

**Statement of David M. Klaus**  
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**U.S. Department of Energy**  
**Before the**  
**Committee on Appropriations**  
**Subcommittee on Energy and Water Development**  
**U.S. House of Representatives**  
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Chairman Simpson, Ranking Member Kaptur, and Members of the Subcommittee, I appreciate the opportunity to appear before you today to discuss elements of the Department of Energy's Fiscal Year (FY) 2016 budget request and the efforts of the Office of the Under Secretary for Management and Performance.

The Department of Energy is a multi-faceted agency responsible for executing some of the Nation's most complex and technologically advanced missions. These missions include cutting edge work in basic and applied science, clean energy innovation, energy efficiency and conservation, environmental cleanup, nuclear weapons stewardship, and efforts to enhance national security. In order to execute this diverse portfolio, the 2016 Budget proposes \$29.9 billion. The Department has a workforce of nearly 110,000 Federal and contractor personnel, and manages assets valued at over \$180 billion. With this diverse set of mission priorities and resources in mind, the Department of Energy is committed to continually enhancing its management and performance efforts.

**Management and Performance Overview**

Since the onset of his tenure, the Energy Secretary has made clear that the Department must renew its focus on improving management and performance in order to address the many challenges presented by the Department's portfolio. For that reason, in July 2013, the Secretary implemented a top-level Department reorganization that increased the focus on management and established a system of Departmental Councils to improve coordination of issues that cut across organizational lines. A primary aspect of this reorganization was the establishment of an Under

Secretary for Management and Performance to focus efforts on having the Department operate more as a single “enterprise” rather than a collection of “silos,” which is how some have previously described the Department. The reorganization also aimed to improve project management and increase the efficiency and effectiveness of mission support functions across the Department.

With the purpose of elevating the Department’s focus on, and attention to, these important functions, the Office of the Under Secretary for Management and Performance provides oversight of the operational functions of the following offices:

- Office of Environmental Management
- Office of Legacy Management
- Office of Environment, Health, Safety and Security
- Office of Management
- Office of the Chief Information Officer<sup>1</sup>
- Office of the Chief Human Capital Officer
- Office of Economic Impact and Diversity
- Office of Hearings and Appeals

Consolidating mission support functions in the Office of the Under Secretary for Management and Performance places a senior policy official dedicated to the task of management improvement on a full-time basis. The continuing goal is to institute enterprise-wide solutions to common challenges faced by program offices across the complex, such as information management, acquisition, and human resources. In this regard, we have advanced a number of key initiatives, which include:

- Implementation of a new human resources (HR) service delivery model that will consolidate the number of service centers from 17 to 5, which is designed to make progress toward an ultimate goal to cut in half the cost of delivering HR services to the Department’s federal workforce.

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<sup>1</sup> The Chief Information Officer, the Chief Human Capital Officer, and specific functions within the Office of Economic Impact and Diversity continue to have direct access to the Secretary in order to provide broad policy advice and other functions, as specified by statute or regulation.

- Establishment and strengthening of the capabilities of the Department’s Joint Cybersecurity Coordination Center, which coordinates incident response and promotes agency-wide information sharing on threats and mitigation.
- Completion of the first cross-organizational study of how Department employees are supported by information technology (IT) services, outlining redundancies and areas of potential risk to the organization. The study identified 31 areas for potential consolidation and improvement of IT services.
- Recruitment of 30 high-level ambassadors from industry, government, academia, and nonprofits for the Minorities in Energy Initiative, which focuses on closing the “participation gap” of minorities in the energy sector.
- Establishment of the Laboratory Operations Board, which among its initiatives, recently completed the first comprehensive, complex-wide assessment of the Department’s infrastructure and is developing an infrastructure plan that will reduce deferred maintenance, prioritize the upgrade of critical infrastructure (e.g. utilities, basic laboratory space, etc.), and identify excess facilities for closure.

These reforms, many of which focus on more efficient management and support functions, allow the Department to dedicate more time and resources to advancing critical mission operations. Further, emphasis on across-the-board performance is designed to better execute these missions.

Most prominently, moving the Office of Environmental Management under the purview of the Under Secretary for Management and Performance brings the Department’s strongest project management capabilities, resident within the Office of Acquisition and Project Management, directly to bear on one of the Department’s most vexing yet vital challenges, cleaning up the nuclear waste that is a legacy byproduct of the Cold War. The reorganization has enabled the Office of the Under Secretary for Management and Performance to utilize a more concentrated level of resources and apply better managerial discipline to address project management issues in this critical area. Improving the effectiveness and efficiency of Departmental operations is a continual effort and it remains a top priority for the senior leadership of the Department. Although significant progress has been made, we understand that much more remains to be done.

**Management and Performance FY 2016 Budget Request**

The FY 2016 budget request provides \$6.4 billion for programs within the Office of the Under Secretary for Management and Performance, which support efforts to more effectively manage Department operations as well as meet our legal and moral obligations to clean up the legacy waste from the Cold War. The following table outlines the budget request for each office within the Office of the Under Secretary for Management and Performance.

| <b>Management and Performance Office</b>           | <b>FY 2016 Budget Request</b> |
|--|-------------------------------|
| Office of Environmental Management                 | \$5.8 billion                 |
| Office of Legacy Management                        | \$167 million                 |
| Office of Environment, Health, Safety and Security | \$184 million                 |
| Office of the Chief Information Officer            | \$84 million                  |
| Office of Management                               | \$76 million                  |
| Office of the Chief Human Capital Officer          | \$25 million                  |
| Office of Economic Impact and Diversity            | \$10 million                  |
| Office of Hearings and Appeals                     | \$6 million                   |

Given the subject of this hearing, the remainder of my testimony will focus primarily on project management principles and the Office of Environmental Management’s FY 2016 budget request of \$5.8 billion.

The Department is responsible for constructing and operating facilities to treat radioactive liquid tank waste into a safe, stable form to enable ultimate disposition; transporting and disposing of transuranic and low-level wastes in a safe and cost effective manner to reduce risk; remediating soil and ground water contaminated with the radioactive and hazardous constituents, and deactivating and decommissioning numerous excess facilities. While difficult challenges related to the Department’s cleanup efforts remain, particularly related to project management, it is important to recognize that a number of positive outcomes have been accomplished over time.

While a subsequent section of my testimony today will focus more specifically on Department's cleanup efforts, it is important to point out that a program that was initially comprised of 107 sites is down to 16 sites. Further, what was initially 3,000 square miles in need of remediation is down to less than 250 square miles. To be sure, while significant progress has been made, the remaining sites represent some of the most difficult challenges and will take decades to fully remediate.

### **Project Management**

To meet its mission, the Department manages some of the largest, most complex and technically challenging projects in either the public or private sector. This includes 36 projects each valued at over \$100 million. These range from Office of Science projects such as the Spallation Neutron Source located at Oak Ridge National Laboratory, which provides the most intense pulsed neutron beams in the world for scientific research and industrial development, to some of the largest environmental remediation projects in the world, which are overseen by the Office of Environmental Management.

The portfolio of large projects undertaken by the Department of Energy is not only unique from other projects in the public and private sector, but with few exceptions, each of these projects are unique from other Department projects. These diverse, one-of-a-kind capital projects present uncommon challenges. In light of these challenges, the Department has struggled with project and contract management, with too many projects going over budget and taking longer than originally planned. The Department has been on the Government Accountability Office's (GAO) "High-Risk List" since 1990. This list and its associated documentation identify problematic projects and suggest changes in government management and contract administration to mitigate these problems. During the last several years, important progress has been made in several areas. However, the Department recognizes the difficulties and challenges associated with project management and remains committed to continuous, sustained improvement.

To meet the challenges associated with project management, changes are being instituted to improve the Department's performance on major projects across the agency. In addition to the

aforementioned reorganization to create the Office of the Under Secretary for Management and Performance, the Secretary has initiated a multi-faceted program to improve project management, including strengthening the Energy Systems Acquisition Advisory Board, establishing a Project Management Risk Committee, and improving the peer review process. The Department, led by the Project Management Risk Committee, is also exploring other actions that can improve project management.

Ultimately, the key is execution. The reforms that Secretary Moniz is putting in place are designed to emphasize continuous improvement in our contract and project management by, for example, requiring detailed upfront planning before a shovel hits the ground, ensuring federal project directors and contracting officers are well trained, improving our cost-estimating capabilities, conducting more frequent project reviews, selecting proper contract types, and tying fees to final outcomes. As public servants, we have a solemn responsibility to be accountable stewards of taxpayer dollars. The reforms and processes we are instituting at the Department of Energy with respect to project management are critical steps to ensuring that we meet this responsibility.

### **Office of Environmental Management**

The operation and management of the Department's environmental cleanup mission is of critical importance. Progress depends in large part on the successful planning, construction and operation of large, often first-of-a-kind, projects and facilities. Though we are down to some of the most difficult sites, progress is steady.

In recent years, for instance, the Department completed 123 projects at 17 sites in 12 states with the help of a \$5.99 billion investment through the American Recovery and Reinvestment Act. As a result, between 2009 and 2013, the Department reduced the legacy footprint of the EM complex by 74 percent, or 690 square miles. More recently, last year, we completed demolition of the gaseous diffusion process building at the East Tennessee Technology Park (K-25) in Oak Ridge, the largest demolition project Department has ever undertaken. Further, the Department has converted 15 million pounds of liquid waste into solid glass at the Defense Waste Processing Facility at Savannah River, enabling closure of 6 storage tanks. Separately, the Department has

cleaned up 479 of the 586 square mile area at the Hanford Site, including 90 percent of the River Corridor.

My colleague, the Acting Assistant Secretary for Environmental Management, will testify more specifically today on the details of the FY 2016 request, but I wanted to highlight just a few areas. First, the recovery of the Waste Isolation Pilot Plant in New Mexico is one of our highest priorities. The FY 2016 Budget includes \$248 million to implement the WIPP recovery plan, leading to planned initial resumption of waste emplacement in the first quarter of calendar year 2016.

With \$1.4 billion for the Office of River Protection at Hanford, we will move forward on our phased approach to begin vitrifying low activity waste early next decade. The budget request moves forward with construction of the Low Activity Waste facility at the Hanford Waste Treatment Plant (WTP), including design of a new pretreatment system required for our phased approach. We will also continue technical issue resolution at WTP. At the Richland Operations Office, we will bring the Plutonium Finishing Plant, once the highest risk nuclear facility at Hanford, down to slab-on-grade by the end of FY 2016. Finally, we will continue construction and prepare for commissioning of the Salt Waste Processing Facility at Savannah River, which is currently on schedule.

### **Closing**

A primary aim of the Office of the Under Secretary for Management and Performance is to serve as a pivotal Department point where operations, evaluation, sound management, and accountability come together. This responsibility is heavily motivated by the environmental cleanup obligations of the Department. With this in mind, the FY 2016 budget request supports clear, discrete progress in the cleanup of the environmental legacy of the Cold War. In carrying out these efforts, the Department will continue to strive to institute improved and lasting project management processes and standards. Most importantly, the Department will continue to discharge its responsibilities by conducting environmental cleanup within a framework that integrates worker and community safety, regulatory requirements, and best business practices.

Mr. Chairman and Members of the Subcommittee, that concludes my statement and I will be happy to answer any questions you may have.