The Regents of the University of California

COMMITTEE ON OVERSIGHT OF THE DEPARTMENT OF ENERGY LABORATORIES
November 15, 2007

The Committee on Oversight of the Department of Energy Laboratories met on the above date at Covel Commons, Los Angeles campus.

Members present: Regents Blum, Bugay, Dynes, Parsky, Preuss, and Varner; Advisory members Scorza and Brown

In attendance: Regents Allen, Brewer, De La Peña, Garamendi, Gould, Hopkinson, Island, Johnson, Kozberg, Ruiz, and Schilling, Regent-designate Shewmake, Faculty Representative Croughan, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Provost Hume, Executive Vice Presidents Darling and Lapp, Senior Vice President Vacca, Vice President Foley, Acting Vice President Standiford, Chancellors Bishop, Block, Blumenthal, Drake, Fox, Kang, Vanderhoef, and Yang, Acting Chancellor Grey, and Recording Secretary Bryan

The meeting convened at 11:50 a.m. with Committee Vice Chair Preuss presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of September 20, 2007 were approved.

2. **UPDATE ON THE DEPARTMENT OF ENERGY LABORATORIES**

Vice President Foley reported briefly about Lawrence Berkeley National Laboratory (LBNL), recalling that last July, LBNL was selected by the Department of Energy (DOE) to be one of the three lead organizations for bioenergy research. The finalization of this joint bioenergy institute has occurred. The partners are Sandia National Laboratory, Lawrence Livermore National Laboratory, the Berkeley and Davis campuses, and the Carnegie Institution for Science. The institute received its initial funding and entered into a lease for a new building. The mission is to speed the development of renewable biofuels–liquid fuels derived from the solar energy stored in plant biomass.

Mr. Foley reported that DOE is conducting its formal assessment of laboratory performance. That performance is measured against a plan adopted annually by the DOE. Many of the elements of the plan are common across all DOE laboratories that are operated by the Office of Science. Last year, LBNL was rated as the top Office of Science laboratory. The programmatic growth under the leadership of Director Chu has been significant. This year, the DOE will make the initial determination whether to implement the award term provisions

of the prime contract. If LBNL's performance is above the minimum established by the DOE for the eligibility of the award term, DOE will extend the contract by three years. Thereafter, DOE will consider each year whether to award an additional year to a maximum of 20 years. If DOE decides not to extend the contract this year, UC will not earn any extensions, which makes this year's assessment critical.

Turning to Lawrence Livermore National Laboratory, Vice President Foley reported that the University has concluded a successful transition to the new contract. Closeout activities for the old contract have commenced. One of these activities, the pension asset transfer, is being handled by Associate Vice President Boyette.

3. **UPDATE ON BOARD OF GOVERNORS ACTIVITIES FOR LOS ALAMOS NATIONAL SECURITY, LLC (LANS) AND LAWRENCE LIVERMORE NATIONAL SECURITY, LLC (LLNS)**

Regent Parsky reported that he was pleased with the way in which the University is cooperating with and working with its corporate partners at the Los Alamos and Lawrence Livermore laboratories. Since the last Regents meeting, advisory member governors were established within Los Alamos National Security, LLC, with the University's having the ability to name two. Regent Pattiz was named as an advisory member, preparing the way for a recommendation in January that he head the Board of Governors beginning in January. In addition, Lawrence Livermore National Security, LLC had a meeting related to its Benefits and Investment Committee, and its Executive Committee held a readiness review meeting at the laboratory. The Laboratory Director and staff testified as to the readiness to assume control. Finally, at the first full meeting of both of the LLC boards, the Laboratory Directors reported on the work of their respective laboratories.

Regent Parsky commented that the accomplishments at Los Alamos National Laboratory (LANL) within the first year of working with the new structure have been impressive. There was an increased focus of the management team on performing science in a safe and secure manner. The safety performance improved by about 30 percent, resulting in 50 fewer reported employee injuries. In addition, LANL has conducted extensive training in human performance improvement, a training approach which was adopted from the nuclear power industry. Further steps were taken in improving personnel security by implementing a new drug testing policy requiring pre-employment-offer testing of job candidates. With respect to environmental stewardship, an area the Department of Energy (DOE) emphasized, LANL committed to remove the waste accumulated in the laboratory over the last 37 years. It is taking action to improve further its environmental compliance performance, also an area in which the DOE emphasized that more needs to be done. In the areas of science, technology, and engineering, LANL has excelled. The laboratory produced more than 1,900 peer-reviewed technical articles–the highest of any DOE national laboratory. LANL research has received two E.O. Lawrence awards. There were five R&D 100 winners and 17 Science Society Fellows. The laboratory employed 1,100 students this year–more than any other DOE facility. Director Anastasio has announced that there might be an opportunity in the

near future to attract investments of $1 billion in new scientific facilities that the laboratory has labeled "signature facilities." The laboratory also continued its major involvement in a number of programmatic initiatives aimed at reducing the nuclear threat. For example, the laboratory is participating in assessing and analyzing recent North Korea nuclear tests for the U.S. Government and is developing numerous techniques to defeat the roadside bombs that have injured and killed so many U.S. troops. The laboratory has created a national security education center under which five distinct institutes, closely tied to several UC campuses, are engaged in bridging the gap between science practice and science education in national security science and in fields ranging from engineering to material science.

Regent Parsky continued his report, noting that in its mission of stockpile stewardship, the Los Alamos laboratory produced in June the first W88 pits that were accepted by National Nuclear Security Administration. The Los Alamos laboratory has given certified scientific proof, without a full-scale nuclear test and using the tools of stockpile stewardship, that the W88 warhead would work as specified if ever needed. The laboratory is on schedule to produce ten certified pits by the end of September. This advance was enabled by a broad range of theoretical and experimental science and is an achievement that facilitates reliable deterrence without the need for underground nuclear testing. The area of pit production is one to which the Regents, with the help of representatives on the Los Alamos board and the faculty, need to pay careful attention. The faculty is focused in this area and wants continuing assurance that the objective of this laboratory is in science and not in weapons production.

Regent Parsky reported also that the Los Alamos laboratory has continued a scholarship fund initiated by the University for outstanding students from northern New Mexico. These scholarships are intended to assist students who are admitted to one of the UC campuses and are required to pay out-of-state tuition in addition to in-state fees.

Finally, Regent Parsky reported that the new contract between the Los Alamos laboratory and the DOE resulted in the need to absorb $175 million in new contract-related tax, pension, and fee costs, which Los Alamos achieved through the use of disciplined financial management and an aggressive approach to operating more efficiently. There will be extensive fees earned by the University in connection with both these laboratories. It is important for the Regents to focus on the dedication of those fees to the advancement of science, preferably through an annual assessment separate from the overall budgetary process. Unanticipated budgetary constraints within the DOE, to which both the Los Alamos and Livermore laboratories must respond, are going to impose a strain. Overall, however, the operations of these LLCs are advancing smoothly.

4. **AMENDMENT OF REGENTS' POLICY ON APPOINTMENTS OF INDIVIDUALS TO BE UNIVERSITY OF CALIFORNIA EXECUTIVE COMMITTEE MEMBERS OF THE BOARDS OF GOVERNORS OF LOS ALAMOS NATIONAL SECURITY, LLC AND LAWRENCE LIVERMORE NATIONAL SECURITY, LLC**

The President recommended that the policy adopted on March 16, 2006, regarding UC appointments of individuals to the Board of Governors of Los Alamos National Security, LLC (LANS), be amended to cover both LANS and Lawrence Livermore National Security, LLC (LLNS), as follows:

Deletions shown by strikeout, additions by underscore

POLICY ON APPOINTMENTS OF INDIVIDUALS TO THE ~~LOS ALAMOS NATIONALS SECURITY, LLC~~ EXECUTIVE COMMITTEES OF THE BOARDS OF GOVERNORS OF LOS ALAMOS NATIONAL SECURITY, LLC AND LAWRENCE LIVERMORE NATIONAL SECURITY, LLC

(1) When a vacancy occurs or is imminent with respect to a University position on the Executive Committee of the Board of Governors of Los Alamos National Security, LLC or of Lawrence Livermore National Security, LLC, the Chairman and the President will identify one or more candidates for appointment to such position, along with any proposed terms or conditions of the appointment. Candidates will be drawn from the ranks of Regents, University officers and senior managers, or others having expertise and experience pertinent to the management and operation of the Department of Energy National Laboratories. The President will confer with appropriate organizations within the University regarding the identification of candidates and applicable terms and conditions of the appointment.

(2) Following such consideration, the Chairman and the President will recommend the selected candidate to The Regents through the Committee on Oversight of the Department of Energy Laboratories for consideration and approval.

Since October 1, 2007, both Los Alamos National Laboratory (LANL) and Lawrence Livermore National Laboratory (LLNL) have been under the management of limited liability companies (LLCs) of which the University is a member. The Los Alamos laboratory came under the management of LANS on June 1, 2006. With the completion of the Lawrence Livermore competition, LLNL has come under the management of LLNS as of October 1, 2007.

Each LLC is governed by a Board of Governors that is charged with oversight and governance of the LLC. Each Board of Governors includes a six-person Executive Committee that is the decision-making body of the Board. Each Executive Committee includes three individuals appointed by the University and three individuals appointed by Bechtel, the primary partner at both LLCs.

In 2006, The Regents approved a policy setting forth a procedure for appointment of individuals to the three UC positions on the LANS Executive Committee. This proposed action amends that policy so that it also applies to the Executive Committee of LLNS.

Regent Parsky strongly recommended that the chairman of the Executive Committee be drawn from among the Regents. The advisory governor role was created with the specific idea in mind that people could understand the workings of each of these boards by performing that function and would then make the natural transition to chair. One of the underlying reasons for moving to corporate partnership was the assessment of the Department of Energy that the University, while it does outstanding scientific work, was not handling the business operations and management adequately. According to the operating agreements, the University names three members of each board, plus the chairman. According to the recommendation, it would not be a requirement that the chair be a Regent.

Regent Parsky proposed that the policy be amended by the addition of the following sentence: "The Chairman of the Executive Committee of the Board of Governors shall be drawn from the ranks of Regents." He noted that nothing would prevent the Regents from naming the President in lieu of another Regent, but he strongly favored filling the chairmanship with a Regent. His motion for amendment of the recommendation was duly seconded and approved.

In response to a request for clarification from Secretary and Chief of Staff Griffiths, Committee Vice Chair Preuss noted that the policy leaves open that the chairman could be the President of the University, who is a Regent.

Upon motion duly made and seconded, the Committee approved the President's recommendation as amended and voted to present it to the Board.

The meeting adjourned at 12:20 p.m.

Attest:

Secretary and Chief of Staff