



FOR IMMEDIATE RELEASE December 29, 2014

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**More WIPP Fallout:
NNSA Cuts Los Alamos Lab's Award Fees by 90%
Watchdogs Say Management Contract Should Be Put Out for Bid**

Santa Fe, NM – Today, Los Alamos Lab Director Charles McMillan notified LANL employees that the National Nuclear Security Administration (NNSA) had slashed FY 2014 management award fees to \$6.25 million. Seventeen million dollars were available in fixed fees, and around \$40 million in incentive fees, resulting in a 90% cut to potential awards. In addition, NNSA declined to grant a previously *pro forma* one-year contract extension, and most remarkably rescinded a contract extension from an earlier year (see more below). As justification, the agency invoked a ““First Degree” performance failure... [that] created damage to DOE property or costs for cleaning, decontaminating, renovating, replacing or rehabilitating property that in aggregate exceed \$2.5 million.”

This is more fallout from WIPP. The Los Alamos National Laboratory (LANL) used unapproved radioactive waste treatment procedures that resulted in a ruptured drum at the Waste Isolation Pilot Plant, contaminating 21 workers and indefinitely closing that multi-billion dollar facility. It will cost an estimated half-billion dollars to reopen WIPP, which will likely double. Additionally, the New Mexico Environment Department has proposed \$54 million in fines against LANL and WIPP, and Congress has cut \$40 million from cleanup programs at the Lab, while adding \$100 million to help reopen WIPP.

LANL is managed 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. LANL Director Charles McMillan is compensated \$1.5 million annually, while also acting as president of the for-profit limited liability corporation, a possible conflict of interest.

Because of grossly substandard performance, the Project On Government Oversight and Nuclear Watch New Mexico had jointly asked the Department of Energy Secretary to cut LANS' FY 2014 incentive fee at least in half. NNSA's final decision far exceeds our request. Jay Coghlan, Director of Nuclear Watch New Mexico, commented, “We strongly praise NNSA for gutting LANS' award fees. This sends an unmistakable message to contractors that they will be held accountable, which has been sorely missing to date. However, in light of LANS' miserable performance, NNSA should take the next big step and put the management contract out to bid. NNSA and Congress should also consider whether for-profit management of the nuclear weapons complex is really in the country's best interests, when the track record demonstrates that it's not.”

In addition to the WIPP fiasco, another monumental failure occurred in July 2012 when three elderly protestors broke into a highly secure area, previously thought impregnable, at the Y-12

nuclear weapons plant in Oak Ridge, TN. The for-profit contractor had self-appraised its security program management as “excellent” and physical security as “good” in the preceding official “Performance Evaluation Report,” which the NNSA approved and paid for with taxpayer dollars.

Concerning LANS’ own substandard performance, LANL has been incapable of conducting major operations at its main plutonium facility since the end of June 2013 because of serious nuclear criticality safety concerns. This belies the fact that the Lab is the country’s only designated, so-called “Plutonium Center of Excellence.” Bechtel has had a particularly troubled performance history with the Department of Energy. Under Bechtel management estimated costs for the Waste Treatment Plant at the Hanford nuclear reservation soared from \$3.5 billion to \$13 billion, with numerous complaints of retaliation against whistleblowers.

Similarly, under Bechtel’s partnership management of the Los Alamos Lab, estimated costs for the Chemistry and Metallurgy Research Replacement Project (CMRR) mushroomed from around \$600 million to \$6.5 billion, leading to cancellation of the proposed “Nuclear Facility.” Lab Director McMillan now pushes for a multi-billion dollar “modular” substitute for the CMRR Nuclear Facility, whose mission would be expanded production of plutonium pits, the fissile cores of nuclear weapons. However, existing nuclear weapons don’t need expanded pit production, implying that it would be for unspecified future nuclear weapons. In any event, LANL has questionable competency to perform any plutonium pit production at all.

On a final related matter, to its credit NNSA posted the LANS FY 2014 Fee Determination Letter and Notice of Reduction. However, the agency did not post the full Performance Evaluation Report upon which they are based. Jay Coghlan commented, “NNSA’s decision to slash LANS’ fees is very welcomed, but far greater transparency is still needed. Nuclear Watch New Mexico successfully sued in the past to make full Performance Evaluation Reports publicly available. We will sue again if our current Freedom of Information Act request for the full FY 2014 Performance Evaluation Report is not soon satisfied.”

LANS received a 68% contractor performance rating for FY 2012, but was given a waiver by the NNSA fee determination officer (who soon thereafter became the NNSA Administrator). That waiver gave LANS additional taxpayer-paid fees and granted it another contract extension, when the required minimum threshold was 80%. Nuclear Watch New Mexico discovered this after litigation that obtained the full FY 2012 Performance Evaluation Report. Congress subsequently required NNSA to report any future waivers to the Armed Services and Appropriations Committees, effectively ending that practice. This does, however, demonstrate the importance of public access to NNSA’s full Performance Evaluation Reports, so that taxpayers can know that nuclear weapons contractors are being held accountable.

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References:

1. NNSA, [FY 2014 Performance Evaluation Report, Fee Determination Letter, Los Alamos National Security, LLC](#)
2. NNSA, [Contracting Officer's Notice of Reduction of LANS FY 2014 Fixed Fee and Forfeiture of Previously Earned Award Term](#)”
3. December 3, 2014 joint POGO and Nuclear Watch NM [letter](#) to DOE Secretary Ernest Moniz urging reduced award fees for the Los Alamos Lab contractor.
4. LANL Director Charles McMillan December 29, 2014 announcement to Lab employees (see below NukeWatch NM press release). <http://www.nukewatch.org/watchblog/>