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DOE

DEPARTMENT OF ENERGY ISSUES REQUEST FOR PROPOSALS FOR A PROJECT HANFORD MANAGEMENT CONTRACT

The Department of Energy, Richland Operations Office today issued a Request for Proposals (RFP) for a Project Hanford Management Contract. The RFP is designed to solicit offers from results-oriented contractors to manage the Hanford Site in southeastern Washington state. The contract is estimated to be worth \$4.6 billion over the initial five year period, and contains options for an additional five years.

Energy Secretary Hazel R. O'Leary's initiatives to reform the Department's contracting practices -- making the process work better and cost less -- is reflected in the RFP. Together with other procurement initiatives currently underway at Hanford, it represents a fundamental departure from traditional DOE contracting practices.

"The RFP is designed to select a management contractor with its major subcontractors based on 'best in class' past performance and innovative management approaches," said Susan Brechbill, Chairman of Hanford' Source Evaluation Board. "We want to obtain project management capabilities that match those of the best private-sector companies."

A draft version of the RFP was issued in August, 1995 for public comment. Responses to several hundred individual comments are incorporated in the final solicitation. It is the first Energy Department solicitation for a major site contractor to include DOE-specified performance objectives and measures. Prior to award of the contract, DOE will select performance incentives to reward those results which positively impact progress towards cleanup. Both monetary (increased fee) and non-monetary (extending the contract beyond the five-year term) incentives will focus on those performance measures that result in cost savings and/or reduce out-year maintenance costs, expedite completion of critical milestones, or reduce risk.

The RFP includes an innovative approach to maintain competitive pressure for outstanding subcontractor performance by limiting the term of major subcontracts. The RFP also places a high value on the protection of workers and the public through emphasis on safety and environmental protection. Safety and health of Hanford workers is fundamental and critical to the success of all Hanford activities.

In addition the final RFP contains provisions which clarify labor policies, while providing flexibility for the new contractor to improve cost effectiveness. These provisions cover hiring from the workforce of the incumbent contractors, pay and benefits, protection, and recognition of labor unions.

Contractors will have until March 15, 1996, to prepare their proposals. It is planned that selection of a contractor will be made in June and, following a transition period, the contractor will assume responsibilities under the Project Hanford Management Contract on October 1, 1996.

Requests for copies of the Project Hanford Management Contract RFP should be in writing and may be sent by mail or via facsimile to:

*Project Hanford Management Contract
Source Evaluation Board
P.O. Box 550, A4-52
Richland, WA 99352
Facsimile: (509) 376-3661*

*The RFP for a Project Hanford Management Contract is also available on Internet via
<http://twins.pnl.gov:8001/refmain.htm>.*

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96-001

ATTACHMENT

REQUEST FOR PROPOSAL DE-RP06-96RL13200

*PROJECT HANFORD MANAGEMENT CONTRACTOR MODIFICATIONS FROM DRAFT
DOCUMENT*

The purpose of this fact sheet is to highlight changes between the Draft Request for Proposal (RFP) sent out for comments on August 16, 1995 and the Final RFP dated January 4, 1996. During the comment period, industry representatives, government representatives, stakeholders, and the general public provided comments on the draft document. Several major improvements have been made to the document based on those comments. During the review period, the Source Evaluation Board (SEB) considered all comments. Each comment was reviewed by one or more board members and presented to the Board for decision on whether or not it should be incorporated into the Final RFP. The RFP speaks for itself on the final disposition of the comments received. Major concerns and areas of comments are discussed in this fact sheet.

DOE GOALS, OBJECTIVES, AND SUCCESS CRITERIA

Several comments were received pertaining to the purpose of this RFP and the objectives of the new contract. What does the Department of Energy (DOE) want the new contractor to do and how is it different from the old way of doing business? As a result of these questions, the SEB incorporated the outcomes and success criteria it is seeking into the overall objectives of the RFP. These outcomes and values are defined as stated below.

The Contractor must make real progress on cleanup at the Hanford site. Under the new performance-based contract the Contractor will be paid based on the completion of milestones, deliverables, and other incentivized objectives, not simply based on level-of-effort work.

In order for the Contractor to show real progress, it must meet commitments and schedules within budget. Critical to this goal is the development of an acceptable integrated Hanford Site baseline during the first year of the contract.

The contractor must develop and implement managerial and financial system controls which track real progress and provide needed input to DOE decision-makers. The importance of project management in the role of the prime contractor has been strengthened.

In order to get the maximum return (progress on cleanup) for the taxpayers' dollar investment, the Hanford Site infrastructure must be maintained at the minimum necessary to meet the present and

predicted needs of the Site mission. While mission needs may increase or decrease as the cleanup progresses, the goal is to have only the infrastructure support required to meet valid Site requirements at each phase of the program.

The contractor must develop and maintain an integrated life-cycle site baseline that includes a well defined technical scope of all work, schedules with critical paths identified, and validated cost profiles based on resource- loaded schedules.

The cleanup plan must, at the same time, strive to maintain local economic stability through actions of the Contractor, including investment of private corporate resources in the local community.

Cross cutting the above outcomes are success criteria which are integral to any DOE operation but specifically to Hanford's success: safety, worker productivity, quality, cost effectiveness, innovative technology, and public involvement and openness. These success criteria are core to successful performance of the contract statement of work.

STATEMENT OF WORK

Much work was done to strengthen the Statement of Work. The draft RFP Statement of Work was organized around a generic work breakdown structure on which the bidders were asked to comment. The Final RFP Statement of Work is organized around Project Hanford, the projectization of the cleanup program. This emphasis recognizes DOE's desire to have managerial and administrative controls, such as those used in commercial project management, apply to all areas of the Hanford cleanup; hence the name Project Hanford. In addition, the Final RFP is more closely tied to the Office of Environmental Management Strategic Plan, the Hanford Management Plan, and the 1997 budget and work plans (Multi-Year Program Plans).

The RFP reflects a decision against to assigning the Hanford Environmental Health Foundation (HEHF) prime contract to this contract. Also more detail on the Tank Waste Remediation Project privatization has been added. The relationship with other primes is more clearly addressed, and the workscope for the Transition Period has been more completely defined. Many new deliverables were added to the RFP.

PERFORMANCE

The Hanford RFP is the first DOE solicitation for a major site contractor to include DOE-specified performance objectives and measures. The Draft RFP only had sample performance measures. The Final RFP includes performance objectives and measures in the document itself. This is an important step in DOE's efforts to obtain efficient and effective results on cleanup from its contractors. In addition, prior to contract award DOE will select a critical few of the performance measures to incentivize, rewarding those results which positively impact progress towards cleanup. These incentives will be stretch goals for the contractor, not just incremental improvement. DOE will use negative incentives where appropriate (i.e. missed milestones, safety violations, etc.). Final offeror cost proposals and fee structures will be negotiated prior to award.

SAFETY AND HEALTH

To stress the importance of safety and health performance, a new evaluation criterion has been added to Section M covering both past performance and proposed approach of the offerors and major subcontractors in the area of safety and health.

EMPLOYEE CONCERNS

When the draft Hanford RFP was released, the sections which dealt with employees and their benefits were the first area to draw significant comment. Several changes were made as a result of those concerns and these were issued previously as amendment #1 to the Draft RFP. The changes clarified policies regarding the hiring of incumbent employees and requirements for a Defined

Contribution Program. These changes reflect DOE's recognition that a skilled and motivated Site workforce is critical for success. However, the new contractor still has a unilateral right to determine the number and skill mix of employees necessary to do the work.

INFRASTRUCTURE

The infrastructure scope of work is an area where major changes have been made from the draft to the final RFP. Modifications stress continual right-sizing to support a changing mission needs. Site-wide integration is necessary to optimize cost effectiveness and mission needs. All infrastructure services are to be subject to a cost/benefit analysis and are to be considered candidates for cost-effective outsourcing. Emphasis is put on outsourced contracts awarded on a competitive fixed-price or fixed-unit-price basis.

COST CONCERNS

The language in the final RFP has been strengthened to emphasize cost effective innovative approaches to solving the problems of the site. The RFP directs cost reduction in areas such as overhead/indirect costs and adds a required functional breakdown of overhead/indirect costs for the purposes of bidding and the accounting of such costs under the new contract. Further, the offeror's past performance and proposed approach to cost reduction will receive weight in selection of the new contractor. An aggressive make-or-buy program is required to assure that work is done in the most cost-effective manner. Activities shall be privatized where greater efficiencies can be achieved. The contract will be based upon the Government-wide cost principles contained in the Federal Acquisition Regulation (FAR), rather than cost principles unique to DOE.

COMPETITION/STANDARD TERMS AND CONDITIONS

Additional changes were made in the RFP to maximize competition and ensure that all potential offerors have an equal opportunity to be selected even if they have no past DOE experience. The terms of Major Subcontracts have been limited to two years with options for an additional three years. The requirements on outsourcing have been strengthened. A number of the DOE model contract reform clauses and the standard FAR clauses were updated to reflect recent changes.