

The Regents of the University of California

**COMMITTEE ON OVERSIGHT OF THE
DEPARTMENT OF ENERGY LABORATORIES**

September 21, 2005

The Committee on Oversight of the Department of Energy Laboratories met on the above date at UCSF–Laurel Heights, San Francisco.

Members present: Regents Blum, Dynes, Juline, Marcus, Moores, Parsky, Pattiz, Rominger, and Ruiz; Advisory member Brunk

In attendance: Regents Hopkinson, Island, Johnson, Kozberg, Lozano, Rosenthal, Schilling, and Wachter, Regents-designate Coombs, Ledesma, and Schreiner, Faculty Representative Oakley, Secretary Trivette, General Counsel Holst, Interim Treasurer Berggren, Senior Vice Presidents Darling and Mullinix, Vice Presidents Broome and Foley, Chancellors Birgeneau, Bishop, Carnesale, Córdova, Denton, Drake, Fox, Tomlinson-Keasey, Vanderhoef, and Yang; Laboratory Director Anastasio, Interim Laboratory Director Kuckuck, and Recording Secretary Bryan

The meeting convened at 12:35 p.m. with Committee Chair Pattiz presiding.

1. **APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of July 21, 2005 were approved.

2. **STATUS OF COMPETITION AND OTHER MATTERS AT THE DEPARTMENT OF ENERGY LABORATORIES**

President Dynes announced that he was in the process of preparing a letter to Los Alamos National Laboratory employees to describe the options and benefits they may expect until the end of the UC contract, which is May 30, 2006. They will be offered open enrollment so that they may continue their benefits. If the partnership of UC, Bechtel, Washington Group, and BWXT wins the contract, the transition will be made as smooth as possible for Los Alamos employees. Every effort will be made to mirror UC pensions, within the letter of the law.

Vice President Foley recalled that the University and its partners had submitted in July a proposal for the management and operations contract at the Los Alamos laboratory. The National Nuclear Security Administration (NNSA) has begun its evaluation and intends to award a contract on or before December 1, 2005. On September 1, the Los Alamos National Security LLC, which is made up of the University and its partners, participated in a meeting with NNSA's source evaluation board. Regent Parsky, who is

chair of the Los Alamos National Security LLC Board of Governors, and President Dynes participated in the oral examinations of the competition.

Chairman Parsky reported that he was proud to have participated in the presentation before the NNSA. On behalf of the University, he tried to communicate the importance to the nation of the University's 60 years of managing the Los Alamos laboratory. While continuing to believe that the heart of its responsibility is science, research, and technology, the University's representatives had made it clear that some things would need to change. Part of that recognition was seeking the assistance of the highest quality partners from the private sector, with the intention of bringing the management of the laboratory to the same high level as its scientific enterprise.

Vice President Foley introduced Mr. Craig Weaver, President of the Energy and Environment Division for Bechtel National, and Director Anastasio, President of the Los Alamos National Security LLC, for their remarks.

Mr. Weaver commented that all of the corporate partners are committed to the mission of the Los Alamos National Laboratory and particularly to the vision that the proposed LANL director, Mr. Anastasio, has set out for the laboratory. It emphasizes the science that the University has brought to the laboratory system for decades but proposes putting it in a new context of increased focus on strong business management, nuclear operations, and safety and security, which have been troublesome issues across the Department of Energy (DOE) complex. He believed that a strong partnership had coalesced around the leadership that Mr. Anastasio had provided. The LLC has established an office in Los Alamos and has conducted its first board meeting. It is focusing on facilitating the transition to operating the laboratory and intends to communicate effectively with all parties involved as to its plans.

Director Anastasio believed the University and its partners had generated an outstanding management proposal. It was portrayed to the evaluation board that the team was well integrated and will bring its broad base of skills to bear on the task ahead. The team emphasized its strong management focus and experience that will enable outstanding science to continue at the laboratory, and its commitment to making a seamless transition for the DOE, NNSA, and the laboratory's employees.

Chairman Parsky noted that Regents and others within the community want to help the University's efforts as much as possible; however, there are restrictions on communications with government officials during the evaluation period. He advised interested Regents to consult General Counsel Holst for guidance. He thanked Governor Schwarzenegger and Governor Richardson for their strong support and universities in New Mexico for being an important part of the University's team.

Vice President Foley turned to the Lawrence Livermore National Laboratory, recalling that The Regents had authorized the University to extend its management contract to

September 30, 2007 upon the successful conclusion of negotiations with the NNSA on the financial provisions for the next two years. The negotiations were concluded successfully. With the concurrence of Committee Chair Pattiz and Regent Blum, Chair of the Committee on Finance, the process has begun to provide the necessary documentation to the DOE to finalize the agreement. The negotiations were required as the result of a recent DOE Inspector General (IG) report that was critical of the indirect cost agreement between the University and the NNSA that was established in 2001. Specifically, the IG felt that the methodology for calculating NNSA's share of the core corporate costs of the University was not consistent with regulations. Despite disagreeing with the IG's conclusions, the University and NNSA revised the methodology for calculating these costs for the next two years. The alternative approach allocates about \$4 million in costs to the NNSA for the Lawrence Livermore National Laboratory, an amount that is only slightly less than what was provided under the 2001 agreement. He commented that there was no news about the competition for the management contract for the Lawrence Livermore laboratory. He believed it was unlikely that any decision would be disclosed until the Los Alamos contract has been decided, although he expected to see a draft Request for Proposal in the spring or summer.

Regent Juline asked whether the board members of the LLC had been named. Mr. Foley reported that although they have been selected, that information has not been made public. Chairman Parsky noted that the Regents were represented by himself, Senior Vice President Mullinix, and Chancellor Fox. The representatives from the corporations also have members, and there are some outside governors. The LLC has a mechanism for approving outside board members. The Regents will approve the University's representatives. A formal LLC board meeting has been called for October 6, where all of the board members will be announced.

Regent Juline asked whether there were a new governance approach being implemented at the Lawrence Berkeley laboratory and, if so, whether Regents would be involved in approving it. Mr. Foley responded that the Government Assurance Committee was being expanded with outside experts, and a Science Advisory Committee is being selected by President Dynes and Director Chu to scrutinize the quality of the science being done. Governance of the laboratory will continue to be overseen by The Regents.

Regent Blum asked about the funding of the National Ignition Facility at the Lawrence Livermore laboratory. Director Anastasio reported that there has been concern about funding of the NNSA budget in the Energy and Water Appropriation Committees. In the case of the NIF, the House of Representatives has fully funded the President's budget request, but the Senate has not. The issue will be resolved in Congress during a conference of the two committees. The University is working closely with the Secretary of Energy and his staff to address the situation. Governor Schwarzenegger, Senator Feinstein, and President Dynes have voiced strong support for the project.

The meeting adjourned at 1:00 p.m.

Attest:

Secretary