

DISPUTE RESOLUTION AGREEMENT

PURPOSE

This Agreement describes those actions that have been and/or will be taken to resolve the current Oak Ridge Reservation (ORR) Federal Facility Agreement (FFA) formal milestone dispute between U.S. Environmental Protection Agency (EPA), Tennessee Department of Environment and Conservation (TDEC), and Department of Energy (DOE), collectively known as the Parties.

BACKGROUND

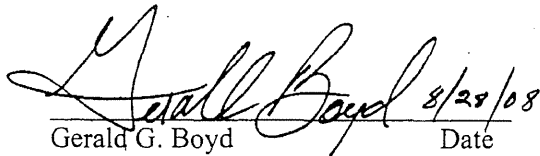
On March 19, 2008, the FFA Dispute Resolution Committee agreed to a Dispute Resolution Agreement (DRA) resolving certain aspects of the dispute. The DRA is incorporated into and attached to this Agreement as Appendix A.

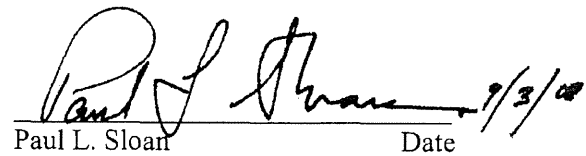
AGREEMENT

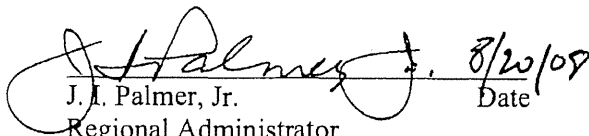
- 1) The Parties agree that the FY 2010 milestones agreed to in the DRA will, by September 2, 2008, be incorporated into FFA Appendix E and to the completion of all FY 2008, FY 2009, and FY 2010 work agreed to in the DRA. The Parties also agree to exclude the four above-target milestones requested by EPA and TDEC at the Y-12 facility. This specific agreement as to these four milestones does not represent agreement by TDEC and EPA to the basic position that DOE is unable to establish or maintain milestones that it considers to be above-target in Appendix E.
- 2) By December 15, 2008, the Parties will complete negotiations of Appendix J from FY 2011 to completion of remedial action for current and expanded scope of work, based upon the following assumptions:
 - a. Completion of remedial action for current scope of work at ORR will occur in a year after FY 2016, to be agreed upon in the approved Appendix J. Long-term operations and maintenance is expected beyond completion of remedial action.
 - b. Reasonable planning assumptions for completion of remedial action shall anticipate active response actions.
 - c. Milestones will document steady pace of cleanup. FY+3 and FY+4 milestones in Appendix J will include Construction Starts and Phased Construction Completion Reports for discrete phases of large Watershed Record of Decision projects.
 - d. Milestones will, to the extent practicable, be based upon level funding. The renegotiated Appendix J will take into account DOE's planning budget based on OMB target funding guidance pursuant to Section XVIII.B. 2. in the FFA. The preceding sentence does not represent agreement by TDEC and EPA to the basic position that DOE is unable to establish or maintain milestones that it considers to be above-target in Appendix J.
 - e. Renegotiated milestones will be incorporated into FFA Appendix J by means of a major modification under FFA Sections XLI and XXXIV. This process will be initiated no later than January 15, 2009 and incorporated into the FFA as final, no later than March 15, 2009.

- 3) The Parties agree to collaborate on the definition and prioritization of the expanded FFA scope to include newly identified work under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). The Parties will incorporate new CERCLA work into the FFA scope (*i.e.*, Appendix C) and schedules (*i.e.*, Appendices E and J) consistent with the FFA (*e.g.*, Section X) and its Appendices (*e.g.*, Appendices G and I).
- 4) DOE-Oak Ridge Operations agrees to seek budget authority to accomplish this expanded scope in a manner that is substantial and continuous according to CERCLA.
- 5) The Parties understand and agree that completion of this expanded scope will require modification of the current FFA schedules.
- 6) The Parties will collaborate on the establishment of priorities for sequencing of this work. If collaboration fails, then EPA and TDEC are entitled to pursue dispute resolution.

The Parties understand and agree that this Agreement resolves the present FFA Appendix E and Appendix J dispute in accordance with attached schedules, and further agree that completion of all portions of this Agreement, including modification of FFA Appendices E and J consistent with this Agreement, is necessary both to effectuate this resolution and for this Agreement to be complete and effective in its entirety.


 Gerald G. Boyd Date 8/29/08
 Manager
 U.S. Department of Energy
 Oak Ridge Operations


 Paul L. Sloan Date 9/3/08
 Deputy Commissioner
 Tennessee Department of Environment
 and Conservation


 J. I. Palmer, Jr. Date 8/20/09
 Regional Administrator
 U.S. Environmental Protection Agency
 Region 4

APPENDIX A

**Dispute Resolution Agreement
for
Formal Dispute Concerning
Oak Ridge Reservation
Federal Facility Agreement Appendix E and J**

THIS AGREEMENT resolves certain issues herein specified of the formal dispute between the Department of Energy's Oak Ridge Operations (DOE), the United States Environmental Protection Agency Region 4 (EPA), and the Tennessee Department of Environment and Conservation (TDEC). The dispute, initiated by EPA and TDEC on December 21, 2007, concerned the adequacy of the Oak Ridge Reservation Federal Facility Agreement (FFA) Appendix E and J milestones and targets.

In order to resolve the dispute, the parties agree:

- DOE proposes and EPA and TDEC hereby approve the attached milestones for FY 2008 and 2009. DOE shall submit change pages consistent with the FFA to incorporate these pages into the FY 2008 Appendix E. DOE added additional ETTP milestones in FY 2008, 2009 and 2010 by utilizing carry-over monies from uncommitted FY 2007 funds and other FY 2008 monies.
- EPA, TDEC and DOE agree that the following milestones will be included within the Appendix E scope of work for FY 2010:

| | | |
|---|-----------------------------|------------------------------------|
| ○ ETTP Zone 1 | RAR | 8/1/10 |
| ○ ETTP Powerhouse | PCCR | 6/30/10 |
| ○ ETTP EU 31,32,36 | PCCR | 3/31/10 |
| ○ ETTP K-1070B Burial Ground | PCCR | 7/1/10 |
| ○ ETTP Ponds | RmAR | 5/9/10 |
| ○ ETTP Sitewide ROD | CS (Ph 2) | 5/16/10 Field Studies/Field Imp |
| ○ ETTP K-25//27 D&D | PCCR (FY09 Earned value) | 11/15/09** |
| ○ ORNL BV Soils & Sediments | PCCR Ph 1 | 9/30/10 |
| ○ ORNL BV Corehole 8 AM | RmAR | 6/30/10 |
| ○ ORNL MSRE Flush & Fuel Salt Removal | Cont. Mob | 12/30/09 |
| ○ ORNL MSRE Flush & Fuel Salt Removal | Engr Eval Rpt | 1/30/10 |
| ○ EMWMF | CARAR | 4/1/10 |
| ○ Y-12 Y-12 Salvage Yard, Scrap Removal | CS | 9/30/10 |
| ○ Y-12 UEFPC Soils Remediation | Eng Study Rpt | 9/30/10 |
| ○ Y-12 UEFPC Sediments (81-10 Area) | Treat Study Rpt | 9/30/10 |
| ○ Y-12 UEFPC West End Mercury Area | CS | 7/1/10 |
| ○ ORR Water Resources Restoration | RER | 3/30/10 |
| ○ Other | PIP | 5/31/10 |

**Includes commitment to start K-27 high risk equipment removal

- If the dispute is unresolved prior to its budget submittal, DOE agrees to seek funding for all FY2010 projects, including the following:

| | | |
|--------------------------|----------|----------|
| ○ Y-12 Alpha 4 D&D | WHP | 12/31/09 |
| ○ Y-12 Alpha 4 D&D | CS | 4/30/10 |
| ○ Y-12 BCV Burial Ground | RDR/RAWP | 2/1/10 |
| ○ Y-12 BCV Burial Ground | CS | 9/30/10 |

- Upon resolution of the dispute and approval of FY 2010 milestones by EPA and TDEC, DOE shall submit change pages consistent with the FFA to incorporate the final agreed-upon FY 2010 milestones into the FY 2008 Appendix E.

- EPA, TDEC and DOE agree that a pilot approach to earned value milestones for the K-25/27 removal action will be included in the FY 2008 to 2010 Appendix E. The earned value milestones include definitive metrics for performance that allow DOE flexibility in deployment of specific phases of the K-25/27 project. The definitive performance metrics are attached to this agreement. These metrics include completion of all phases of K-25 demolition and documentation in a PCCR in FY 2012, start of K-27 high risk equipment removal by FY 2010, and demonstration of completion of K-27 by documentation in a K-25/27 RmAR by FY 2016. DOE agrees to provide monthly reports to the Core Team and quarterly reports to the FFA Project Managers.

- EPA and TDEC agree to the Construction Start milestone for K-1070-B Burial Ground in the approved milestones for FY 2009 on the condition that DOE agrees that this FY 2009 milestone reflects some flexibility in its projected schedule of a September 2008 construction start, and that this flexibility will not jeopardize completion of this project by July 1, 2010, and will not impact any other project in FY 2009. DOE has submitted a February 26, 2008, a letter further documenting this agreement.

- DOE agrees that it will include in FY2011 a Remedial Action Report milestone that documents completion of ROD scope remedial action at the Molten Salt Reactor Experiment and has submitted a February 26, 2008, a letter further documenting this agreement.

- DOE agrees that it will include in FY 2011 a Construction Start milestone for BV D&D Isotopes Facilities (3026 (C&D)).

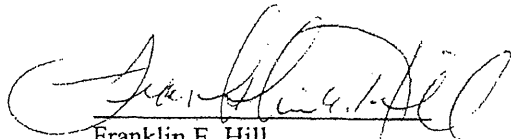
- DOE agrees that it will collaborate with EPA and TDEC prior to adding non-FFA EM work scope. The parties agree that milestones may only be changed by unanimous agreement or at the conclusion of the dispute resolution process.

- EPA, TDEC and DOE agree to hold, as soon as practicable, a workshop on FFA processes and procedures, as well as, policies and guidance produced by the agencies that are important in administering the FFA. The purpose of the workshop is to discuss the parties' respective understanding of the FFA processes for developing and adjusting milestones and targets within Appendices E and J. It is the expectation that such discussion will enhance mutual understanding of and compliance with these FFA processes. Examples for scope of the workshop include timeliness and good cause for extension requests, responding to allocation shortfalls, defining an allocation shortfall, and displaying FFA milestones in terms of annual lifecycle costs, DOE Project Baselineing, CERCLA D&D and remedial action; etc.

The parties agree that the following issues have not been resolved and will be elevated to the SEC:

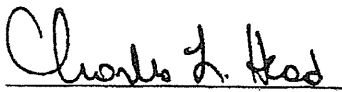
- DOE maintains that it is unable to establish or maintain regulatory milestones in FY+2 that it considers to be above target. These FY 2010 projects are:
 - Y-12 Alpha 4 D&D WHP 12/31/09
 - Y-12 Alpha 4 D&D CS 4/30/10
 - Y-12 BCV Burial Ground RDR/RAWP 2/1/10
 - Y-12 BCV Burial Ground CS 9/30/10
- DOE maintains that it is unable to establish or maintain regulatory milestones and targets in Appendix J (FY+3 and beyond) that it considers to be above target.
- EPA and TDEC believe that DOE's position that it cannot establish or maintain regulatory milestones and targets above budget target is inconsistent with the FFA and allows DOE's target budget guidance to drive, rather than inform, long-term planning.
- TDEC and EPA received an Appendix J Clean-up Schedule from DOE which DOE projected completion of site-wide clean-up under the current FFA by the end of FY 2016. EPA and TDEC do not believe the DOE schedule maintains a steady pace of clean-up for the 2010 thru 2016 time period. EPA and TDEC believe the DOE 2010 through 2016 clean-up budget profile will require a significant increase in annual funding for those years to complete clean-up by the end of FY 2016 and that given historic funding for DOE Environmental Management, a substantial annual funding increase is unlikely.

AGREED, this 19th day of March, 2008.



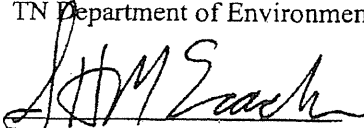
Franklin E. Hill
Director, Superfund Division
U.S. Environmental Protection
Agency

3/25/08
Date



Charles L. Head
Senior Director - Land Programs
Bureau of Environment
TN Department of Environment & Conservation

3/19/08
Date



Stephen H. McCracken, Assistant Manager
Environmental Management
Oak Ridge Reservation
U.S. Department of Energy

3/21/08
Date