

The Regents of the University of California

NATIONAL LABORATORIES SUBCOMMITTEE

January 25, 2017

The National Laboratories Subcommittee met on the above date at UCSF–Mission Bay Conference Center, San Francisco.

Members present: Regents De La Peña, Napolitano, Pattiz, and Schroeder; Advisory members Chalfant and Mancia

In attendance: Regents Blum, Brody, Lozano, Ortiz Oakley, and Ramirez, Regent-designate Monge, Secretary and Chief of Staff Shaw, Senior Vice President Peacock, Vice Presidents Budil and Ellis, Deputy General Counsel Friedlander, and Recording Secretary McCarthy

The meeting convened at 12:20 p.m. with Subcommittee Chair Pattiz presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of November 16, 2016 were approved.

2. UPDATE ON THE NATIONAL 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.]

Subcommittee Chair Pattiz reported that the UC-affiliated Department of Energy (DOE) National Laboratories had received their DOE annual performance ratings, which would determine whether the DOE would extend each Laboratory's management and operating (M & O) agreement for another year and how much would be earned in fees by the M & O contractor. UC is the sole contractor for the Lawrence Berkeley National Laboratory (LBNL). The contractors for the Los Alamos National Laboratory (LANL) and Lawrence Livermore National Laboratory (LLNL) are limited liability companies in which the University is a major partner. Overall, the three UC-affiliated National Laboratories had very good years.

Much hard work at LANL had resulted in an excellent 2016 performance rating of more than 90 percent, following several difficult years. Subcommittee Chair Pattiz complimented Vice President Budil who had been an integral part of these efforts. Many previous problems at LANL had been addressed in a satisfactory manner. The Los Alamos National Security LLC's (LANS) current M & O contract with the DOE would run through September 30, 2018. DOE has expressed its intention to re-compete the LANS contract. Changes as a result of the new administration in Washington, D.C.

would be clarified over time. LBNL and LLNL earned high performance ratings consistent with the prior year and an additional year award term each.

Vice President Budil reported that the fiscal year 2016 performance ratings for the three UC-affiliated National Laboratories reflected their great years. LBNL, one of the flagship Laboratories for the DOE's Office of Science, had a successful year, earning 94 percent of available award fee, roughly \$5.8 million, and received an award term extension. DOE particularly cited two major areas of success at LBNL: its new Director Michael Witherell, who had moved very quickly on major initiatives at LBNL and the Laboratory's leadership in the area of biological and energy science research. LBNL would soon break ground on the first building in its new biosciences area on the main LBNL campus, reflecting DOE's commitment to that scientific field at the Berkeley Lab. DOE acknowledged LBNL's positive changes to its operational team and support from the University that had helped address some earlier operational issues.

LLNL earned 92 percent of its available fee and received an additional award term on its contract, with notable progress in many areas of science and mission support. Of particular note was LLNL's National Ignition Facility (NIF) exceeding its commitment to DOE of the number of NIF shots available, even though that budget had been flat for a number of years. Ms. Budil reported two notable issues. In the area of Safety and Security, there had been a modest increase in LLNL minor security incidents, which her office was working with the Laboratory and DOE to address. A recently concluded Inspector General audit of the Laser Inertial Energy Fusion Energy Program identified a number of potentially unallowable costs. The University would find out later in the current year how much would actually be unallowable. The DOE had taken the related demerit on LANL's performance rating in 2016 and that should not appear again in future years.

Ms. Budil expressed pride in performance ratings for LANL, and characterized LANL's performance on both the operating contract for the main Laboratory and the contract with DOE Environmental Management as spectacular, earning a net fee of 90 percent. Notable operational improvements had been achieved, including bringing the plutonium facility back to full operation following a three-year pause. LANL continued to have some issues in project management and execution, although performance was improving in those areas. LANL had some staffing issues in Criticality Safety and was working aggressively to hire and train new staff in this area. The current LANL M & O contract would expire at the end of September 2018. The Laboratory had received no indications from the incoming administration in Washington D.C. as to whether it would proceed with the re-competing of the contract. The DOE recently awarded a new M & O contract for Sandia National Laboratory and had yet to award a M & O contract for the Nevada National Security Site, after which the LANL contract would be the next to be re-competed according to prior plans.

The LANL/LLNL 2016 calendar year net fee estimate made in July 2016 had been \$23.1 million. An issue about the apportionment of costs among partners at LANL had been resolved and would result in net fee income just above that estimate.

Regent Ortiz Oakley observed that the University manages some very important national assets through its work with the UC-affiliated National Laboratories and thus is involved in important issues of national security, climate science, and economics. He expressed hope and the expectation that UC would maintain its values in the midst of changes in the federal government administration, and that UC would use every opportunity to influence the administration. Subcommittee Chair Pattiz expressed his view that there would likely be increased funding for nuclear stockpile security because of the aging of the nuclear stockpile. Ms. Budil added that UC had stewarded its affiliated National Laboratories as a public service and the University's highest responsibility was to protect the intellectual environment of these institutions, whose science must be of the highest quality and integrity.

The meeting adjourned at 12:35 p.m.

Attest:

Secretary and Chief of Staff