U.S. DEPARTMENT OF ENERGY

Environmental Management Site-Specific Advisory Board Chairs Meeting
October 2, 2012

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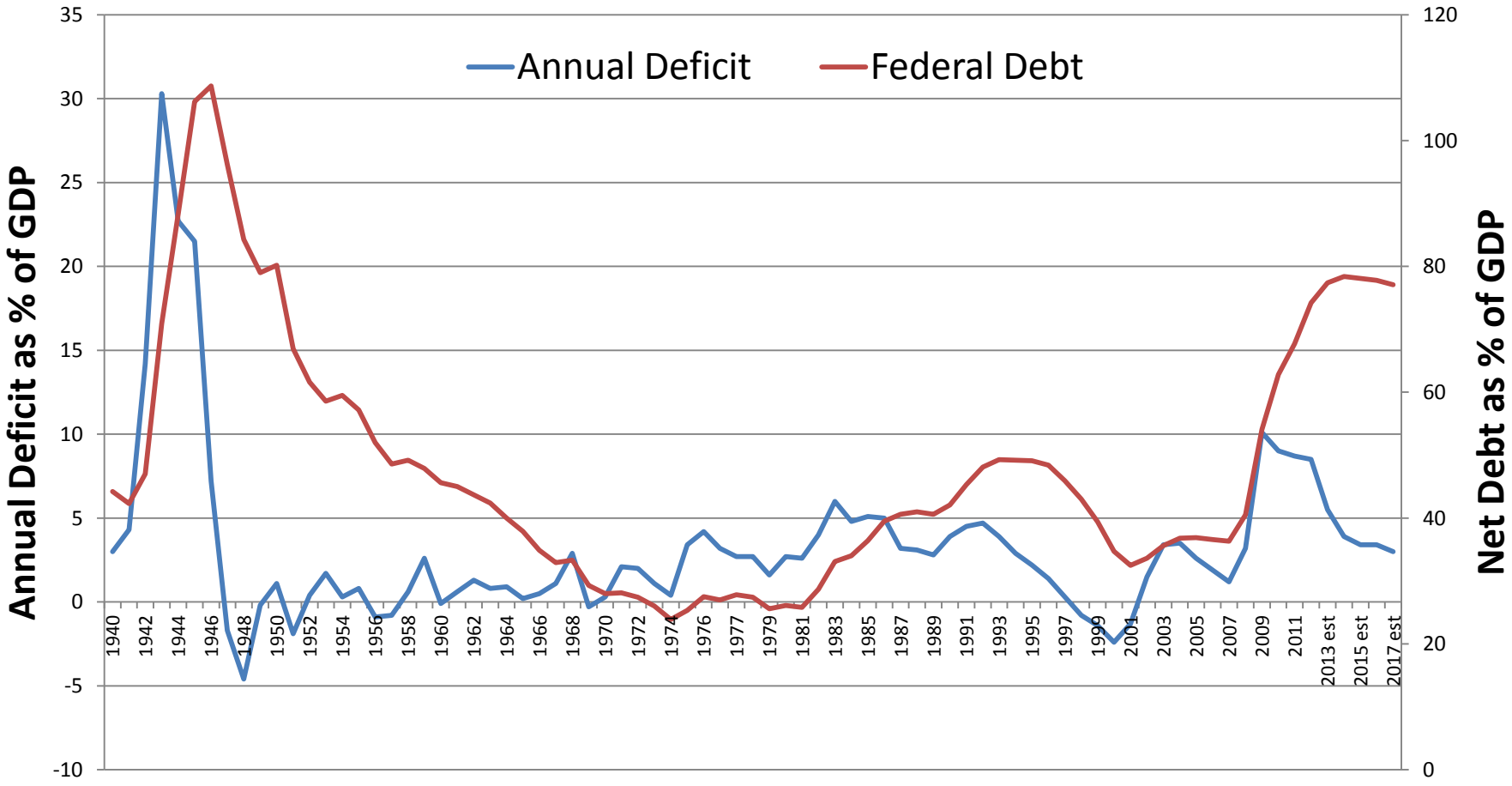
Office of Environmental Management
Deputy Assistant Secretary for Program Planning and Budget

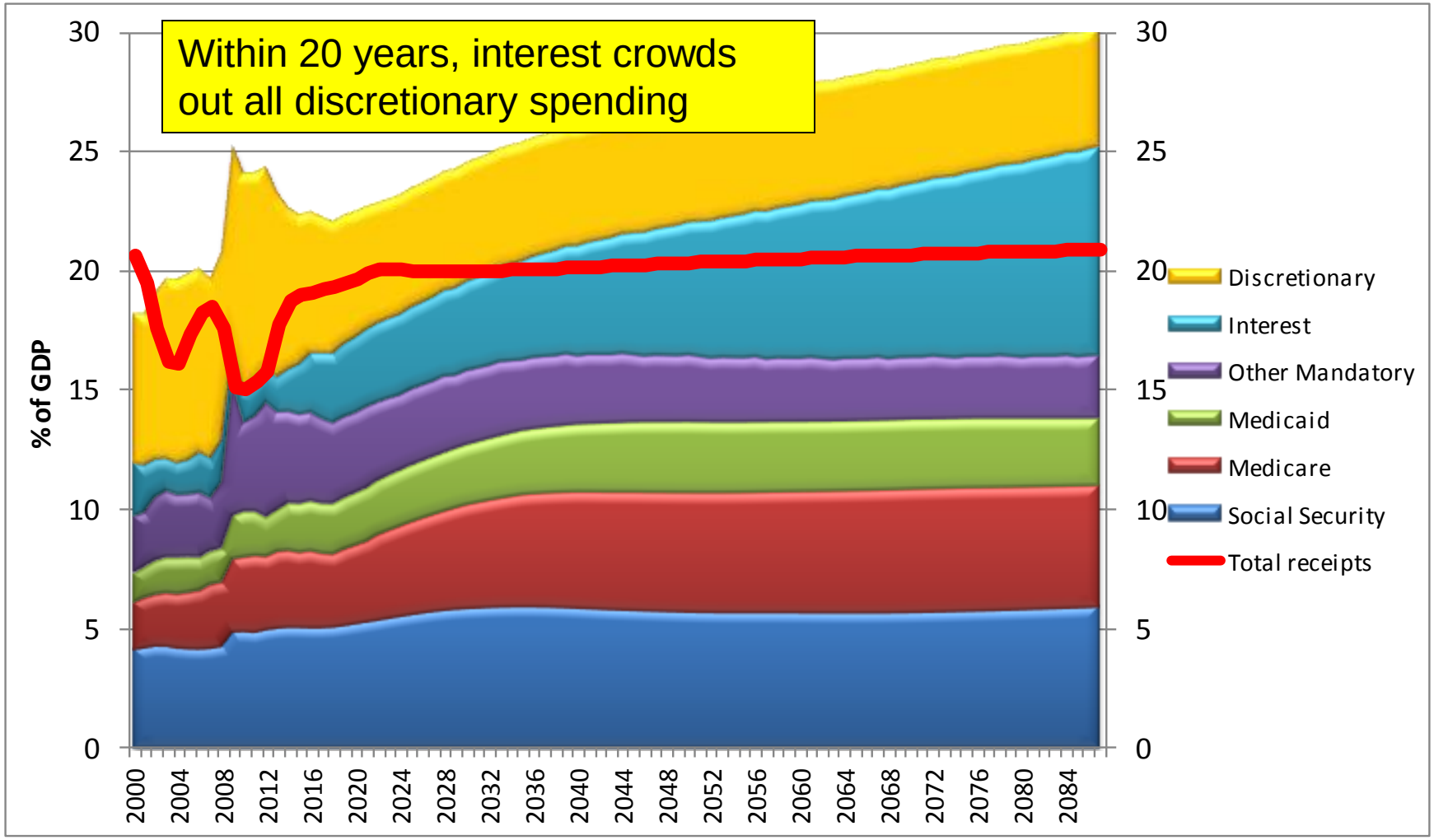
FY 2013 Funding: Background and Context

Federal Deficit and Debt as % of GDP, 1940-2011



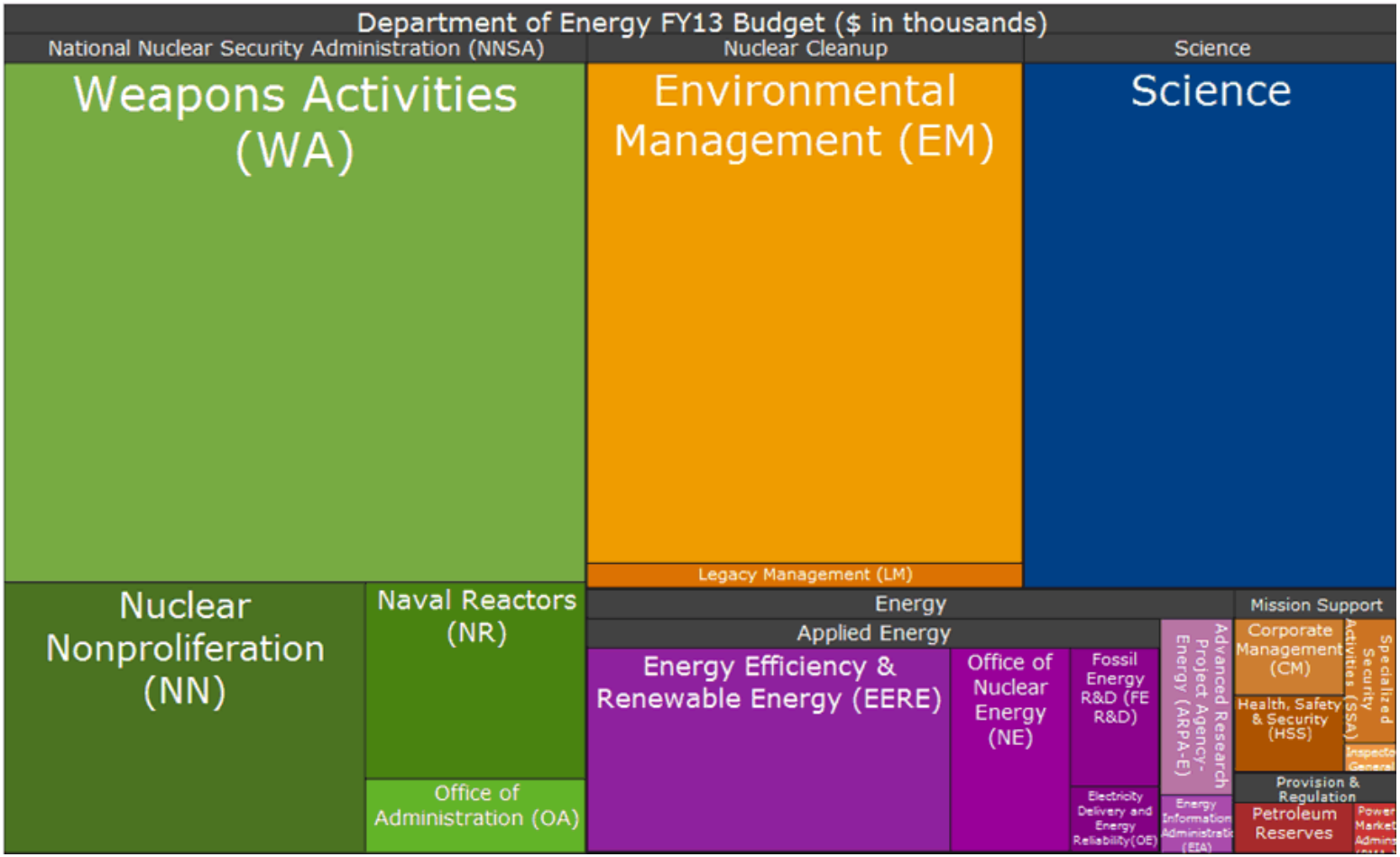
Source: *FY 2013 President's Budget* – Historical tables

FY 2013 Funding: Background and Context



Source: *FY 2013 President's Budget* – Supplemental material

FY 2013 DOE Discretionary Budget Request - $27.155B

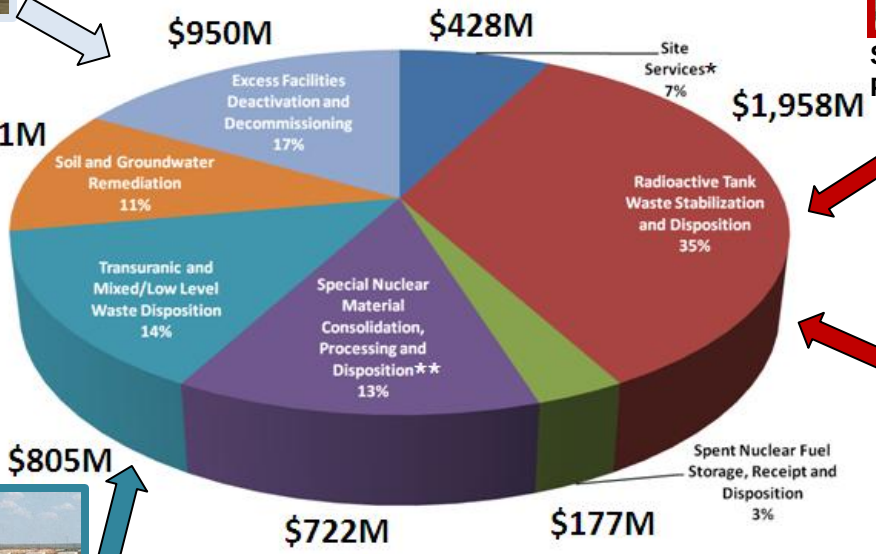


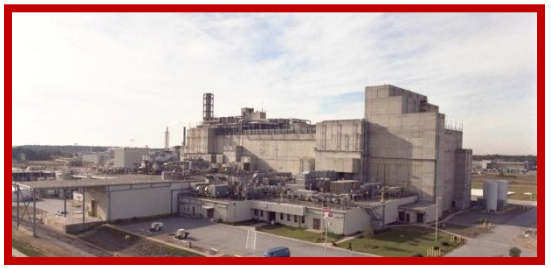
Source: *FY 2013 President's Budget*
http://www.cfo.doe.gov/crorg/cf30.htm

DOE Office of Environmental Management
FY 2013 Budget Request - Highlights

Oak Ridge K-25 Facility ($80M)

FY 2013 Budget Request - $5.65B





Savannah River Defense Waste Processing Facility (DWPF) ($154M)

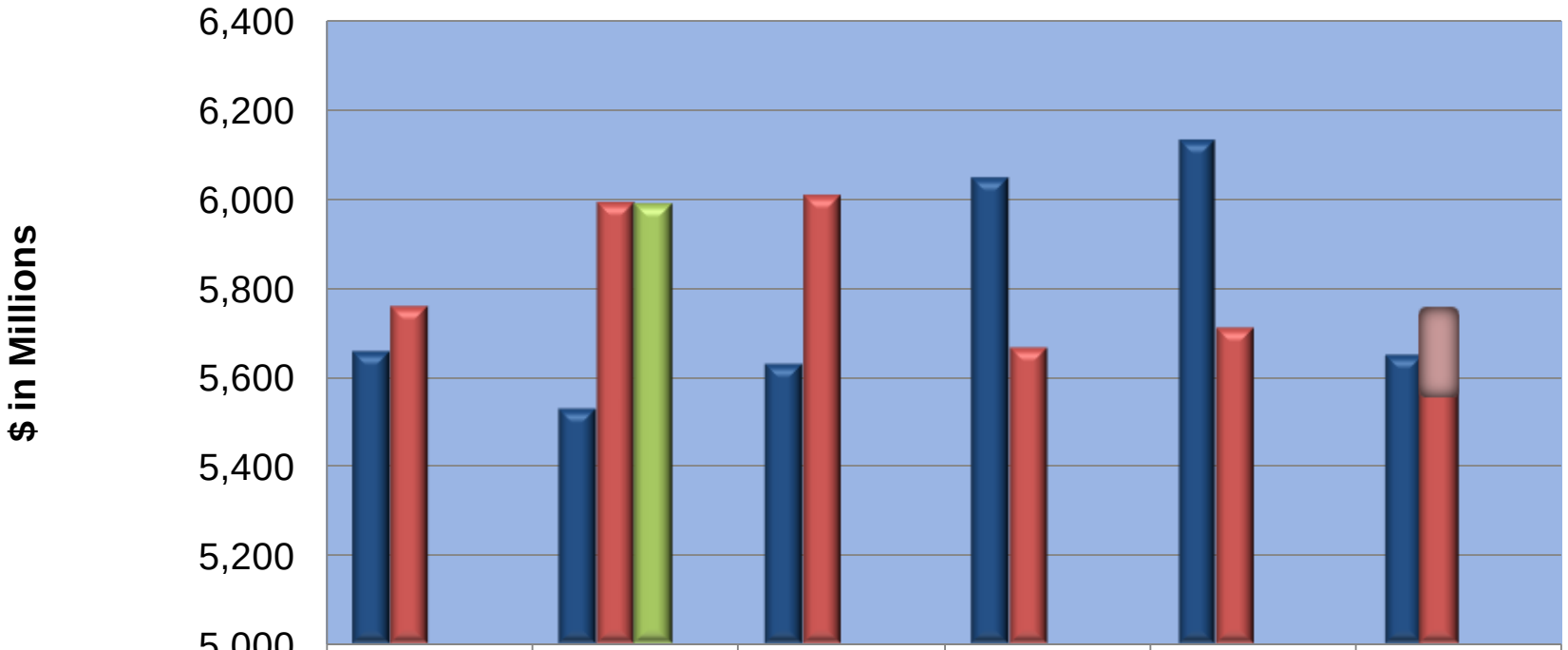
Idaho Waste Exhumation ($90M)

Hanford Waste Treatment Plant (WTP) ($690M)

Waste Isolation Pilot Plant (WIPP) ($150M)

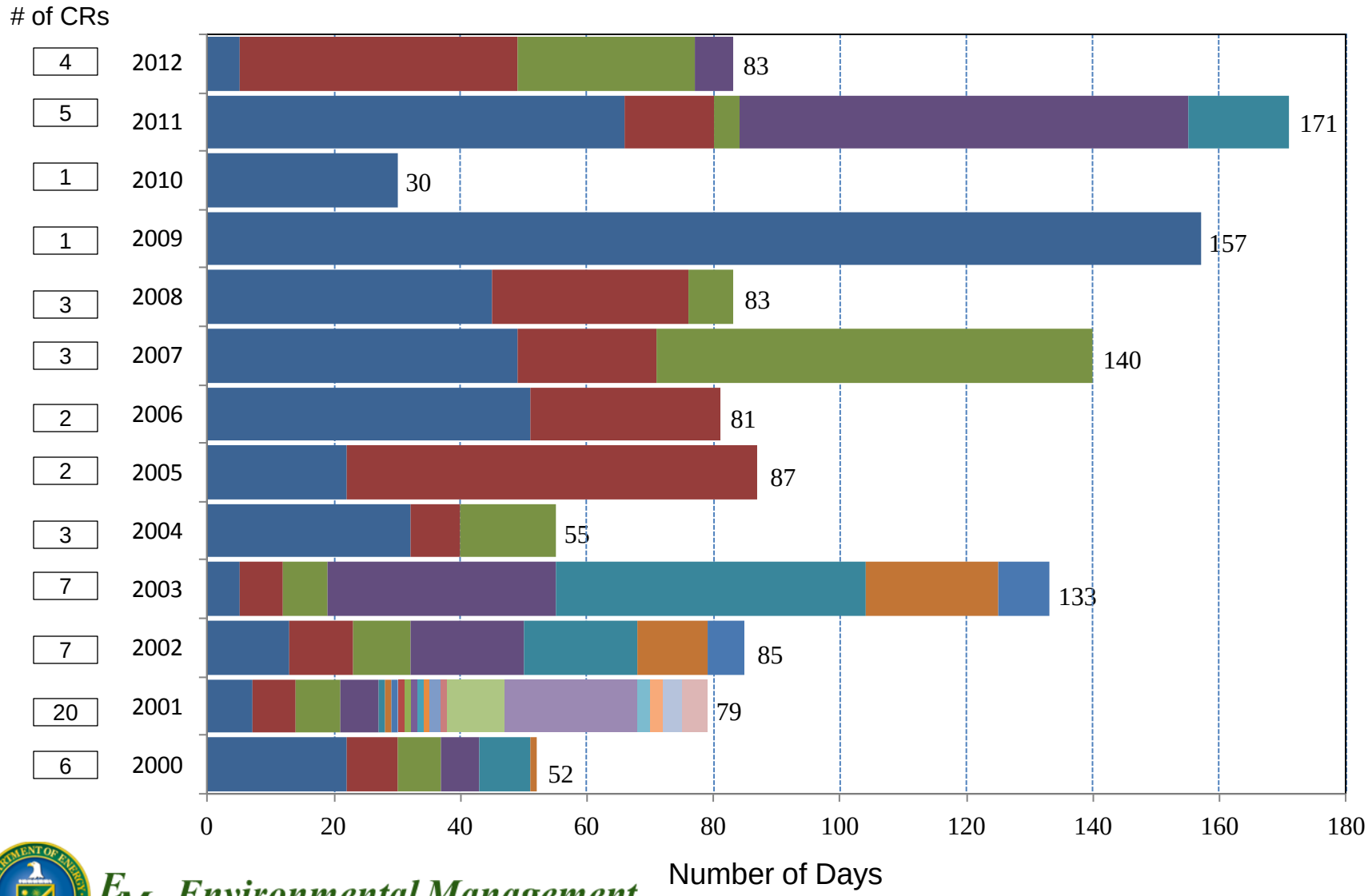
*Includes Program Direction, Program Support, TDD, Post Closure Administration and Community and Regulatory Support
** Includes Safeguards and Security

Budget Reality: EM Appropriations from FY 2008 - 2013

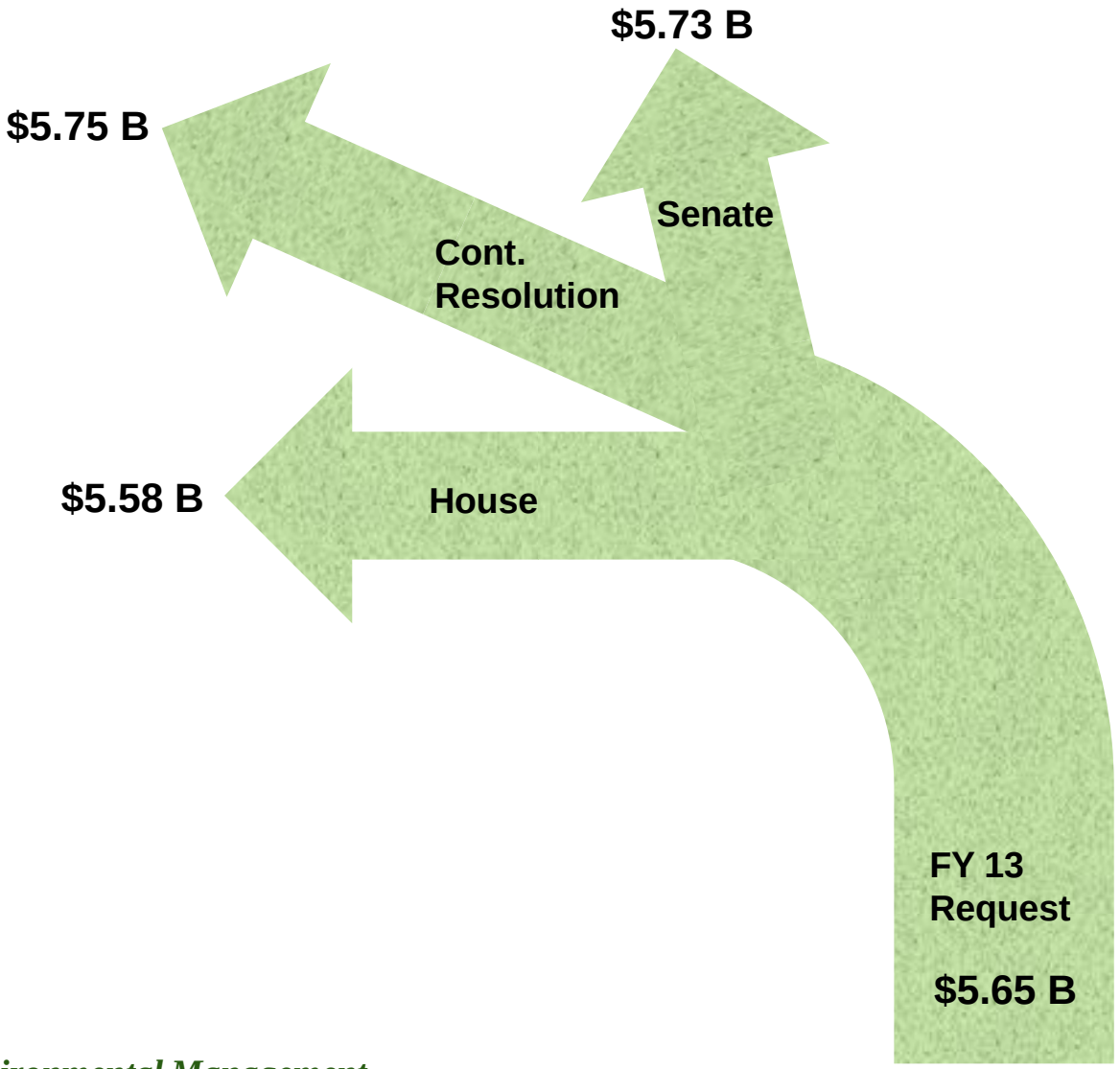


	2008	2009	2010	2011	2012	2013
Request	5,655	5,528	5,630	6,047	6,130	5,650
Approp/Op Plan	5,757	5,991	6,006	5,665	5,710	5,580 House 5,735 Senate
ARRA		5,988				
Delta	102	463	376	(382)	(420)	(70) House 85 Senate

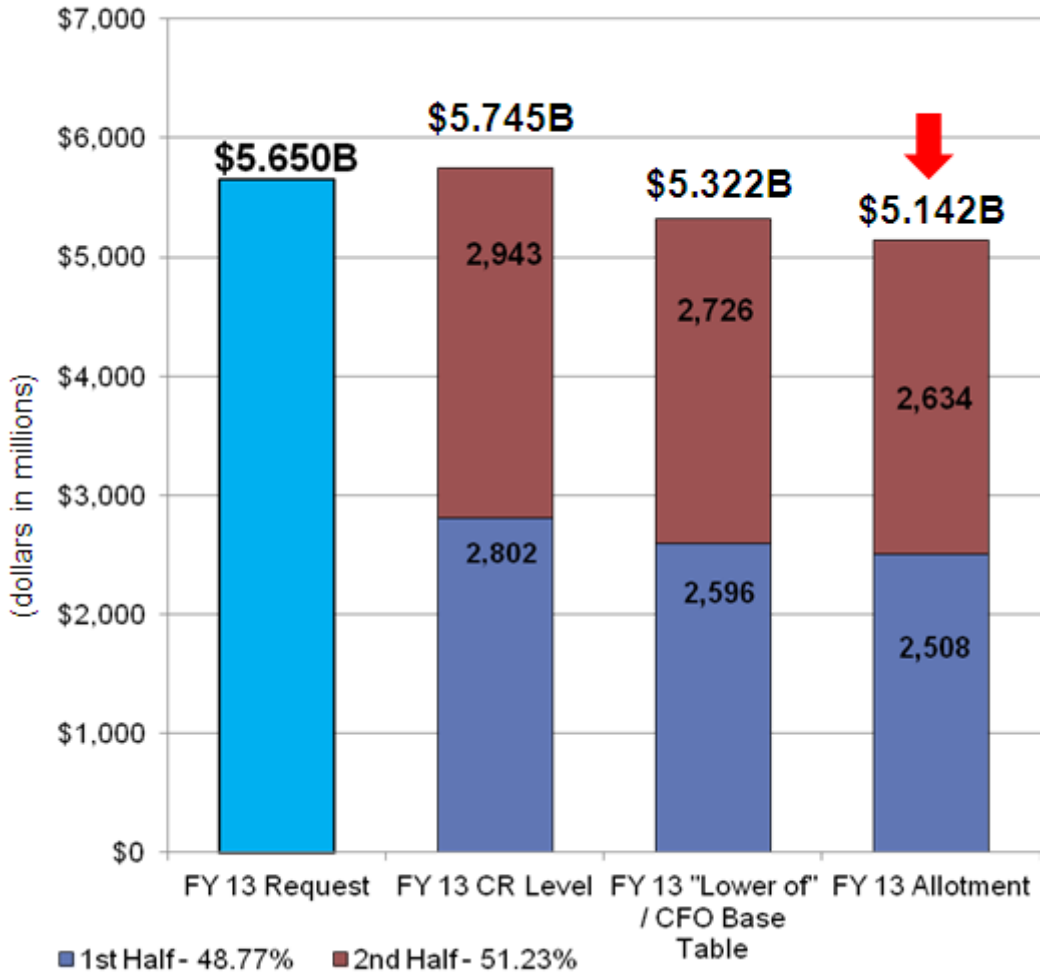
Continuing Resolutions: Number of CRs and Number of Days Covered



Path Forward for FY 2013 Funding



EM FY 2013 Allotment: $508M Reduction from FY 2013 Request



FY 2013 Allotment value reflects reductions based on the lower of the CR rate or EM historical rates of obligation as follows:

- Program Direction: 41.87%
- Non-Defense: 45.96%
- All Else: 48.77%

EM Compliance Posture

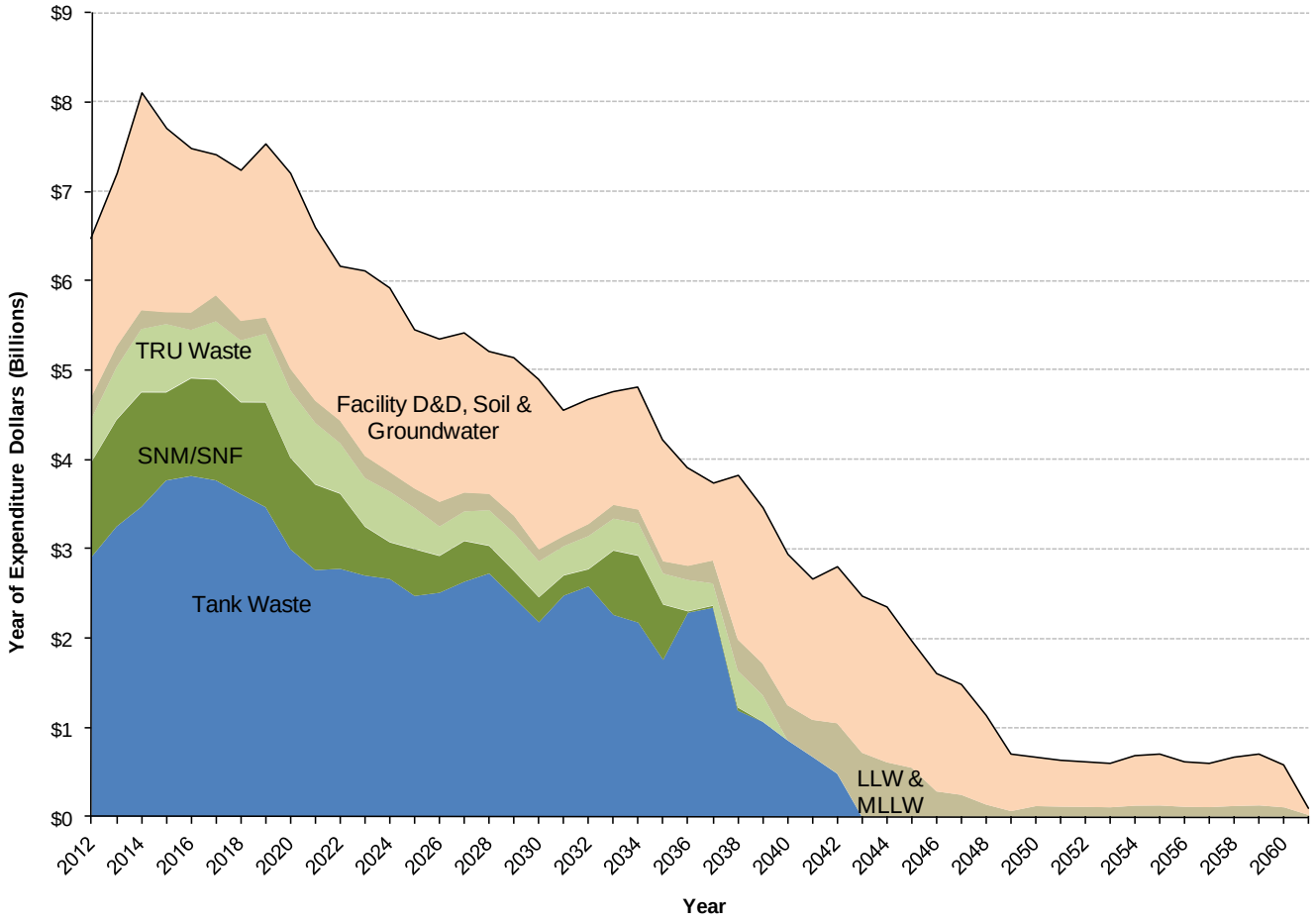
- **After two decades of work, EM and its regulators now operate in a mature programmatic and regulatory setting**

- **Regulators and stakeholder relationships are sophisticated**
  - Cost and scope is well understood
  - Structure of regulatory agreements vary from state to state
  - Real expectation that the Department will deliver on its commitments
  - Legal remedies available to regulators

- **To fulfill the requirements of Executive Order 12088, EM submits a request to cover the costs of environmental compliance requirements in its OMB budget request**

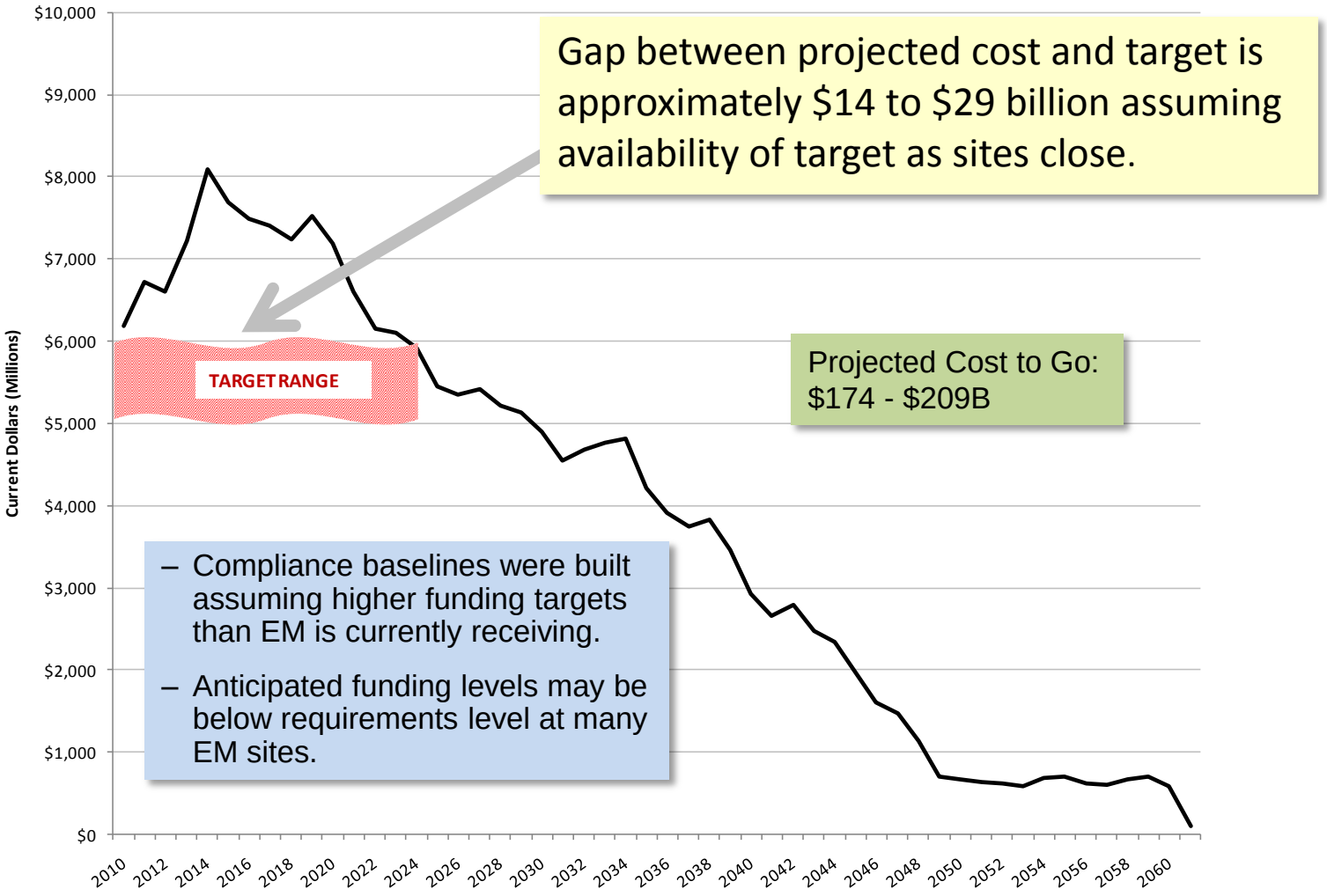
The Life-Cycle Cost of the EM Program: Approximately $200 Billion in Costs to Go

- The EM legacy cleanup program is forecasted to continue past 2060 with “to go” costs of up to $209 billion.
- Tank waste activities are the most costly of EM’s cleanup activities.
- Facility D&D, soil and groundwater activities represent the second most costly cleanup activity.

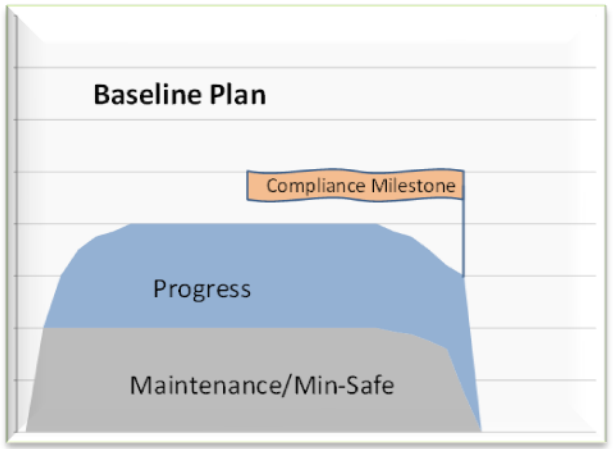


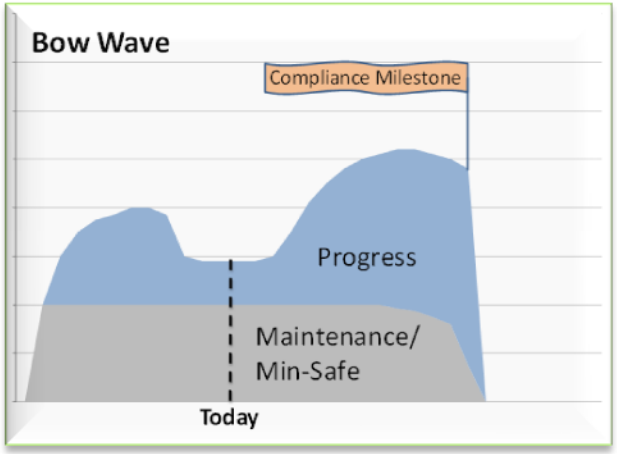
A Multi-Billion Dollar Gap Exists between EM Planned Costs and Available Funding

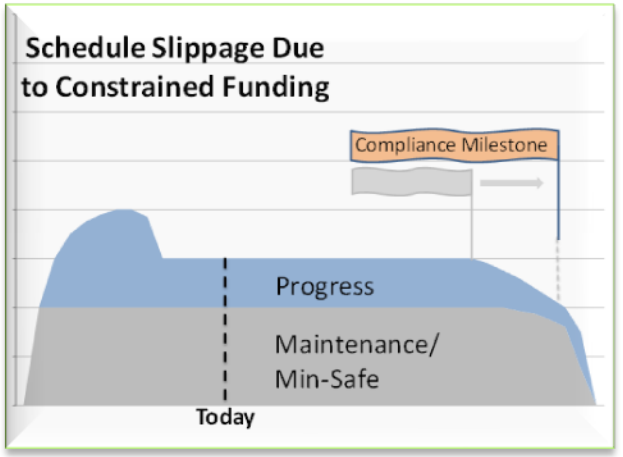
- EM's projected costs generally reflect the cleanup actions required to meet regulatory deadlines and other key cleanup goals.
- A significant gap exists between EM's projected costs and the available funding expected over the next decade



Gap Between Site Baselines and Funding Targets Results from a Number of Factors







- Baseline reflects compliance requirements
- Baselines are ambitious because of pressure to make progress in all areas and at all sites

- Bow wave created by accrued funding shortfalls, and project management and technical challenges
- Additional funding required to maintain compliance

- In constrained budget environment, schedule is extended to eliminate bow wave
- Potential compliance impacts

Regulatory and Readiness Requirements Constrain Flexibility in Cleanup

This is challenging because, for each dollar of EM funding, over half goes to maintaining a safe, operations ready posture. Almost all remaining funding is applied to meeting regulatory goals.

Other: Cost of completing cleanup not directly tied to regulatory deadlines (Approximately 3%)

Ops Ready: Cost of maintaining the EM complex in a safe, "operations ready" state (Approximately 58%)

Outyear Compliance: Cost of completing cleanup necessary to meet future year regulatory deadlines (Approximately 33%)

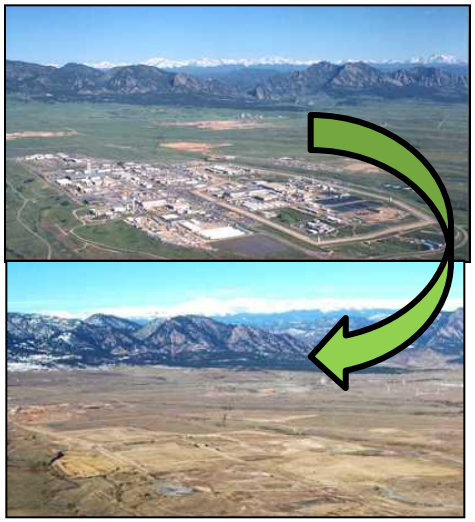
Current Year Compliance: Cost of completing cleanup necessary to meet regulatory deadlines in the current fiscal year (Approximately 6%)

Reconciling Cleanup Plans with Lower Funding and Performance Levels

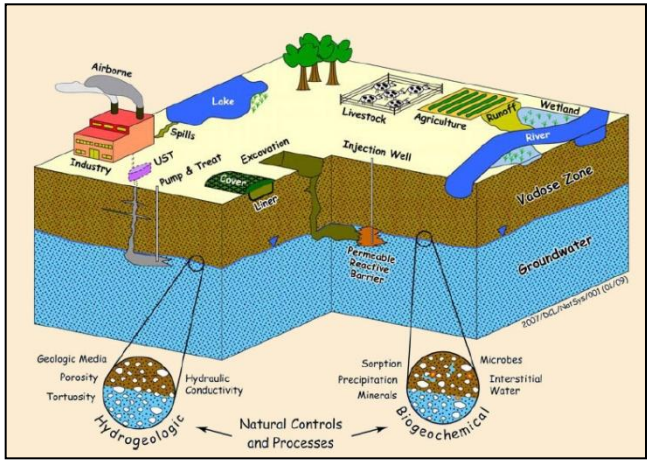
	 Richland	 Savannah River	 Idaho
Baseline Planned Completion Date	2066	2034	2042
Schedule Delay	+25 years	+8 years	+10 years
Baseline Life-Cycle Cost	$44 billion	$30 billion	$13 billion
Cost Increase	+$7 billion	+$10 billion	+$2.5 billion

Complex at a Crossroads: Identifying Innovative Solutions to Budget Problems

Leverage DOE resources to maximize value for taxpayer



Maximize contractor performance through innovative incentive structures and accountability



Develop and apply cost-saving technologies