

UPF UPDATE

JUNE 2015

TELL THE TAXPAYER!

AFTER MORE THAN TWENTY YEARS of tracking Department of Energy and National Nuclear Security Administration shenanigans, it's not easy to surprise Jay Coghlan of Nuclear Watch New Mexico. He knows all about the massive cost overruns at DOE's Hanford Waste Treatment Plant; he knows about the billions spent on the Mixed Oxide (MOX) Fuel facility at Savannah River; he watched cost estimates for a bomb plant at Los Alamos double three times over before the plans got shelved—none of those projects are anywhere close to being finished, despite being years past their original completion date.

Still, Jay's eyebrows raised when he came across a number from a 2006 estimate for the Uranium Processing Facility bomb plant proposed for Oak Ridge, Tennessee. The number was \$92 million. It was the amount projected for the design phase of the UPF.

That's a lot of money to design a bomb plant. But that isn't why Jay paused—it's because he knew that by the end of 2016 the cost of the design for the UPF will reach the \$2 billion mark, and even then it is unlikely the design will be finished.

DESIGN: ONLY THE BEGINNING

Here are several questions the astute reader may be asking him or herself right now (besides "Whaaaaaat?").

How in the world can you spend two billion—BILLION—dollars designing anything? If the money hasn't produced a blueprint yet, where did it go? If the design phase costs more than \$2 billion, what are the chances the whole project will come in under Tennessee Senator Lamar Alexander's \$6.5 billion "cap" for the whole UPF?

And here are some answers.

You can easily spend \$2 billion when it's other people's money (Thank you, taxpayers). And when you make such a colossal blunder at the outset that you have to throw away the first set of plans and write off half a billion dollars (it happened) as a total loss. Then you work another year on another set of plans that you also

mostly scrap. And, even more challenging, you are then tasked with designing a bomb plant to include new, high-tech equipment that does not yet exist. Hey, a billion here, a billion there—who's counting? We'll get to that in a minute.

Where has the money gone? Except for the half billion dollar write-off, we really have no clue. The NNSA declines to provide any information to anyone except their banker, Senator Alexander, and he ain't sayin' nothin'. Okay, that's not technically true. Asked directly about the \$430 million just passed by Alexander's Senate Energy and Water Appropriations Subcommittee, his staff said, "It's for design work." All of it? "All of it."

As for the last question—the chances of the UPF bomb plant coming in under Lamar Alexander's arbitrarily selected \$6.5 billion cap? Incredibly, with \$2 billion already spent, the Senator's staff says they still accept the NNSA's assertions that they'll meet the spending cap. We say there are two chances of that happening: fat and slim.



TELL THE TAXPAYER

We will soon be 2 billion taxpayer dollars into a bomb plant that hasn't been designed yet. Oversight of the project is completely in the hands of Tennessee Senator Lamar Alexander who periodically holds secret meetings with project personnel after which he provides the public with a statement of confidence in the project.

Meanwhile, last year a new management team took over, made up of Lockheed Martin (who used to manage Y12 until they lost the contract and left under a cloud 15 years ago) and Bechtel (part of the management team that wasted the half billion dollars). One of their first decisions was to sole-source the contract for building the UPF to—wait for it... themselves! (Bechtel) rather than take bids.

Last month, John Eschenberg, UPF project manager, retired. His replacement has yet to be selected.

What is the taxpayer to make of this? Is it the gathering clouds of a perfect storm of government waste, or is it the lining up of ducks in a row to complete a complicated

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project with an efficiency and economy heretofore unknown in the annals of government spending?

If the NNSA and Senator Alexander have their way, we'll never know. At least not in time to staunch the flow of our taxpayer dollars.

NOW, NOT A BILLION DOLLARS FROM NOW

Last year, the NNSA got more than \$300 million to continue the design of the UPF bomb plant. In this year's budget the number goes up to \$430 million. Hey, didn't everybody get a 30% increase this year?

To understand how the UPF bomb plant, plagued by mismanagement and cost overruns managed to score a 30% budget increase in a time of fiscal austerity, one has to be able to connect the dots.

But only four of them.

Dot One: The UPF is being built at the Y12 Nuclear Weapons Complex in Oak Ridge, TN.

Dot Two: The Y12 Nuclear Weapons Complex is now being managed by Lockheed Martin and Bechtel in a consortium called Consolidated Nuclear Services.

Dot Three: Senator Lamar Alexander is from Tennessee.

Dot Four: Senator Lamar Alexander chairs the Senate Energy and Water Appropriations Subcommittee which determines the budget for the UPF.

Dot Five (this is a bonus): When Martin Marietta, then manager of Y12, merged with Lockheed in 1995, Lamar Alexander received a nice \$93,000 payout from Lockheed Martin for stepping off the Martin Marietta Board. The new corporation assumed the contract for managing Y12.

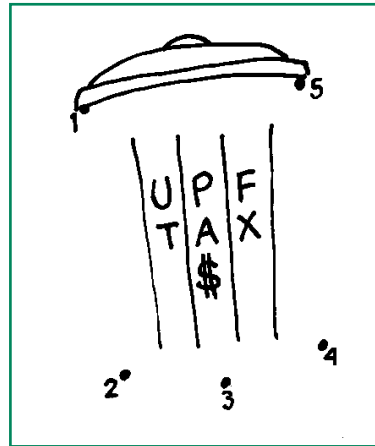
So, pardon our skepticism. But with two billion dollars in the pot, we believe the taxpayer has the right to ask Lamar Alexander and the NNSA what they have been doing with our money and to get an answer that goes just a little deeper than "design work."

THE OPPOSITE OF WASTE IS ACCOUNTABILITY

The current plan for the UPF, which hundreds of millions of dollars are being spent to design, has not been approved by the NNSA. Nor has the legally required environmental analysis been prepared.

Still, the money flows.

The failure to hold anyone accountable for the 2012 "space/fit" issue that flushed half a billion dollars down the drain has not inspired public confidence. Absent the requirement to report to anyone aside from the Senator who is bankrolling the project, it is a pretty sure bet the UPF will continue on its current track—ending eventually in lengthy schedule delays and



stratospheric cost overruns.

When this happens, Senator Lamar Alexander, and other members of the Tennessee congressional delegation who are deferring to him, will have, in the immortal words of Ricky Ricardo, "some 'splainin' to do."

The FY 2016 budget projects even greater increases for the UPF bomb plant—reaching half a billion dollars a year in the near future. But that's not all. The rest of the modernization of Y12, originally part of the UPF project, is now being paid for with other money—a shell game of sorts devised to delay the busting of Alexander's \$6.5 billion budget cap.

A RIGHT TO KNOW

When Lamar Alexander campaigned for his Senate seat, he put on a plaid flannel shirt and toured the state in a pickup truck. It wasn't just folksy schtick; he grew up in Blount County and knows what real life is. He knows about putting carts before horses (like paying to design a building before you know what's going in it). He knows Tennesseans who pay taxes want to know where their money is going.

In the weeks and months to come, the Oak Ridge Environmental Peace Alliance will be monitoring information provided about the UPF bomb plant, demanding accountability from Alexander and the NNSA.

Here's what the public has a right to know—and none of it is classified:

Why are we paying 430 million dollars this year for the design of a bomb plant that *has not yet been approved* by the NNSA?

What exactly, have we gotten for our \$2 billion so far? No double-talk, please, about "nearing 50% design completion." What have you done, and what do you have left to do?

How are the draftsmen and women incorporating safety features for technologies that have not yet been fully designed and tested, let alone proven?

When will we see an actual plan? And when will the legally required Environmental Impact Statement for that plan be prepared?

Who is being held accountable for the twentyfold increase (from \$92 million to \$2 billion) in the cost of the design of the bomb plant?

When will we get an honest cost estimate (not the fairy tale \$6.5 billion "cap") for the UPF bomb plant? And who ever said \$6.5 billion was okay, anyway, for a bomb plant originally estimated to cost \$600 million - \$1.5 billion?

What is the full cost of modernization at Y12? And why have large parts of the modernization project been taken off the books and transferred to other accounts?

We will also be pressing for release of the study (due in April, as yet unseen) that Congress has required from NNSA proving that it needs to replace secondaries in nuclear weapons undergoing "Life Extension." If it turns out the replacement of secondaries is unnecessary, the need for the UPF evaporates, and Y12 can turn its focus to dismantling nuclear warheads.

Learn more:

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