



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION IX
75 Hawthorne Street
San Francisco, CA 94105

May 5, 2000

Mr. Richard Mach
Department of the Navy
Naval Facilities Engineering Command
Southwest Division
BRAC Office
1220 Pacific Highway
San Diego, CA 92132-5190

Dear Mr. Mach:

EPA appreciates the Navy and the City of San Francisco meeting with regulators to discuss the cost to complete estimate for Hunters Point Shipyard. EPA would like to assist the parties in expeditiously calculating a realistic cost to complete estimate which includes reasonable contingency/uncertainty factors to help advance discussions between the Navy and the City on early transfer. It is EPA's understanding that the navy and the City hope to resolve issues and reach an early transfer deal by the Summer of 2000. This does not give the parties much time to come to agreement on a cost to complete estimate.

Over the last several months, letters regarding early transfer and estimates to complete the cleanup of Hunters Point Shipyard have been going back and forth between the Navy and the City. It was EPA's understanding that the cost to complete estimate meeting of April 25, 2000 was held to present the assumptions and backup for how both the Navy and the City reached their respective cost estimates presented in correspondence dated May 8, 2000. Per the City's May 8 letter, the City calculated a cost to complete of \$250M for Parcels B-D with any remaining funds to be applied to cleanup Parcels E and F. In the Navy's May 8 letter, it estimated Parcels B-F could be remediated for \$105M. For EPA, the meeting of April 25, was intended to explain how the two parties got to these very different cost to complete estimates and further for the Navy to explain why its November 1998 Cost to complete estimate of \$271M for Parcels B-F was no longer valid.

At the April 25 meeting, the City presented its cost to complete number, with slides and handouts, that explained how the City arrived at \$250M. The presentation included the methodologies and assumptions used and included a large uncertainty factor. EPA requested that the City provide some additional information, including the underlying details about the soil volume estimates and groundwater cleanups. The City agreed to provide these additional details to the BCT by May 11, 2000.

In contrast, the Navy's cost to complete presentation at the April 25 meeting was very broad-brush and did not provide many details as to how the overall costs per parcel were reached.

The handout provided was basically the same as the exhibit included in the Navy's May 8 letter. As a result, EPA finds itself in the difficult position of being compelled to request that the Navy provide, by May 11, 2000, all underlying assumptions and data the Navy used calculate the \$105M for Parcels B-F. In addition, EPA is concerned that the Navy has apparently disregarded a number of key assumptions that EPA understood the Navy had previously committed to addressing, are not negotiable, and must be considered in order to reach a reasonable cost to complete estimate. These include the Federal and state criteria for determination of a potential drinking water source, completion of the Dry Dock Four removal under the Parcel C remedial program, potential indoor air threats from VOCs including vinyl chloride, and elimination/mitigation of preferential pathways of contaminated groundwater along/through storm drains to San Francisco Bay. Further, EPA is also concerned that the Navy's estimate does not account for uncertainties or contingencies other than the possibility of one 5 foot step-out around the perimeter of any given excavation.

Therefore, EPA is hoping that on May 11, the Navy will be able to provide a package of data that clearly backs up its estimate. The package should also include the Navy's key assumptions and how uncertainty and potential contingencies are accounted for in the Navy's estimate. Once the regulators have received this information and can review it, we will meet with the Navy and City on May 18 to further discuss key assumptions and to provide input on each parties estimate to assist in determining an accurate cost to complete estimate for early transfer. We look forward to receiving your package on May 11, 2000.

Sincerely,



Claire Trombadore
Remedial Project Manager



for Sheryl Lauth
Remedial Project Manager

cc: Chein Kao, DTSC
Brad Job, RWQCB
Amy Brownell, City of SF