MR. KLEIN: No, sir.

CHAIRMAN CONWAY: Okay. Thank you. Anyone else have anything? We turn to Mr. Gallagher, Mr. Ronald Gallagher. We welcome you here. This is your first meeting, I think, with the Board --

MR. GALLAGHER: That's correct.

CHAIRMAN CONWAY: -- interface with the Board in any way. We welcome you.

MR. GALLAGHER: I appreciate it, Mr. Chairman, members of the Board, I appreciate the opportunity to present. I am President and Chief Executive Officer of Fluor Hanford. I assumed those duties the first week of December of this year, so I'm relatively new at the job. I did bring along with me my Chief Operating Officer, someone I appointed only this last week into that position, George Jackson.

CHAIRMAN CONWAY: Please, you're welcome to come up to the table.

MR. GALLAGHER: George is a 25-year veteran of the Hanford Facility, and will certainly be able to comment on past issues as it relates to areas that I might not be able to address.

CHAIRMAN CONWAY: -- so that the reporter has your full name and -- if you would give him your
full name and title, please.

MR. JACKSON: George W. Jackson. I'm the Executive Vice President and Chief Operating Officer for Fluor Hanford.

CHAIRMAN CONWAY: Thank you.

MR. GALLAGHER: This first slide just addresses the topics that I plan to discuss in my presentation. The focus, of course, is on self-assessment and corrective action management for Hanford. Although I'm relatively new at the Hanford Facility, I do have some observations, some early observations, from my introduction to the Site, and I have toured the facilities, both inside many of the buildings themselves, and at the workplace, so I've had an opportunity to see things first-hand.

CHAIRMAN CONWAY: Let me suggest this. If you -- I'll leave it up to you. If you want to put your prepared statement in the record, and then give us your observations of what you observed, and what you think you're going to have to do in your new position. Is that satisfactory to you?

MR. GALLAGHER: That's satisfactory.

CHAIRMAN CONWAY: Thank you, sir.

MR. GALLAGHER: I think we recognize the importance of self-identification. That's my first
and clear observation. I think we also realize that in some instances, our assessment programs, as Keith has pointed out, in the past have not consistently produced their intended results. We accept that criticism, and we are taking, initiating some steps to address that. We understand that certain actions are needed to improve the quality of performance of management and independent assessments. As far as expectations go, the bottom line at Fluor Hanford, I'm responsible for safety. I initiate that activity and follow through that with the expectation of line management to self-identify and correct problems. We also have an independent assessment process that also provides that oversight, and works in close coordination with our client. We recognize that strong assessment programs, of course, result in fewer operational problems and less rework and disruption, and it offers a proactive approach to managing work so that we can achieve the productivity and gains that we'd like to achieve. And I think most importantly, the self-assessment programs provide a safe workplace in an environmentally safe area, not only for our workers but for the community.

Some of the areas, as mentioned, in past
2003, we had some functional areas that were not consistent or comprehensive enough. The past problems, as I understand them at this stage, are primarily due to some of the self-assessments that were performed, particularly at the sludge water systems, were poor quality and lacked depth, and I might point out that although we did declare readiness on those, it was Fluor Hanford that withdrew those ORRs before they were implemented, ourselves. Some of the assessments also were not effectively done in a timely way.

Program enhancements that have already been implemented and are being followed through by the management team that I'm overseeing include greater senior management accountability, actions taken to insure the assessors are qualified, more rigorous scheduling accountability, and more effective tracking mechanisms that are put in place such as the CAM [Corrective Action Management] database that provides good tracking of when assessments are due and what is overdue, and more targeted independent assessment areas. Rather than quantity, the quality and the focus of the assessments we believe will deliver better results.

To me, the importance is clear. It
generates, as I mentioned, a proactive management approach. It's just simply good management, and where we can learn from the past and plow that into our actions for the future. Of course, the key benefit that I see in a good, robust assessment program is less oversight, as we've discussed at length at this presentation already, less disruption where we can focus on getting the work done that we're chartered to do.

As far as the requirements go, it's three areas of focus. We describe a process we use for conducting effective assessments. We also outline in detail what are the training and qualification requirements for personnel that are conducting those assessments, and we also have a listing of various tools that will be used for conducting assessments across the sites.

As far as the contractual requirements, they're very clear as stated in the slide. As far as the implementation of the new DOE oversight policy, I might add that the Fluor Hanford has not formally received that document, although we do have some drafts that we're working with, and our preliminary review as indicated by others already in this presentation, is we -- there is increased emphasis on
utilization and formalization of worker related assessment activities, increased emphasis on competence of personnel, and we see it as the use of consistent performance indicators that can be used to help provide some early indicators of where trouble spots may show up.

From what actually has been shared with me as I previously stated though, is at this time, based on our review, Fluor Hanford does not foresee the implementation of this policy as a major change in direction. We look forward to working with our RL counterparts on achieving alignment on these issues, a clear understanding of what the goals and objectives of the oversight policy is about, and getting on with the implementation.

CHAIRMAN CONWAY: Thank you, Dr. Eggenberger?

VICE CHAIRMAN EGGENBERGER: I believe I heard you say, and correct me if I'm wrong, that you believe that less oversight was better, for you. Did you say that?

MR. GALLAGHER: Certainly if we're clicking on all cylinders, so to speak, I would believe that less oversight would provide an opportunity for the workforce to focus on work tasks
and productivity goals, in conjunction with, of course, an expectation of high safety performance. It's the response time that's associated with responding to oversight comments, and if we can get to a point where I believe the external assessors can back away from giving us those comments to respond to, then we can keep our focus on work tasks.

VICE CHAIRMAN EGGENBERGER: There are two projects that you own that this Board has a great deal of interest in. One is, of course, the PFP [Plutonium Finishing Plant], and the other one is what we talked about: the K-Basin project. Basically, the Board was a driver for both of those projects to get them going. I think your summary of the K-Basin project was good. I'll give you mine. It started out very good, went very well, and went into the ditch. It's been in the ditch every since. Now, the positive thing is there's no mud in the bottom of the ditch, so what it's doing is it's inching along, and I believe that the word that you used was quality, and I think that's one of your bigger problems, and the whole concept of oversight and watching this project more carefully, I think, would be advantageous to all.

One of the things that Keith commented on
or it struck me this way, is that all of a sudden you found that things weren't running well, and Fluor also said that with respect to ORRs. We stopped the ORR. Fluor took credit for that. Prior to that, there were indicators that things were in the ditch. I mean, we have an indicator on site full-time that gives us indications as to how things are going in our oversight role. So, one of the things, Mr. Gallagher, that I would encourage you to do is to meet with our Site Rep that works on the K-Basin, and in fact, I would do it and use him as much as I could. There is a great deal of knowledge and Mr. Jackson, you have used him, you probably haven't used him as good as you should have. So that's why I'm giving you some advice. That's all that I have to say.

MR. GALLAGHER: (Mr. Gallagher nods).

CHAIRMAN CONWAY: Thank you. Dr. Mansfield?

DR. MANSFIELD: Mr. Gallagher, this is a bit unfair because I'm asking you what happened before your watch, but perhaps either you or Mr. Jackson can help me out here. Two years ago or so, you established a Project Operations Center [POC] to address engineering problems for the spent fuel
program. How did it work, especially with regard to the sludge water system which we were talking about, and the field transfer system, especially the jack screws and limit switches? How did the -- what did you learn from it, and why did it work?

MR. JACKSON: The intent of establishing the Project Operations Center was to try to come up with a scheme that's typical of a lot of our engineering schemes, where you have matrixed organization, where you take all of your engineering resources, there were other aspects too, but the primary one I think you're dealing with is the engineering resources, they were matrixed back to the different projects to take care of what I call peak loads of resources being required from an engineering point of view. The base load of engineering talent for managing the systems in the different facilities and everything else, those were permanently assigned at the facility through the Project Operations Center. That was the intent of what they did to set that up, and that was modeled after Fluor corporate's method of assigning engineers and other project management personnel to the projects throughout the world.

In doing that, we looked at, for example,
on the fuel transfer system and other engineering and
design and construct type of projects, either stand-
alone or modifications to existing facilities, we
take a look early on as to whether we want to do the
engineering and design ourselves, or we want to have
somebody else do it under contract to us. In both of
these examples they were done by Fluor Federal
Services in conjunction with the facilities. Very
much, for example, like we did out at PFP, the
Plutonium Finishing Plant, when we did the
modifications out there.

So that's the intent of why it was set up
and why it was actually implemented. There's
obviously different examples of the quality of the
engineering and design and construction that comes
out of such an organization. You can see that out at
Hanford, for example, PFP versus the fuel transfer
system or the sludge water system. Does that answer
your question?

DR. MANSFIELD: Okay, so the Project
Operations Center was not supposed to be a
engineering oversight organization of any kind?

MR. JACKSON: Absolutely not. They
assigned real engineers to do real work.

DR. MANSFIELD: To provide real
engineering. Now, did you give -- when the hard problems came up, were they assigned to the standing permanent staff or to the POC staff that were matrixed in, or did it make any difference?

MR. JACKSON: Normally the engineering design came out of the POC staff rather than the engineering staff that were assigned to maintain and be the cognizant engineers for the safety and operating systems in the facility, so the new design was done primarily out of the POC.

DR. MANSFIELD: Okay. On -- second question, last question. When your submittals for the DSA were being put together, you knew, of course, that the sludge water system was at a 60 percent level, or less than complete level. What increased level of oversight did your central safety organization feel it had to provide to that before you made your submittal?

MR. JACKSON: I wasn't involved at all, Dr. Mansfield, so I can't answer the question. I really don't know the answer, so -- and I don't think Ron does either.

DR. MANSFIELD: Okay. Let's follow up on this later on. It seems to be more -- in the future we may -- we will probably certainly have to address
decisions like DSAs being made before 100 percent
design, and things like that. We ought to have a way
of addressing those with a higher degree of rigor
than we have in the past. I'd like to follow up on
that with you and other contractors in the future.
Thank you, Mr. Chairman.

CHAIRMAN CONWAY: Dr. Matthews?

DR. MATTHEWS: Yes. Just -- in order to
do good self-assessment, one has to have, especially
in this era of accelerated clean-up where you're
really focused on getting the job done, one has to
have a good grasp of what the hazards in the
operations are, and I recognize you've only been on
the job four days, so it's hard. No problem
conferring with Mr. Jackson, but could you define for
me what your top two or three hazardous operations
are that you're most worried about, and how you're
going to oversee and make sure that they don't result
in some kind of nuclear incident?

MR. JACKSON: I can give you two right
off the top of my head. One obviously is when we
start to reduce the source term of our radiological
hazards, I think we expose ourselves to the indirect
types of hazards associated with uptakes and other
things when we get into demolition and material in
terms of contamination that might be hooked in all
the nooks and crannies all over our facilities, and
maybe not be able to detect that before we actually
start demolition.

The other one is just the industrial
hazards of falling. We never crawl up on top of
glove boxes or anything else when we're operating
them, but now we're starting to get up into different
areas of the Plant where fall hazards become very
prominent, so we pay attention to that. We have an
automated job hazards analysis program that we do.

We have a tendency sometimes to rely on
identifying the automated hazards or the ones that
are common to the types of activities that we perform
rather than going in and looking at that as a start
and then saying, what else can happen? What are the
additional hazards if we go into that? So we've
identified that as a potential source of problems,
and we're addressing it. Is that what you were
looking for?

DR. MATTHEWS: Yeah, I guess I would have
said different ones, but that's fine.

MR. JACKSON: Okay. But there are
different hazards. We are paying attention. One of
the other things we're doing is we're actually
bringing people in from other sites that have already
made the transition from decommissioning facilities
into actually demolishing them. For example, you've
got folks coming in from Rocky Flats, we import folks
from Savannah River, Fernald quite heavily.

DR. MATTHEWS: I'm particularly concerned
with the nuclear incidents, not the slips, trips, and
falls. That's the part that I was curious where your
-- where you think your highest hazards are, and you
said, sort of the unknown sources in that old
facility, which is -- no problem with that.

MR. JACKSON: Violating potentially the -
- the same thing as with construction, potentially
violating safety boundaries, or contamination
boundaries when we go in to do things without knowing
that. If we don't do a real good job in evaluating
what we're doing on the systems before we actually
start to decommission them or decontaminate them.
There was an example that I was thinking of in that
particular area that kind of flew out, but --

MR. GALLAGHER: One of the areas that
I've been recently made aware of is the removal of
TRU (transuramic) waste. These are the storage
drums. We have to date had pretty good production
rates because we've dealt with facilities, you know,
drums that were stored within facilities. Now we're unearthing the older drums and there's a, you know, a wide variety of conditions of those drums the way they were stored. I would say that, you know, you're in an open air environment, you know, it leans for people to be a little bit reticent or less protective as he would be working in the spent fuels building, for instance, so as we proceed in those areas, I think we've got some serious concerns that needs to be addressed. I feel that we have the right people managing that work, that they have a high level of competence, and that they're addressing the key issues that need to be addressed, but we are going to be moving into more difficult TRU waste within the Fiscal Year '04.

DR. MATTHEWS: So I assume then that these are the areas you would be focusing your -- sort of refocused self-assessment program on?

MR. JACKSON: Yes.

CHAIRMAN CONWAY: Mr. Gallagher, Dr. Eggenberger gave you some advice with regard to the Board's Site Rep, and I associate myself with his advice to you. It was a bad situation when problems that evolved in quality control, Quality Assurances, procedures that didn't work, equipment that didn't
work, that the last Site Rep that spotted them and brought it to the attention of DOE and the contractor. So I think you would do well by following the advice that Dr. Eggenberger gave you. Also, from what I've read, you've got a pretty distinguished career in engineering, but you have not previously had experience in the nuclear field.

MR. GALLAGHER: That's correct.

CHAIRMAN CONWAY: It has been my experience in the utility background that old-timers in the utility business who were good engineers knew what they were doing, did not understand the nuclear side of the business. And I've heard more than once from these fellows that running a nuclear plant is no different than it is running a fossil plant, and it is different. And I would hope Mr. Jackson, with all his years in the nuclear field, can help you in this area because it is different, and there's a different depth, if you will, of redundancy that's very, very important in this field, that's been built-in in the nuclear field. So I would hope by this idea of oversight, that trying assessments, it's been very important, assessments in the nuclear field, because people make mistakes, not intentionally, very good,
competent people. So oversight and assessment is very, very important in the nuclear field, and we cannot afford to have an incident out there. The pools are very close to the river, and the Board here was instrumental in pushing to try to clean up those basins because they were leaking, and they constitute a hazard out there, but I would, as I say, suggest that in the nuclear field it's different from all your other experience, and it's worthwhile to listen to some old hands in this field. That would be my advice to you. We want you to succeed. We want you to succeed. As I mentioned to you before the meeting began, before our hearing began, one of the things that's been bothersome to me personally has been the constant changing of personnel at Hanford in the contractors. Individuals come and go, and there's a lack then of institutional memory that goes with that, so I'm glad that Jackson is there. He's had some years of experience at the Site, and as I say, we wish you success. We want you to succeed. Anything else?

DR. MANSFIELD: One comment I would like to make. What's at risk here for us is not a, you know, huge contamination event like a nuclear power plant accident, or like a Bhobal, it's a loss of
confidence, the little bit of confidence, that we've regained, with the regulators and the public. That translates, for us it translates to places like Oak Ridge, Savannah River, and Pantex, the operation of which are critical to national security, so the linkage may not be obvious, but a problem at Hanford can stop our nuclear weapons program.

CHAIRMAN CONWAY: Keith, did you want to say one more thing?

MR. KLEIN: Yeah. I just, in thinking about how you would characterize our oversight per the Savannah River and said we're increasing whereas Savannah River is decreasing, I guess, I didn't mean to confirm that Savannah River was decreasing. I'm really not sure that's what Jeff said actually, but I just want to make that clear.

CHAIRMAN CONWAY: Thank you. Thank you very much. Roy, is it your birthday today somebody told me? Happy birthday. Okay, Roy, we'll start with you.

MR. SCHEPENS: Good morning. I'm Roy Schepens, and I'm the Manager of ORP [Office of River Protection]. What I would like to first start talking to you about is the overreaching idea that my intention at ORP is to establish a relationship