

UPF UPDATE

SEPTEMBER 2015

BUSTED! UPF BOMB PLANT
TO BREAK THE BANK AT \$11 BILLION

WITH CONGRESS ABOUT TO TACKLE budget issues again—at least for a Continuing Resolution to keep the government funded past the October 1 start of the new fiscal year, it's worth taking a look at a multi-billion dollar project that seems to be doing little more than spending enormous amounts of tax dollars—yes, we're talking about the Uranium Processing Facility.

For sixteen months, the National Nuclear Security Administration and Tennessee Senator Lamar Alexander have insisted the new nuclear weapon production plant slated for Oak Ridge, TN, the UPF, will be built for \$6.5 billion or less.

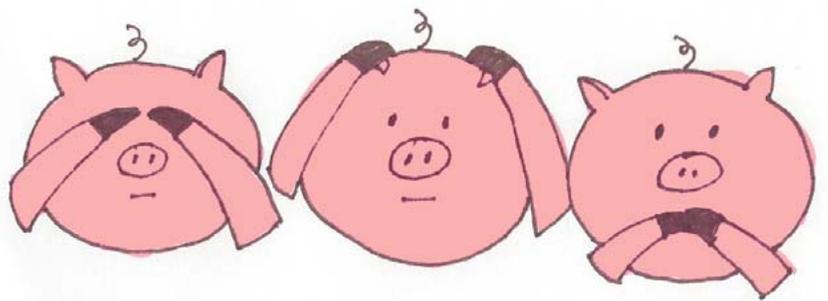
That's after down-sizing the UPF from the original plan (which had an official NNSA pricetag of \$6.5 billion when they abandoned the second design). And after moving major pieces of Y12's modernization into other accounts to keep the UPF number low.

NNSA has declined to release any other cost estimates, saying the public will have to wait until they reach the 90% design completion point—that's expected to be sometime in the second half of 2016. By that time, more than one billion dollars will have been spent on this iteration of the UPF design.

SILENCE IS GOLDEN

In this case, maybe platinum. Or something even more extravagantly precious. For while NNSA refuses to say anything at all about its progress on the UPF, it continues to write checks to Bechtel, and Bechtel continues to cash them—to the tune of \$430 million in the coming fiscal year.

In the absence of numbers from NNSA, OREPA decided to tackle the math problem by asking a simple question. What percentage of a construction job is usually spent on the design of the facility being built?



The industry standard for a simple job is about 3.5%. For more complex jobs, it goes up, about 6.4%. That's close to the original estimates for the UPF: Design was to cost \$92 million and the total cost was estimated at \$1.5 billion. For the purposes of our bomb plant, a one-of-a-kind nuclear facility facing significant safety challenges, let's be conservative and say the design cost may run as high as 10% of the total cost. (NNSA, feel free to provide any real numbers to refute this math.)

We're choosing 10% because we did have a freeze-frame moment in late 2012, when the first design ran into its "space/fit" issue. At that time, the total cost estimate was \$6.5 billion, and NNSA said the design was about 85% complete. In February 2013, NNSA said the amount being written off for that first design was just over \$500 million, which means the design would have been just under 10% of the total project cost.

Now let's look at how much has been spent on the current design. We've noted in the past that by the end of FY2016, taxpayers will have spent more than \$2 billion for the UPF. But some of that was for designs that have since been abandoned.

The latest design was hatched in late 2013, codified in the Red Team recommendations, and largely adopted by NNSA and the Department of Energy, though the actual decision has not yet been officially made—no Critical Decision 1 has been signed in Washington, DC. No plan? No worries! Because the guy writing the checks with the taxpayers' checkbook is Tennessee's own Lamar Alexander, chair of the Senate Energy and Water Appropriations Subcommittee.

So let's throw out the half billion dollars wasted on the first too-small design, and for good measure, let's throw out the rest of FY2013's appropriation, most of which went toward the second, high-roof design. Let's just take the money spent on the current design: \$327 million in FY2014; \$335 million in FY 2015; and \$430 million in FY 2016. That adds up to \$1,092,000,000, or about \$1.1 billion.

If that is 10% of the total cost, the UPF pricetag is \$11 billion, not the \$6.5 billion

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fairy dust number NNSA and Senator Alexander keep declaiming.

NO MYSTERY, JUST SECRETS

Our exercise in trying to calculate the cost of the UPF is crude—given real numbers, we might do better. But it is accurate enough to make the point—there is no way NNSA/Bechtel/Lockheed Martin will bring the UPF bomb plant in under \$6.5 billion. That's before we figure in NNSA's unblemished record of massive cost overruns and schedule delays on major construction projects.

The other thing our exercise makes clear is that there is no mystery here, there are just secrets.

Because there are industry standards for almost every bit of the work being done—industry standards for calculating how far along a design is, 10, 20, 50 percent. And there are industry standards for how much each of those milestones represents in terms of final cost of a project. And there are even industry standards to allow for variances in unusual projects.

It's not that there is no information—it's that NNSA and Senator Alexander are keeping it secret from the public. Why?

If NNSA and Lamar wanted to, they could fully account to the public for the billions being spent on the UPF. They could be transparent about the progress of the design team. And the public could judge for itself if things were on the up-and-up. It might be reassuring to see the facts for what they are. And if the project is going off the tracks, an informed public could ask questions before our billions were spent rather than after.

So at the risk of repeating ourselves, we ask: What possible reason could there be for this utter and complete lack of transparency if the project is on track?

REALITY AND APPEARANCE

It appears at this point, based on the admittedly skimpy evidence at hand, that NNSA is living up to its reputation, the one that keeps NNSA projects, including the UPF, on the Government Accountability Office's high risk list year after year.

If the reality differs from the appearance, the public has a right to know, and the government has a duty to disclose. That kind of accountability is the bedrock of democracy. Without it, money is wasted and government is corrupted and projects

run on forever, paid for by taxpayers who can only wonder where the money is going.

It may be that Alexander, who is unlikely to run for re-election, is immune to pressure from his constituents. But that does not exempt him from his responsibilities as a United States Senator. The public should be receiving thorough reports of his periodic private (secret) meetings with NNSA and contractors. We should not be left to wonder in awe at the brazen audacity of corporations that pocket \$430 million tax dollars just because they say they need it.

And so we ask, insist, demand: Senator Alexander, tell the taxpayer!

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