



U.S. DEPARTMENT OF
ENERGY

OFFICE OF
ENVIRONMENTAL
MANAGEMENT

How EM Does Business

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**Environmental Management Site-Specific
Advisory Board Chairs Meeting
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Procurement Policy Implementation

- **Ensure contracts align with taxpayer interests and structure contracts so contractors bear responsibility**
 - Hold contractors accountable for overruns due to negligence
 - Share savings due to better-than-promised performance
- **Improve upfront planning and requirements definitions**
 - Ensure sufficient design and technical readiness before beginning construction activities
- **Consider Firm-Fixed-Price (FFP) contracts first**
 - Identify work that can be awarded FFP in new procurements and when exercising options on current contracts
 - Negotiate cost caps or ceilings on existing contracts
- **Use objective performance based incentives for non-FFP contracts**
- **Use provisional fee, hard cost caps, or cost share approaches to ensure parties bear responsibility for their actions**
- **Document performance to hold contractors accountable; hire contractors who provide good performance**

Evolution of EM Contracts

- EM moved away from mostly M&Os in the past to more cost and schedule focused vehicles, which serve the taxpayer better, for accomplishing EM's mission:
 - EM now has 2 M&Os verses 12 in 1995
 - EM has over 35 Federal Acquisition Regulation (FAR) Part 15 Cost Based Contracts
 - Require more thorough early planning so the work is more clearly defined
 - Allows allocating risk to contractor and Fee Incentives
 - Using Partnering
- EM is ensuring all new procurements and where possible existing contracts when modified adhere to the two primary principles and the key tenets of choosing the proper contract type noted in Deputy Secretary's December 13, 2012, memorandum.
- Improving utilization of Small Businesses by reducing the size of overly large requirements to carve out meaningful and sustainable small business work.

Comparison of Traditional vs M&O Contracts

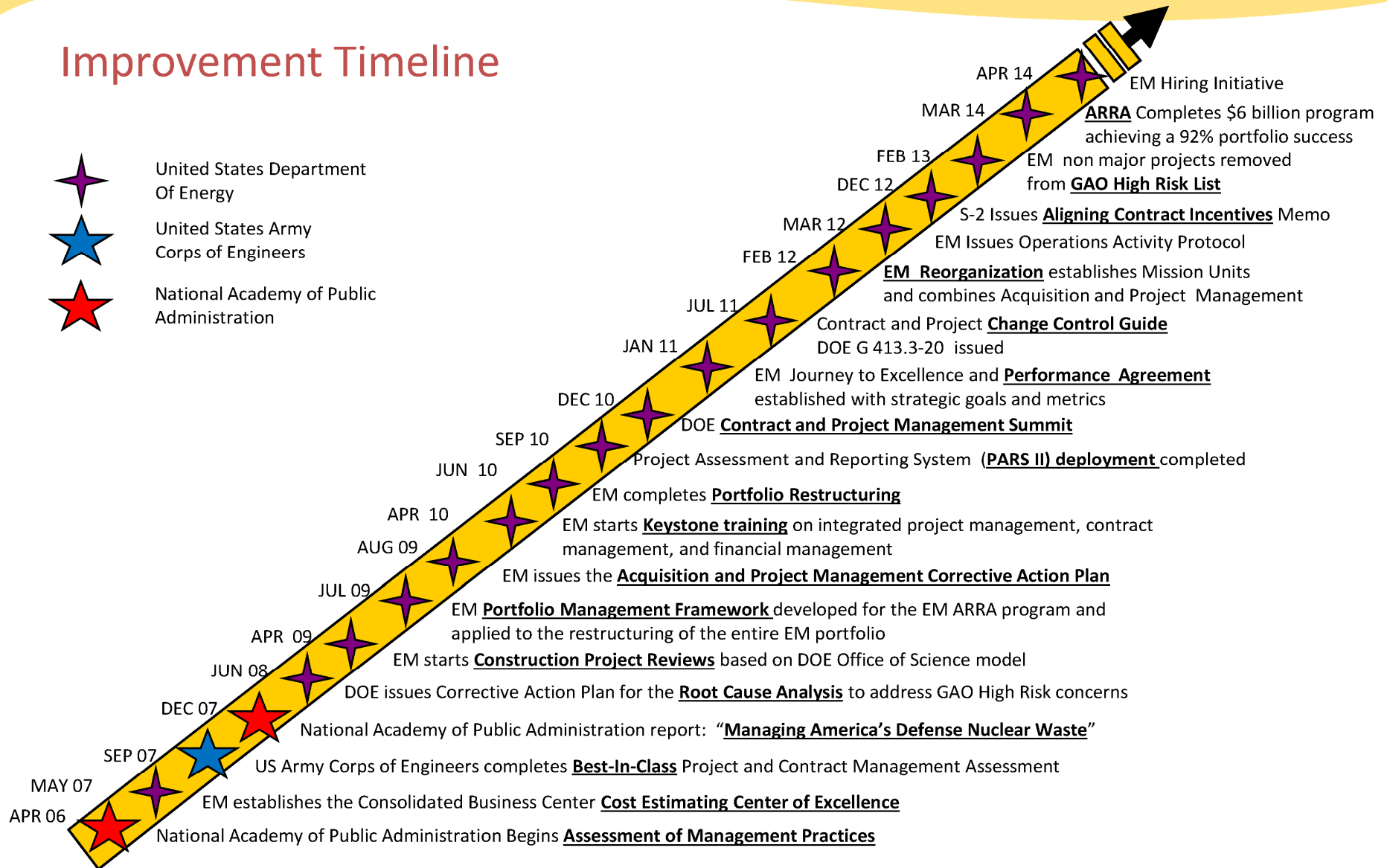
	Management & Operating	Traditional (Cost Type)
FAR Cite	FAR Part 17	FAR Part 15
Approach	Mission/Budget-Based	Scope/Cost-Based
Execution	Annual Work Plan	Full Contract Period Work scope
Term	10-15+ Years	5-10 Years
Oversight	Integrated	Arms Length
Scope	Broad	Detailed Work scope
Source Selection	No Cost Proposal	Full Cost Proposal
Pricing Information	None	Certified Cost/Pricing
Fee Incentive	Base Fee (3-8%)	At Risk Fee (6-15%)
Contract Modifications	Few (broad scope)	Frequent (specific scope/cost)
Accounting System	Integrated with DOE	Separate Certified System
Contracting Officers Role	Low: Few Contract Changes	High: Many Contract Changes
Workforce	Remains Intact	Based on Proposal

After contract award, post award contract management assistance provided to manage and oversee contract administration within the EM Program includes:

- Performance Evaluation Measurement Plans (PEMP)
- Fee Determining Official (FDO) Determination
- Contractor Performance Assessment Reporting System (CPARS)
- Workforce Restructuring (WFR) Plans / Pensions
- Compensation Increase Plans
- Contract Management Plans

EM's Contract and Project Management Improvement Timeline

Improvement Timeline



EM Portfolio Overview

➤ 2 Line Item Construction Projects (post CD-3)

- Waste Treatment and Immobilization Project (WTP) - \$12.3B TPC
- Salt Waste Processing Facility (SWPF) - \$1.3B TPC

➤ 7 EM Cleanup Projects (post CD-3) – \$4.2B combined TPC

- Facility Construction / Modification
- Soil and Groundwater Remediation
- Decontamination & Decommissioning

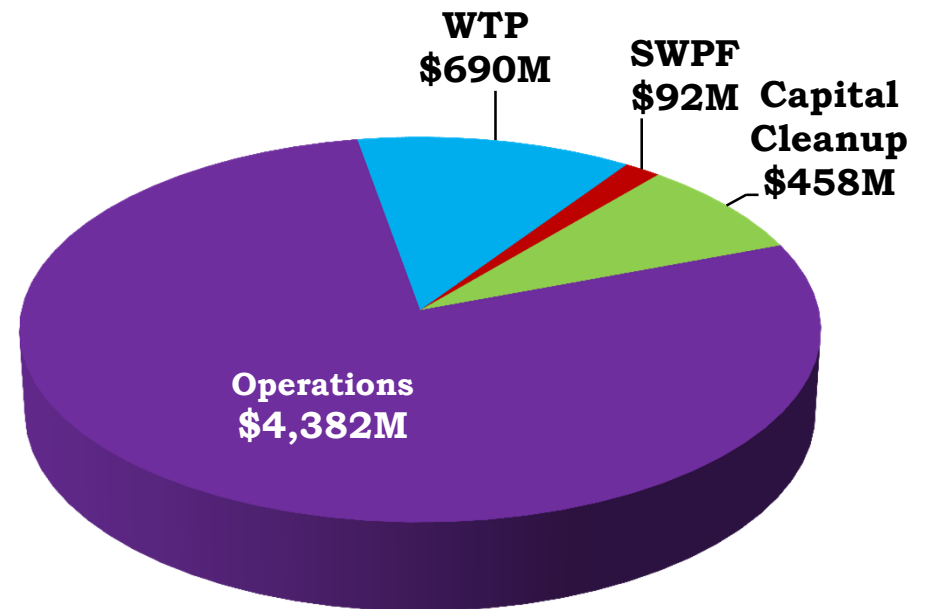
➤ 12 Active pre CD-2 Projects

- Cost Range: \$13.0B - \$34.4B
- Waste Disposition
- Soil and Groundwater Remediation
- Decontamination & Decommissioning

➤ 43 Operations Activities, \$4.4B

- Solid Waste Stabilization
- Deactivation
- Tank Operations
- Spent Fuel Stabilization
- Safeguards and Security

Capital Projects Funding \$1.24B



FY 2014 Total Funding \$5.62B

Project Assessment Role

- Independent Oversight of Capital Asset Projects
- Independent Oversight of Operations Activities
- Development of Project Management (PM) Policies and Procedures for Capital Asset Projects and Operations Activities
- Earned Value Management System (EVMS) Certification and Surveillance Reviews
- Construction Project Reviews and Project Peer Reviews
- Conduct Quarterly Project Reviews
- OAPM (MA-60) PM Interface
- Independent Project Reviews on Projects for Establishing New Performance Baselines

Capital Project Portfolio

Project Performance in FY-12/13/14

- **2 Line Item Construction Projects (post-CD-3)**
 - Combined TPC: \$13.6B
- **9 EM Cleanup Projects (post-CD-3)**
 - Combined TPC: \$5.0B
- **10 Pre CD-2 Projects**
 - Cost Range: \$12.8B - \$33.0B

	FY2012	FY2013	FY2014 (through 9/30/14)	Total
Number of Projects Completed	19	5	3	27
Met DOE Success Criteria	12	3	1	16

\$760 Million* Under Budget

* Total Approved Cost of 27 Projects was \$4.1B, Actual Cost: \$3.4B

Active Capital Project Portfolio

Project Title	Site	Original CD-2 TPC	Current TPC	EAC	Forecast CD-4	Contract Type
LINE ITEM						
Salt Waste Processing Facility (SWPF)	SRS	\$900M	\$1.3B	\$2.32B	1/2021	Non-M&O Guaranteed Max/CPAF
Waste Treatment and Immobilization Plant (WTP)	ORP	\$5.7B	\$12.3B	\$12.7B	TBD	Non-M&O CPAF
EM CLEANUP						
Nuclear Facility D&D - River Corridor Closure Project	Richland	\$2.2B	\$2.2B	\$2.2B	9/2024	Non-M&O CPIF
Plutonium Finishing Plant D&D	Richland	\$330.2M	\$330.2M	\$333.0M	12/2014	Non-M&O CPAF
K-25 D&D	Oak Ridge	\$479.4M	\$1.4B	\$1.1B	12/2014	Non-M&O CPAF
Nuclear Facility D&D-SPRU	SPRU	\$78.6M	\$78.6M	\$254.5M	9/2018	Non-M&O CPIF w/Cost Cap
Purification Vault Type Room	SRS	\$27.3M	\$27.3M	\$23.8M	9/2014	M&O CPAF
Saltstone Disposal Unit #6	SRS	\$143.2M	\$143.2M	\$122.3M	11/2018	Non-M&O CPAF
West Valley D&D	West Valley	\$385.0M	\$385.0M	\$385.0M	2/2020	Non-M&O CPAF
KW Basin Sludge Removal Project	Richland	\$308.3M	\$308.3M	\$308.3M	3/0218	Non-M&O CPAF
K-31 Demolition	Oak Ridge	\$61.9M	\$61.9M	\$61.9M	9/2017	Non-M&O CPAF
TOTAL (11 Projects)		\$10.6B	\$18.5B	\$19.8B		

M&O = Management & Operating; CPAF = Cost Plus Award Fee; CPIF = Cost Plus Incentive Fee

Operations Activity Portfolio

- Encompasses approximately 75% of total EM funding (\$4.2B in FY2014)
 - Nearly 150 unique operations activities
- Fiscal Year Work Plans (FYWP) put in place for the first time in FY2013
- Quarterly Performance Reviews (QPRs) cover accomplishments, safety, milestones, performance measures, financial and contract status

EM Operations Funding by percent

