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HANFORD WASTE TREATMENT PLANT

Contractor and DOE Management Problems Have Lead to Higher Costs, Construction Delays, and Safety Concerns

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Highlights

Highlights of GAO-06-602T, a testimony to the Subcommittee on Energy and Water Development and Related Agencies, Committee on Appropriations, House of Representatives

Why GAO Did This Study

The Waste Treatment Plant Project at the Department of Energy's (DOE) Hanford site in southeastern Washington state is a massive effort to stabilize and prepare for disposal 55 million gallons of radioactive and hazardous wastes currently held in underground tanks. In 2000, DOE awarded an 11-year, $4.3 billion contract project to Bechtel National, Inc. (Bechtel) to design and construct the plant. Since then, numerous problems and changes have occurred that will significantly increase the project's final cost and completion date.

This testimony discusses (1) how and why the project's cost and schedule have changed since 2000; (2) the status of DOE and Bechtel efforts to address these problems and improve project management ; and (3) our observations on issues that need to be addressed in going forward. It is based on previous GAO reports and ongoing work.

What GAO Recommends

GAO recommends that DOE (1) consider the feasibility of completing 90 percent of facility design or facility component design before restarting construction; (2) ensure that the revised project baseline fully reflects remaining uncertainties; and (3) improve management controls.

DOE generally agreed, but was concerned about the costs of delaying construction to complete design activities.

www.gao.gov/cgi-bin/getrpt?GAO-06-602T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gene Aloise at (202) 512-3841 or aloiseg@gao.gov.

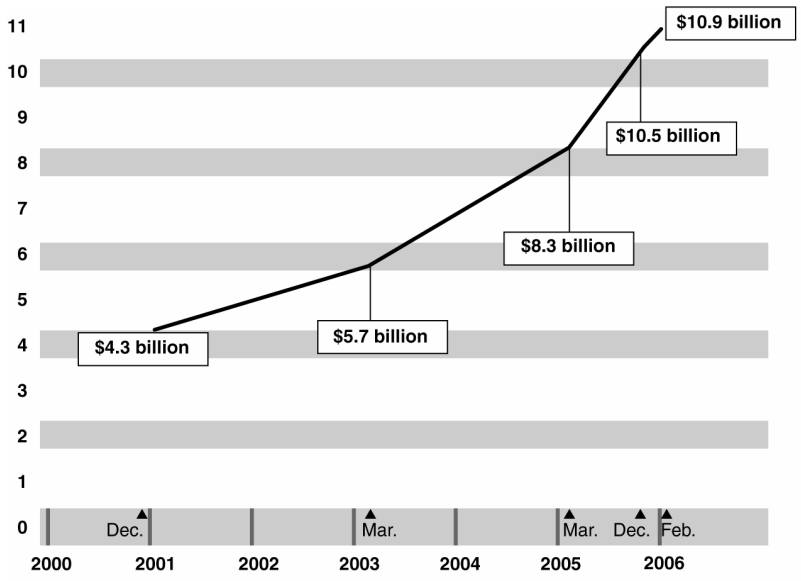
What GAO Found

Since the waste treatment plant construction contract was awarded in 2000, the project's estimated cost has increased more than 150 percent to about $11 billion, and the completion date has been extended from 2011 to 2017 or later. There are three main causes for the increases in the project's cost and completion date: (1) the contractor's performance shortcomings in developing project estimates and implementing nuclear safety requirements, (2) DOE management problems, including inadequate oversight of the contractor's performance, and (3) technical challenges that have been more difficult than expected to address.

To address the causes of the cost and schedule increases and regain management control of the project, DOE and Bechtel have taken steps to develop a more reliable cost and schedule baseline; slow down or stop construction activities on some of the facilities to allow time to address technical and safety problems and to advance design activities farther ahead of construction activities; and strengthen both project management and project oversight activities.

Despite these actions, we have continuing concerns about the current strategy for going forward on the project. Our main concerns include: (1) the continued use of a fast-track, design-build approach for the remaining work on the construction project, (2) the historical unreliability of cost and schedule estimates, and (3) inadequate incentives and management controls for ensuring effective project management and oversight.

Progression of Cost Estimates on the WTP Project



Source: DOE.