods to prepare plutonium-contaminated radioactive wastes for disposal at the Waste Isolation Pilot Plant (WIPP). A waste drum subsequently ruptured, contaminating 21 workers and closing WIPP, with estimated reopening costs of a half-billion dollars (which will no doubt increase). Moreover, the New Mexico Environment Department now threatens to levy substantial fines against LANL because of its missed deadline to send transuranic wastes to WIPP.

Less well known, the Lab is the nation's only so-called "Plutonium Center of Excellence," but has been unable to conduct major operations at its plutonium facility since the end of June 2013 because of nuclear criticality safety issues. The two watchdog organizations do not support plutonium operations at LANL, much of which is geared towards the unnecessary production of plutonium pits, the fissile cores of nuclear weapons. However, at the same time, contractors should not be paid for work they don't do.

Peter Stockton, POGO's senior investigator, commented, "It's time for some tough love! LANS screws up the WIPP facility, costing the government at least \$500 million, and had to stop operations at its plutonium facility for over a year because of nuclear safety concerns. In the face of these debacles, DOE should be seeking restitution, not providing a performance bonus."

Bechtel has had a particularly troubling contracting history with DOE. Under its management estimated costs for the Waste Treatment Plant at the Hanford nuclear reservation soared from \$3.5 billion to \$13 billion, with numerous whistleblower complaints. Similarly, under LANS' management of the Los Alamos Lab, estimated costs for the Chemistry and Metallurgy Research Replacement Project mushroomed from around \$600 million to \$6.5 billion, leading to cancellation of the proposed "Nuclear Facility." Now, in effect, Bechtel has awarded itself the construction contract to build the Uranium Processing Facility at the Y-12 production plant in Oak Ridge, TN. Under a previous contractor estimated costs for the UPF exploded from around \$600 million to as high as \$19 billion. To help fix that, the UPF's mission has been recently narrowed to nuclear weapons components production only (eliminating dismantlements) in order to hold to a budget cap of \$6.5 billion. That means the American taxpayer is paying more for less, and arguably for the wrong priorities. Lockheed Martin and Bechtel run the new Y-12 management contract.

Jay Coghlan, Nuclear Watch Director, commented, "The Department of Energy's cozy relationships with its contractors must end, given their repeated failures and massive cost overruns. Substandard performance by the Los Alamos Lab contractor is costing the taxpayer dearly, and therefore DOE should slash its incentive performance fee award at least in half. From there, DOE should consider booting Los Alamos National Security, LLC for another contractor entirely."

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The POGO/Nuclear Watch NM letter to DOE Secretary Ernest Moniz urging reduced award fees for the Los Alamos Lab contractor is available at <http://nukewatch.org/importantdocs/resources/POGO-NukeWatch-Moniz-LANS-performance-12-3-14.pdf>