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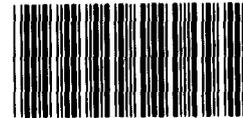
UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

ENERGY AND MINERALS
DIVISION

September 15, 1982

B-209046

The Honorable Patrick J. Leahy
United States Senate



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Dear Senator Leahy:

Subject: Questions Regarding Clinch River Breeder
Reactor Project Funding and Costs
(GAO/EMD-82-123)

On August 27, 1982, you requested answers for two specific questions concerning the Clinch River Breeder Reactor (CRBR) demonstration project. Your questions and our answers are discussed below.

IF NO FUNDS ARE APPROPRIATED UNDER THE CONTINUING RESOLUTION WHICH IS EXPECTED BY THE END OF SEPTEMBER, WILL ANY CARRYOVER FUNDS BE AVAILABLE FOR SITE PREPARATION AND RELATED ACTIVITIES?

As of August 31, 1982, the Department of Energy (DOE) records show \$487,000 in unobligated funds that are available for use on any aspect of the CRBR demonstration project. DOE officials, though, expect most of these funds to be obligated by the end of fiscal year 1982. These officials cautioned however, that the unobligated amount of funds as of August 31, 1982, was a preliminary assessment and could change when their final monthly financial reports are prepared.

In addition to the unobligated DOE funds, the CRBR project has available approximately \$40 million in funds contributed by utility companies participating in the project. According to CRBR officials, these funds could possibly be used for site preparation and related activities with the approval of the Project Management Corporation. 1/

CRBR project officials stated that DOE funding for the project is "no-year" funding, i.e., the funds are available until

1/Project Management Corporation is a non-profit corporation which represents the interests of the utilities in the CRBR project.

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expended on the CRBR project, and there is no requirement that they be expended in any particular fiscal year. These officials explained that they make no effort to account for their funding on a fiscal year basis. CRBR project officials stated that unobligated funds remaining at the end of each fiscal year historically have been returned to the project office and combined with the next fiscal year's appropriation. Thus, the carryover funds and the current appropriation become new budget authority available for the CRBR project. For example, during fiscal year 1982, the CRBR project office had authority to obligate about \$203 million representing \$194 million in new budget authority appropriated for fiscal year 1982 and \$9 million in prior year funds.

The use of carryover funds does not appear to be an issue at this time since most of the funds required for CRBR site preparation and excavation have already been obligated. On August 20, 1982, a \$15.8-million subcontract was awarded to Perini Corporation, Framingham, Massachusetts, for CRBR construction site preparation and excavation. DOE records show that \$12 million of the \$15.8-million contract has been funded with the remaining \$3.8 million to be funded from future year appropriations.

An additional factor, that may impact on CRBR project costs and timing, is a recent ruling by the U.S. District Court for the Northern District of Georgia, Atlanta Division. On September 3, 1982, the court ordered that no site preparation activities relating to the CRBR project can begin until a final environmental impact statement is completed and a National Pollutant Discharge Elimination System permit is issued by the Environmental Protection Agency (EPA). The court stated that DOE and EPA acted illegally in granting, on August 5, 1982, a conditional waiver of permit requirements for water pollution control. CRBR project officials expect the environmental impact statement to be completed by November 1982. On September 7, 1982, DOE appealed the decision to the U.S. Court of Appeals for the Eleventh Circuit. A decision on the appeal is expected by September 17, 1982. If the Appeals Court upholds the lower court decision, start of site preparation will be delayed at least several months. If this happens, most of the funds for the site preparation and evaluation will not be expended until fiscal year 1983. CRBR project officials told us that the Perini Corporation is currently incurring some costs preparing for site preparation and that a stop work order will probably not be issued before September 17, 1982.

WHAT ARE THE MOST RECENT ESTIMATES OF THE COST OF THE CLINCH RIVER BREEDER REACTOR WHICH HAVE BEEN PREPARED BY THE DEPARTMENT OF ENERGY?

According to DOE headquarters officials, the most recent official cost estimate for the CRBR project is about \$3.2 billion. ^{1/} This amount represents an estimate that DOE released to the Congress in December 1980. In an earlier report, ^{2/} DOE officials advised us that they are in the process of recosting the entire project, and a new estimate should be available by the summer of 1982. A DOE headquarters official told us in August 1982, that the Department plans to prepare a detailed cost estimate based on (1) completion of the plant in 1989 and (2) the amount of fiscal year 1983 funding. Completion of this estimate is expected in late 1982. The CRBR project office has made several reassessments of the \$3.2-billion estimate. The Project office's latest reassessment (April 1982) increased the estimated cost by about \$270 million bringing the total cost of the CRBR project to about \$3.5 billion. The Project office's latest reassessment was not approved by DOE headquarters because it did not completely cover the basis on which the project is currently proceeding and, thus, is not considered an official cost estimate of the CRBR project. The following table provides a breakdown of the \$3.5 billion estimate.

CRBR Funding Reassessment
(millions of expenditure year dollars)

	Thru FY 81	FY 82	FY 83	FY 84 thru FY 84	Total at completion
Design, fabrication and/or purchase of reactor systems components	\$ 898.5	\$136.5	\$190.9	\$ 491.3	\$1,717.2
Design, fabrication and/or purchase of plant and non- reactor components	160.2	35.6	62.5	208.4	466.7
Plant construction and contingency	21.0	14.3	109.1	952.0	1,096.4
Fuel fabrication and contingency	.6	.7	2.3	275.0	278.6
Other overhead and support costs	67.9	15.1	18.0	175.8	276.8
Operations and Maintenance	-	.6	.6	325.3	326.5
Revenue	-	-	-	(695.9)	(695.9)
Total	\$1,148.2	\$202.8	\$383.4	\$1,731.9	\$3,466.3

^{1/}At the request of the Chairman, Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce, we are currently evaluating the accuracy and completeness of DOE's total CRBR cost estimate. We anticipate issuing an interim report on this evaluation in the near future.

^{2/}"The Liquid Metal Fast Breeder Reactor--Options For Deciding Future Pace and Direction," GAO/EMD-82-79, July 12, 1982.

The above \$3.5-billion reassessment was based on a number of assumptions, which if incorrect, would impact on the validity of this estimate. These assumptions include

- start of site preparation in August 1982,
- full funding of \$383.4 million in fiscal year 1983, 1/
- no delays in completing the project, and
- that the project will start operations in January 1989.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our overall objective was to obtain information on any carryover funds that were available for CRBR site preparation and related activities and to determine the most recent DOE cost estimates for CRBR. We discussed the availability of funds, recent cost estimates for the CRBR project, and the recent U.S. District Court ruling with DOE headquarters program and controller officials as well as officials at Oak Ridge, Tennessee, responsible for managing the CRBR project. We obtained and reviewed financial data reports prepared by the Project Management Corporation and the CRBR project office for fiscal year 1982. Documentation for the most recent estimates of cost of the CRBR project was obtained from the CRBR project office as a result of ongoing work for the Chairman, Subcommittee on Oversight and Investigations, House Energy and Commerce Committee. Because you requested our report by September 15, 1982, we made no evaluation of the information obtained from DOE. As mentioned on page 3 we are in the process of evaluating the accuracy and completeness of DOE's CRBR estimates.

We performed our work in accordance with GAO's "Standards for audit of Governmental Organizations, Programs, Activities, and Functions."

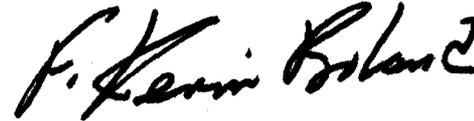
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Because your office requested that we provide this report by September 15, 1982, we did not obtain official comments from DOE. However, the information presented in this report was discussed with responsible DOE officials to ensure accuracy.

1/DOE's fiscal year 1983 budget request for CRBR is \$252.5 million.

As arranged with your office, we are sending copies of this report to the Chairman, Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce; the Director, Office of Management and Budget; and the Secretary of Energy. Copies will also be available to other interested parties who request them.

Sincerely yours,



J. Dexter Peach
Director

