

The Regents of the University of California

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

March 19, 2015

The Committee on Oversight of the Department of Energy Laboratories met on the above date at UCSF–Mission Bay Conference Center, San Francisco.

Members present: Regents De La Peña, Kieffer, Newsom, Pattiz, Sherman, and Zettel;
Ex officio members Napolitano and Varner; Advisory member Gilly

In attendance: Regents Elliott, Engelhorn, Gould, Island, Lansing, Leong Clancy, Makarechian, Ortiz Oakley, Pérez, and Saifuddin, Regents-designate Davis and Gorman, Faculty Representative Hare, Secretary and Chief of Staff Shaw, General Counsel Robinson, Provost Dorr, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Senior Vice Presidents Henderson and Peacock, Vice Presidents Allen-Diaz, Budil, and Sakaki, Chancellors Block, Blumenthal, Gillman, Hawgood, Wilcox, and Yang, and Recording Secretary Johns

The meeting convened at 9:05 a.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 January 21, 2015 were approved.

2. UPDATE ON THE DEPARTMENT OF ENERGY LABORATORIES

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Pattiz stated that the Boards of Governors of the Los Alamos National Security LLC (LANS) and the Lawrence Livermore National Security LLC (LLNS) met in Livermore on February 18 and 19, and discussed the issues involved in the venting from a radioactive waste barrel at the Waste Isolation Pilot Plant (WIPP) in New Mexico. Research at the National Laboratories is ongoing, as evidenced by the Lawrence Livermore National Laboratory's (LLNL) receiving a 92 percent performance assessment rating, 92 percent of its potential fee, and kudos from the National Nuclear Security Administration (NNSA) and the Department of Energy (DOE). The Los Alamos National Laboratory (LANL) WIPP situation involves negotiations between the State of New Mexico and the federal government. Because of the LLC structure, the University has chosen to stand back and let these negotiations proceed. Numerous discussions have been held with Laboratory personnel and counsel, private sector counsel, and independent

counsel retained for this purpose. Committee Chair Pattiz stated that the University is well-represented in this matter and the LLC structure provides the University protection from liability. Independent counsel have expressed the opinion that the University's legal position is strong and that there were a number of issues about the fee determination that should be reviewed.

Vice President Budil reported that Patricia Falcone joined LLNL as Deputy Director for Science and Technology.

Ms. Budil stated that LANL faces a host of operational and regulatory issues detailed in DOE's 2014 Performance Evaluation Report and resulting in LANL's subsequent fee reduction. These issues went beyond the WIPP incident and included bringing several nuclear waste facilities up to full operational status, concerns regarding project management, and resuming waste operations at LANL. She updated the Regents on progress the University is making in all areas under its control.

Under the leadership of LANL Laboratory Director Charles McMillan, steady progress is being made on all three fronts identified by DOE. Regarding nuclear facilities, LANL is preparing for full restart of its main plutonium facility, PF-4, following an extremely formal, deliberate process review conducted by the federal government. The Laboratory is preparing for its first federal readiness assessment, which is several weeks ahead of schedule. The full process would take more than a year, but the progress made to date is encouraging.

Regarding project management, the entire LANS partnership team has provided supporting expertise, including a member of Ms. Budil's team, and experts from UC campuses and the other National Laboratories. Steady progress is being made in shoring up the LANL management team.

Ongoing discussions between the State of New Mexico and the DOE have taken a constructive turn. The State of New Mexico and the DOE are searching for a mutually beneficial solution that would be in all parties' best interest and would lead to resumed waste operations at LANL and WIPP. The fines that were levied against LANL are being protested by both LANL and the DOE in a lengthy administrative process within the State of New Mexico that would lead to an administrative hearing probably in the fall. The University's hope is that the issue would be settled before the administrative hearing. Last fall, the Secretary of Energy directed that the environmental management work at LANL be placed under the direct control of the DOE's Office of Environmental Management; this work is currently part of the University's contract with the NNSA. UC has been working with the DOE to attempt to identify a strategy to establish a separate contracting mechanism for the environmental management work. This would allow LANL to focus on its important national security missions and science, and keep the legacy waste activities separate, to avoid a situation like the current one in which legacy waste activities have a strong effect on the evaluation of LANL's mission execution. Discussions were still in an early stage. Ms. Budil expressed confidence that a mutually

agreeable resolution would be reached and anticipated that a new arrangement would be in place by the summer.

Committee Chair Pattiz expressed support for the DOE's position that work regarding environmental waste should be moved out of the portfolio of LANL and under the direct responsibility of the DOE. He cautioned that the transition to a new arrangement would not be simple. The DOE would like to shift the work into a different kind of contract from the existing one originally negotiated. The new contract may have to be approved by the Regents, since it may not fall within the parameters of the original agreement.

Regent Lansing and Chairman Varner expressed appreciation for the efforts of Committee Chair Pattiz and Ms. Budil.

The meeting adjourned at 9:20 a.m.

Attest:

Secretary and Chief of Staff