

Part I – The Schedule

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Special Contract Requirements
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H-1 Use Of Facilities for Contractor's Own Account

During the term of this Contract, the Contractor may use the facilities designated under Section B and other Government-owned or leased property in its custody under this Contract to conduct research and development activities for its own account, to the extent and in accordance with such terms and conditions as DOE and the Contractor may agree to from time to time as set forth in Use Permit Agreement No. DE-GM06-00RL01831 dated February 01, 2000. Except as incorporated by reference in the aforementioned Agreement, the terms and conditions of this Contract shall not apply to such research and development activities.

(End of Clause)

H-2 Implementation Procedures for Public Affairs

(a) Public Affairs and News Releases

- (1) The Parties recognize the importance of coordination with regard to areas covered in this clause so as to achieve public policy objectives important to the nation. As a federal agency, DOE must assure that news releases which describe its policies and procedures as related to the operation of its national scientific laboratories do so on an accurate and timely basis. Accordingly, the Parties recognize the importance of advanced coordination of significant news media activities, including news releases, major announcements, and significant interactions with national news media. The Parties agree that the procedures and policies established in this clause shall constitute the procedures required by the clause in this Contract entitled Public Affairs.
- (2) Coordination is especially important in certain circumstances and the Contractor shall be guided by the following principles. The Contractor will:
 - i. Coordinate and communicate with DOE-RL Office of Communications on interactions with Congress.
 - ii. Ensure that State, local, territorial, and Indian Governments are provided an opportunity to participate in development of national energy and energy-related policies and programs, and particularly in those policies and programs which directly affect them.
 - iii. Seek public participation in coordination with DOE-RL Office of Communications to the extent allowable in pending policy and planning issues which are substantial and which can have major impacts on the public.

- (3) The Contractor will exercise diligent efforts to inform DOE in advance of significant public affairs events or other major activities, including presentations, publications, significant audio-visual materials, and special exhibits. When such advance exchange is not possible operationally, the Contractor shall promptly furnish the released information to the DOE concurrent with its release. When preparing public information about the Contractor's performance or activities, DOE will exercise the same diligence in attempting to coordinate with the Contractor prior to its release.
 - (4) The Contractor shall not release information attributed directly to DOE or which purports to represent established DOE policy without advance concurrence of the DOE-RL Office of Communications. Nothing in this clause shall be construed so as to limit the right of the Contractor to publicize the results of its scientific research, consistent with the advance coordination principles outlined above.
 - (5) In all public releases of information in communication products related to the Laboratory, identification of the facility as a Department of Energy facility shall be made prominently in the communication product involved. This identification should include a statement that the Laboratory is a DOE facility which is operated by the Contractor under a performance based management contract. The inclusion of such a standard statement does not replace, however, the requirement for prominent identification of the Laboratory as a DOE facility in an appropriate editorial context in the communications product.
 - (6) Nothing in this clause is intended to interfere with requirements associated with information that is classified or controlled under a statute or Executive Order.
- (b) Public Involvement
- (1) The Contractor agrees to provide public involvement where appropriate and in cooperation with DOE-RL Office of Communications.
 - (2) DOE recognizes such activities as an integral component of Contractor management responsibilities in the execution of the Contract. The Parties recognize their mutual responsibilities to coordinate public involvement activities and to coordinate all related external communications consistent with the principles outlined in paragraph (a), Public Affairs and News Releases, above.

- (3) In carrying out Laboratory public involvement activities, the Contractor agrees that it will make no statements contrary to DOE policy or enter into any commitments with external parties regarding departmental actions without DOE concurrence.

(End of Clause)

H-3 Transportation

The Contractor shall use carriers providing services commensurate with DOE program needs, taking full advantage of special reduced rates where available.

(End of Clause)

H-4 Source and Special Nuclear Materials

The Contractor shall comply with all applicable regulations and instructions of DOE relative to the control of and accounting for source and special nuclear material (as these terms are defined in applicable regulations). The Contractor shall make such reports and permit such inspections as DOE may require with reference to source and special nuclear materials. The Contractor shall take all reasonable steps and precautions to protect such materials against theft and misappropriations and to minimize all losses of such materials. The Contractor shall also submit to DOE, as requested for all specified nuclear materials, the annual Nuclear Materials Inventory Assessment and the Nuclear Materials Forecast.

(End of Clause)

H-5 Workers' Compensation

- (a) Pursuant to State of Washington Revised Code (RCW) Title 51, the Department of Energy (DOE), Richland Operations Office (RL) is a group self-insurer for purposes of workers' compensation coverage. The coverage afforded by those workers' compensation statutes shall, for work under this Contract in the state of Washington, be subject to the following:

- (1) Under the terms of a Memorandum of Understanding (MOU) with the Washington Department of Labor and Industries (L&I), DOE has agreed to perform all functions required by self-insurers in the State of Washington. While this MOU is in effect, the Contractor is not required to pay for workers compensation coverage or benefits except as otherwise provided below or as directed by the Contracting Officer.
- (2) The Contractor shall submit to DOE (or other party as designated by DOE for transmittal to the L & I), such payroll records required by the workers compensation laws of the State of Washington.

- (3) The Contractor shall submit to DOE (or other party as designated by DOE), for transmittal to the Department, the accident reports provided for by RCW Title 51, Section 51.28.010, or any other documentation requested by DOE or the L&I pursuant to the workers compensation laws of the State of Washington.
 - (4) The Contractor shall take such action, and only such action, as DOE requests in connection with any accident reports, including assistance in the investigation and disposition of any claim thereunder and, subject to the direction and control of DOE, the conduct of litigation in the Contractor's own name in connection therewith.
 - (5) Under RCW Title 51.32.073, DOE is the self-insurer and is responsible for making quarterly payments to the State Department of L&I. In support of this arrangement, the Contractor is responsible for withholding appropriate employee contributions and forwarding on a timely basis these contributions plus the employer-matching amount to DOE.
 - (6) The workers' compensation program shall operate in partnership with Contractor employee benefits, risk management, and environmental, safety, and health management programs. The Contractor shall cooperate with DOE for the management and administration of DOE, Richland Operations Office (RL) self-insurance program that provides workers' compensation benefit coverage to Contractor employees at PNNL.
 - (7) The Contractor must certify to the accuracy of the payroll record used by the Department in establishing the self-insurance claims reserves, and cooperate with any state audit.
 - (8) The Contractor shall submit to the Contracting Officer, a yearly evaluation and analysis of workers' compensation cost as a percent of payroll compared with the percentage of payroll cost reported by a nationally recognized Cost of Risk Survey that has been pre-approved by the Department (once DOE has provided the Contractor with the necessary data to perform the analysis required in this paragraph).
- (b) The Contractor will provide statutory worker's compensation coverage for staff members performing work under this Contract outside of the State of Washington and not otherwise covered by the State of Washington worker's compensation laws.
 - (c) Subcontractors performing work under this Contract on behalf of the Contractor are not covered by the provision of the Agreement referenced in (a)(1) of this clause. The Contractor shall flow-down to its subcontractors the requirement to provide statutory worker's compensation coverage for the subcontractor's employees. The Contractor

shall have no responsibility for subcontractor worker's compensation when it includes this requirement in the subcontract.

(End of Clause)

H-6 Unemployment Compensation

- (a) The Contractor will provide coverage for staff members under state unemployment compensation laws in any state in which any part of the work is carried on.
- (b) DOE shall be given the benefit of any employer experience rating credit received by the Contractor and attributable to wages subject to contribution paid under this Contract.

(End of Clause)

H-7 Contractor Acceptance of Notices of Violation or Alleged Violations, Fines, and Penalties

- (a) The Contractor shall accept, in its own name, service of notices of violation or alleged violations (NOVs/NOAVs) issued by Federal or State regulators to the Contractor resulting from the Contractor's performance of work under this Contract, without regard to liability. The allowability of the costs associated with fines and penalties shall be subject to the other provisions of this Contract.
- (b) The Contractor shall notify DOE promptly when it receives service from the regulators of NOVs/NOAVs and fines and penalties.

(End of Clause)

H-8 Allocation of Responsibilities for Contractor Environmental Compliance Activities

- (a) The Parties commit to full cooperation with regard to acquiring any necessary permits or licenses required by environmental, safety and health (ES&H) laws, codes, ordinances, and regulations of the United States, states or territories, municipalities or other political subdivisions, and which are applicable to the performance of work under this Contract. It is recognized that certain ES&H permits will be obtained jointly as co-permittees, and other permits will be obtained by either party as the sole permittee. The Contractor, unless otherwise directed by the Contracting Officer, shall procure all necessary non-ES&H permits or licenses.
- (b) This clause allocates the responsibilities of DOE and the Contractor, referred to collectively as the "Parties", for implementing the environmental requirements at facilities within the scope of the Contract. In this Clause, the term "environmental requirements" means requirements imposed by applicable Federal, State, and local environmental laws and regulations, including, without limitation, statutes,

ordinances, regulations, court orders, consent decrees, administrative orders, or compliance agreements, including the *Hanford Federal Facility Agreement and Consent Order*, consent orders, permits, and licenses.

- (c) (i) Liability and responsibility for civil fines or penalties arising from or related to violations of environmental requirements shall be borne by the party causing the violation irrespective of the fact that the cognizant regulatory authority may assess any such fine or penalty upon either party or both Parties without regard to the allocation of responsibility or liability under this Contract. This contractual allocation of liability for any such fine or penalty is effective regardless of which party signs permit applications, manifests, reports, or other required documents, is a permittee, or is the named subject of an enforcement action or assessment of a fine or penalty. The allowability of the costs associated with fines and penalties assessed against the Contractor shall be subject to the other provisions of this Contract.
- (ii) In the event that the Contractor is deemed to be the primary party causing the violation, and the costs of fines and penalties proposed by the regulatory agency to be assessed against the Government (or the Government and Contractor jointly) are determined by the Government to be presumptively unallowable if allocated against the Contractor, then the Contractor shall be afforded the opportunity to participate in negotiations to settle or mitigate the penalties with the regulatory authority. If the Contractor is the sole party of the enforcement action, the Contractor shall take the lead role in the negotiations and the Government shall participate and have final authority to approve or reject any settlement involving costs charged to the Contract.
- (d) DOE agrees that if bonds, insurance, or administrative fees are required as a condition for permits obtained by the Contractor under this Contract, and the Contractor has been directed in by the Contracting Officer to obtain such permits after the Contractor has notified the Contracting Officer of the costs of complying with such conditions, such costs shall be allowable. In the event such costs are determined by DOE to be excessive or unreasonable, DOE shall provide the regulatory agency with the acceptable form of financial responsibility. Under no circumstances shall the Contractor be required to provide any corporate resources or corporate guarantees to satisfy such regulatory requirements.

(End of Clause)

H-9 Other Intellectual Property Related Matters

- (a) Transfer of Patent Rights to a Successor Contractor

As consideration for the Contractor's commitment to expend private monies in its privately-funded technology transfer effort under this Contract at a level at least commensurate with such expenditures under its prior contracts, including at least one million two hundred fifty thousand dollars (\$1,250,000) per year for activities under

the privately-funded technology transfer program which includes a combination of the filing of an average of 20 patent applications, and no fewer than 15, per year during the period of this Contract, including expenses related to the patenting, marketing, licensing and development of Subject Inventions, the Parties agree that at the termination or expiration of this Contract, the following terms and conditions shall apply to Subject Inventions which were elected to be pursued under the Contractor's privately-funded technology transfer program, and to the licenses and royalties generated therefrom:

- (1) In the event Contractor has executed a license, assignment or other commercialization agreement to a Subject Invention prior to termination or expiration of this Contract in which royalties, fees, equity or other consideration is to be or has been paid (hereinafter "agreement"), the distribution of net income from royalties, equity, or any other consideration received or to be received under such agreement shall remain as prior to Contract termination or expiration and shall continue for the duration of such agreement. As set forth in paragraph (d) below, fifty-one percent (51%) of such net income shall go to the Successor Contractor at the Facility for use at the Facility pursuant to its contract or, in the absence of a Successor Contractor, to such other entity designated by the Government, and forty-nine percent (49%) may be retained by the Contractor for use in accordance with 35 USC Section 200 et seq. Administration of agreements related to such Subject Invention, shall remain with the Contractor. Title to such Subject Invention shall remain with the Contractor provided the Contractor has fulfilled the commitments set forth in paragraph (a) above. If the Contractor has not fulfilled the commitments set forth in paragraph (a) above, upon request, title to such Subject Invention shall be transferred to the Successor Contractor, or such other entity designated by the Government.
- (2) In the event Contractor has not executed an agreement (as defined in paragraph (1) above) to a Subject Invention, upon request, title to such Subject Invention shall be transferred to the Successor Contractor, or to such other entity designated by the Government, unless Contractor can demonstrate that it has expended at least twenty thousand dollars (\$20,000) of private monies in its privately funded technology transfer program toward the patenting, licensing, marketing and/or development of such Subject Invention, and the Contractor has fulfilled the commitments set forth in paragraph (a) above. In the event Contractor retains title to a Subject Invention under this paragraph, the distribution of royalties, fees, equity or other consideration from such agreement shall be as set forth in paragraph (1) above.
- (3) In the event Contractor retains title to Subject Inventions under paragraphs (1) or (2) above, and executes an agreement (as defined in paragraph (1) above) to such Subject Inventions after the termination or expiration of this Contract,

the distribution of royalties, fees, equity or other consideration from such agreement shall be as set forth in paragraph (1) above.

- (4) The Contractor and the Government shall enter negotiations prior to such termination or expiration with respect to retention of the title to Subject Inventions. Such negotiations shall consider the equities of the Parties with respect to each Subject Invention and shall take into consideration the presence of private investment, DOE's need for continued operation of the Facility, potential commercial use, assumption of patent related liabilities, effective technology transfer, and the need to market the technology. Such negotiations shall not change the disposition of title provided for in paragraphs (1) and (2) above unless mutually agreed by the Contractor and the Government.
 - (5) For any Subject Invention to which the Contractor maintains title or administration of an agreement under paragraphs (a)(1)-(2) above, the Contractor agrees that, to the extent it is able to do so in view of prior licenses or assignments, it will negotiate in good faith to enable the Successor Contractor to practice such subject invention in the form of CRADAs, Work For Others agreements, licenses or other appropriate agreements, in order to fulfill the missions and programs of the Facility. It is the intention of the Contractor to enable the Successor Contractor to continue operation of the Facility, including the Facility's technology transfer program. In any event, the Successor Contractor retains the nonexclusive royalty-free right to practice the Subject Invention on behalf of the U.S. Government.
- (b) Costs
- (1) Except as otherwise specified in the clause of this Contract entitled, "Technology Transfer Mission," as allowable costs for conducting activities pursuant to provisions of that clause, no costs are allowable as direct or indirect costs for the preparation, filing, or prosecution of patent applications or the payment of maintenance fees or licensing and marketing costs after the Contractor elects to pursue commercialization of a Subject Invention under its privately-funded technology transfer program pursuant to paragraph (f) below. Should the Contractor make such election after allowable costs have been incurred with respect to the patenting of a particular Subject Invention, such costs shall be repaid from private funds concurrent with such election.
 - (2) For a four-year period from October 1, 1988, the effective date of Contract Modification M140, an amount not to exceed \$200,000/year was agreed to be allowable as an indirect cost for activities such as the preparation, filing, or prosecution of patent applications or the payment of maintenance fees or

licensing and marketing costs.

- (3) To the extent that the Contractor utilized indirect cost monies pursuant to paragraph (b)(2) above, the annualized balance of royalties or income (net) being returned to and used at the Facility shall be in the ratio of expenditure of allowable funds pursuant to paragraph (b)(2) above to the sum of such expended allowable funds plus any private Contractor funds for invention costs set forth in the clause entitled, "Patent Rights – Management and Operating Contracts, Nonprofit Organization or Small Business Firm Contractor." However, the annualized net royalties or income being returned to the Facility for use at the Facility shall in no event be less than fifty-one percent (51%) of the balance of royalties or income earned.
 - (4) To the extent that the Contractor utilized indirect cost monies pursuant to this clause, paragraph (b)(2) above, it shall provide reimbursement thereof in the form of funds to be used at the Facility when royalties or income from all invention activities set forth in the clause entitled, "Patent Rights – Management and Operating Contracts, Nonprofit Organization or Small Business Firm Contractor", become self sustaining. Such reimbursement shall be on an annualized basis and shall be equal to twenty percent (20%) of the balance of net royalties or income prior to distribution to the Contractor. Further, where the Contractor assigns or conveys title to a Subject Invention to other than an affiliate of the Contractor, the Contractor shall provide reimbursement of any indirect cost monies utilized with respect to such Subject Invention pursuant to paragraph (b)(2) above in the form of funds to be used at the Facility. Such reimbursement shall be made out of any net royalties or income from Subject Inventions (whether or not from the Subject Invention conveyed) before such royalties are used for any other purpose.
- (c) Liability of the Government
- (1) It is understood that the privately-funded technology transfer activities of the Contractor under this clause are not subject to the clause entitled, "Insurance--Litigation and Claims".
 - (2) The Contractor shall not include in any license agreement or assignment any guarantee or requirement, which would obligate the Government to pay any costs or create any liability on behalf of the Government.
 - (3) The Contractor shall include in all licensing agreements and in any assignment of title the following clauses unless otherwise approved or directed by the Contracting Officer following consultation with the DOE Patent Counsel:

- (i) "This agreement is entered into by Battelle Memorial Institute (BMI) in its private capacity. It is understood and agreed that the U.S. Government is not a party to this agreement and in no manner whatsoever shall be liable for nor assume any responsibility or obligation for any claim, cost or damages arising out of or resulting from this agreement or the subject matter licensed assigned)."
- (ii) "Nothing in this Agreement shall be deemed to be a representation or warranty by the U.S. Government of the validity of any of the patents or the accuracy, safety, or usefulness for any purpose, of any TECHNICAL INFORMATION, techniques, or practices at any time made available by BMI. The U.S. Government shall have no liability whatsoever to LICENSEE or any other person for or on account of any injury, loss, or damage of any kind or nature sustained by, or any damage assessed or asserted against, or any other liability incurred by or imposed upon LICENSEE or any other person, arising out of or in connection with or resulting from:
 - (A) The production, use, or sale of any apparatus or product, or the practice of the INVENTIONS;
 - (B) The use of any TECHNICAL INFORMATION, techniques, or practices disclosed by BMI; or
 - (C) Any advertising or other promotional activities with respect to any of the foregoing, and LICENSEE shall hold the U.S. Government harmless in the event the U.S. Government is held liable. BMI represents that it has the right to grant all of the rights granted herein, except as to such rights as the Government of the United States of America may have or may assert."
- (d) Distribution of net income

In the event the Contractor engages in a privately funded technology transfer program under the clause of this Contract entitled, "Patent Rights – Management and Operating Contracts, Nonprofit Organization or Small Business Firm Contractor" or the clause of this Contract entitled, "Rights in Data – Technology Transfer", such that private funds are utilized for technology transfer after the Contractor elects to pursue privately-funded commercialization of a Subject Invention or after the Contractor has received permission from the Contracting Officer to assert statutory copyright in a software program and received DOE approval to commercialize such software under its privately funded technology transfer program under paragraph (i) below, net income from such privately funded technology transfer program shall be distributed

as follows:

- (1) Fifty-one percent (51%) of net income shall be used at the Facility for scientific research, development and education consistent with the research and development mission and objectives of the Facility. Forty-nine percent (49%) of such net income may be used by the Contractor at a location other than the Facility if such use is for scientific research, development, and education consistent with the research and development mission and objectives of the Facility in accordance with 35 USC Section 200 et seq.
- (2) "Net income" is defined as that amount remaining after the expense of patenting costs, licensing and marketing costs, payments to inventors, and other expenses incidental to the administration of Subject Inventions is deducted from gross income received.

(e) Equity Plan

It is the intent of the Government and the Contractor that the Contractor shall, in its discretion, take reasonable and prudent actions from both a commercial and stewardship of the Facility's technology transfer perspective related to the ownership of equity received from third parties under this Contract. The Contractor shall submit to the Contracting Officer a plan, which shall set forth principles for the Contractor's acquisition, retention and disposition of equity received from third parties as consideration for licenses or assignments granted to such third party. Such plan shall consider, at a minimum,

- (1) the manner in which the Contractor shall acquire such equity in a third party, including the manner in which the Contractor shall apportion capital contributions to such third party between the relative value of private Contractor contributions and the value of contributions representing a license under a Subject Invention;
- (2) the manner in which the Contractor shall hold such equity, given that the Government has an undivided 51% interest in that portion of such equity representing the value of contributions resulting from a license to such Subject Invention;
- (3) the manner in which the Contractor shall dispose of such equity, giving due consideration to the potential for a conflict of interest between the interests of the Government and the Contractor; and
- (4) the manner in which the Contractor's inventors are compensated.

- (f) The Contractor shall indicate whether a Subject Invention will be pursued under its government-funded technology transfer program or its privately-funded technology transfer program within six (6) months after the Subject Invention is reported to the Contractor, unless otherwise agreed in writing by the DOE Patent Counsel.
- (g) In its privately-funded technology transfer program, the Contractor shall be substantially guided by the principles of U.S. Competitiveness and Fairness of Opportunity as set forth herein.
- (h) When requesting approval from DOE to assert statutory copyright in a particular software package pursuant to the clause entitled “Rights in Data—Technology Transfer” (Clause I-93(e) herein), Contractor may request that commercialization of such software proceed under the provisions of this Clause H-9. If approved, no costs of such commercialization thereafter shall be allowable, and the proceeds of such commercialization shall be treated in accordance with paragraph (a) above as if such proceeds had resulted from the commercialization of a Subject Invention.
(End of Clause)

H-10 Continued Improvement Initiative

It is the intent of the Parties to continue to work together during the term of this Contract to develop and implement innovative approaches and techniques for improving Contractor performance and Contract administration. This initiative for continued improvement will focus on improving Contractor efficiency and effectiveness, enhancing Contractor accountability, gaining savings in Laboratory programs, improving cost-effective management of risks, and increasing efficiencies in Federal oversight of the Contract. Areas that the Parties will evaluate, include, but are not limited to, the following:

- (a) Elimination/reduction of mandatory Hanford Site Services and ensure cost allocation equity;
- (b) Contractor-provided facilities through long-term leasing or capital lease arrangements;
- (c) Consolidated Laboratory concept and administration;
- (d) Policies and procedures related to the Technology Transfer mission of the Laboratory.
- (e) Incentive Compensation and/or other enhancements to variable pay programs; and
- (f) Benefits and Pension reciprocity.

(End of Clause)

H-11 Standards of Contractor Performance Evaluation

- (a) Use of objective standards of performance, self assessment and performance evaluation
- (1) The Parties agree that the Contractor will utilize a comprehensive performance-based management approach for overall Laboratory management. The performance-based management approach will include the use of objective performance goals and indicators, agreed to in advance of each performance evaluation period, as standards against which the Contractor's overall performance of the scientific and technical mission obligations under this Contract will be assessed. The performance criteria will be limited in number and focus on results to drive improved performance and increased effective and efficient management of the Laboratory.
 - (2) The Parties agree to utilize the process described within Section J, Appendix E "Performance Evaluation and Measurement Plan (PEMP) to evaluate the performance of the Laboratory. The Parties further agree that the evaluation process described in Appendix E will be reviewed annually and modified, if necessary, by agreement of the Parties. If agreement of the Parties cannot be reached, the Contracting Officer has the unilateral right to establish the evaluation process.
 - (3) The Parties agree that the Contractor will conduct an ongoing self-assessment process as the principal means of determining its compliance with the Contract Statement of Work and performance indicators identified within Section J, Appendix E. To assist the DOE in accomplishing the appropriate level of oversight, the Contractor shall work in partnership and cooperation with DOE and other external organization, as appropriate, in the self-assessment process. This work includes, but is not limited to, the development and execution of self-assessments and the utilization of the results for continuous improvement.
 - (4) The Contractor shall provide periodic updates, as requested by the DOE, on the performance against the Appendix E. The Contractor shall provide a formal status briefing at mid-year and year-end, and a formal self-evaluation report to the DOE at year-end. Specific due dates and formats for the above-mentioned briefings and reports shall be agreed to by the Laboratory Director and the DOE-RL Associate Manager for Science & Technology (AMT). In addition, the year-end report must provide:

- (i) an overall summary of performance for the performance period;
 - (ii) performance ratings for each PEMP element and the Laboratory overall; and
 - (iii) a summary of key strengths and opportunities for improvement.
- (5) DOE, as a part of its responsibility for oversight, evaluation, and information exchange, shall provide an annual programmatic appraisal and other appraisals, and reviews of the Contractor's performance of authorized work in accordance with the terms and conditions of this Contract. The Office of Science, through the AMT, has the lead responsibility for oversight of the programs and activities conducted by the Contractor.
- (6) The Contracting Officer shall annually provide a written assessment of the Laboratory's performance to the Contractor, which shall be based upon the process described in Appendix E. The Parties acknowledge that the performance levels achieved against the specific performance objectives and measures shall be the primary, but not sole, criteria for determining the Contractor's final performance evaluation and rating. The Contractor's self-assessment results, to include results of any third party reviews which may have been conducted during the evaluation period, will be considered at all levels to assess and evaluate the Contractor's performance. The Contracting Officer may also consider other relevant information not specifically measured by the objectives and measures established within Appendix E that is deemed to have an impact (either positive or negative) on the Contractor's performance. Other relevant information that may be used by the Contracting Officer may include, but is not limited to, information gained from peer reviews, operational awareness, outside agency reviews (i.e., OIG, GAO, DCAA, etc.) conducted throughout the year, annual reviews (if needed), and DOE "for cause" reviews. With exception of "for cause" reviews, the DOE RL Operations Office will conduct no more than one management and operations review per year. The on-site portion of such reviews will normally last no more than two weeks. Contractor success in meeting or exceeding performance expectations in a particular management or operations functional area may be rewarded with less frequent – or no – review of the functional area. Conversely, marginal performance or "for cause" situations may result in more frequent reviews.
- (b) Standards of performance measure review
- (1) The Parties agree to review the PEMP elements (goals, objectives, performance indicators, and expected levels of performance) contained in Appendix E annually and to modify them upon the agreement of the Parties;

provided, however, that if the Parties cannot reach agreement on all the goals, objectives, performance indicators, and expected levels of performance for the next period, the Contracting Officer shall have the unilateral right to establish reasonable new goals, objectives, performance indicators and expected levels of performance and/or to modify and/or delete existing goals, objectives, performance indicators, and expected levels of performance. It is expected that the goals, objectives, performance indicators, and expected levels of performance will be modified by the Contractor and the DOE as new areas of emphasis or priorities emerge which the Parties may agree warrant recognition in the performance-based integrated management approach.

- (2) Failure to include an objective or performance indicator in the Contract Appendix E does not eliminate the Contractor's obligation to comply with all applicable terms and conditions as set forth elsewhere within the Contract.
- (3) In the event the Contracting Officer or HCA decides to exercise the rights set forth in paragraphs (a)(6) or (b)(1) above, he/she will notify the Contractor, in writing, of the intended decision ten days prior to issuance.
(End of Clause)

H-12 Notice Regarding the Purchase of American-Made Equipment and Products – Sense of Congress (AL-2003-03)

It is the sense of the Congress that, to the greatest extent practicable, all equipment and products purchased with funds made available under this award should be American-Made.
(End of Notice)

H-13 Care Of Laboratory Animals

- (a) Before undertaking performance of any contract involving the use of Laboratory animals, the Contractor shall register with the Secretary of Agriculture of the United States in accordance with Section 6, Public Law 89-544, Laboratory Animal Welfare Act, August 24, 1966, as amended. The Contractor shall furnish evidence of such registration to the Contracting Officer.
- (b) The Contractor shall acquire animals used in research and development programs from a dealer licensed by the Secretary of Agriculture, or from exempted sources in accordance with the Public Laws enumerated in (a), above, of this provision.
- (c) In the care of any animals used or intended for use in the performance of this Contract, the Contractor shall comply with USDA regulations governing animal care and usage, as well as all other relevant local, State, and Federal regulations

concerning animal care and usage. In addition the Contractor will ensure that research will be conducted in a facility that either: (i) has a current National Institutes of Health (NIH) assurance number for animal care and usage, or (ii) is currently accredited for animal care and usage by an appropriate organization such as the Association for Assessment and Accreditation of Laboratory Animal Care (AAALAC) International, or (iii) has a DOE Assurance Plan Number.

(End of Clause)

H-14 Laboratory Facilities

Laboratory Facilities. DOE agrees to continue to furnish and make available to the Contractor, for its possession and use in performing the work under this Contract, the Laboratory facilities designated as follows:

- (a) The Government-owned or leased land, buildings, utilities, equipment and other facilities situated at the Laboratory Site in Richland, Washington; and
- (b) Government-owned or leased facilities at such other locations as may be approved by DOE for use under this Contract.

DOE also reserves the right to make part of the designated land or facilities available to other Government agencies or other users on the basis that the responsibilities and undertakings of the Contractor will not be unreasonably interfered with. Before exercising its right to make any part of the land or facilities available to another agency or user, DOE will confer with the Contractor.

Subject to mutual agreement, other facilities may be used in the performance of the work under this Contract.

(End of Clause)

H-15 Privacy Act Records

In accordance with the Privacy Act of 1974, 5 U.S.C. 552a (Public Law 93-579) and implementing DOE regulations (10 CFR 1008), the Contractor shall maintain the following "Systems of Records" on individuals in order to accomplish the United States Department of Energy functions:

- (a) Intelligence Related Access Authorization (DOE-15)
- (b) Personnel Radiation Exposure Records (DOE-35)
- (c) Security Education and/or Infraction Reports (DOE-48)

- (d) Access Control Records of International Visits, Assignments, and Employment at DOE Facilities and Contractor Sites (DOE-52)
- (e) Counterintelligence Administrative and Analytical Records and Reports (DOE-81)
- (f) Counterintelligence Investigative Records (DOE-84)

The parenthetical DOE number designations for each system of records refer to the official "System of Records" number published by the DOE in the Federal Register pursuant to the Privacy Act.

(End of Clause)

H-16 Administration of Subcontracts

- (a) The administration of all subcontracts entered into and/or managed by the Contractor, including responsibility for payment hereunder, shall remain with the Contractor unless assigned at the direction of DOE.
- (b) The DOE reserves the right to direct the Contractor to assign to the DOE, or another Contractor, any subcontract awarded under this Contract.
- (c) The DOE reserves the right to identify specific work activities in Section C "Description/Specifications" to be removed (de-scoped) from the Contract in order to contract directly for the specific work activities. The Department will work with the Contractor to identify the areas of work that can be performed by small businesses in order to maximize direct federal contracts with small businesses. The Contractor agrees to facilitate these actions. This facilitation will include identifying direct contracting opportunities valued at \$5 million or above for small businesses for work presently performed under subcontracts, as well as work performed by Contractor employees. The Contractor shall notify the DOE one-year in advance of the expiration of any of its subcontracts valued at \$5 million or above, or if applicable, one-year prior to the exercise of an option and/or the option notification requirement, if any, contained in the subcontracts. The DOE will review this information and the requirements of the Contractor to determine the appropriateness for small business opportunities. This review may result in the DOE electing to enter into contracts directly with small businesses for these areas of work. The Contracting Officer will give notice to the Contractor not less than 120 calendar days prior to the date for exercising the option and/or the expiration of the subcontract and/or prior to entering into a contract for work being performed by Contractor employees. Following award of these direct federal contracts, DOE may assign administration of these contracts to the Contractor. The Contractor agrees to accept assignments from the DOE for the administration of these contracts. The parameters of the Contractor's responsibilities

for the small business contracts and/or changes, if any, to this Contract, will be incorporated via a modification to the Contract. The Contractor will accept management and administration responsibilities, if so determined.

- (d) To the extent that DOE removes (de-scopes) work from this Contract, any such removed or withdrawn work shall be treated as a change in accordance with the clause of this Contract, titled Changes (Dec 2000). A "material change" for the purpose of this clause is defined as cumulative changes during a fiscal year that result in a plus or minus 10% change to the Laboratory's budget. To the extent that DOE assigns the administration of a contract to the Contractor, or removes (de-scopes) work, the Parties reserve the right to negotiate an equitable adjustment in the Contractor's annual available performance fee. The negotiation of fee will be in accordance with the Contract clause entitled "Determining Total Available Performance Fee and Fee Earned". The Parties will also negotiate appropriate adjustments to the Contractor's Subcontracting Plan or any other applicable Contract terms and conditions impacted by such withdrawal or addition of work scope to recognize the changes to the Contractor's subcontracting base and goals.

(End of Clause)

H-17 Long-Range Planning, Program Development and Budgetary Administration

- (a) Basic Considerations. Throughout the process of planning, and budget development and approval, the Parties recognize the desirability for close consultation, for advising each other of plans or developments on which subsequent action will be required, and for attempting to reach mutual understanding in advance of the time that action needs to be taken.
- (b) Institutional Planning. It is the intent of the Parties to develop annually an Institutional Plan covering a five-year period. Development of the Institutional Plan is the strategic planning process by which the Parties through mutual consultation, reach agreement on the general types and levels of activity which will be conducted at the Laboratory for the period covered by the plan. The Institutional Plan approved by DOE provides guidance to the Laboratory for long-range planning of programs, site and facility development, and for budget preparation. It also serves as a baseline for placement of work at the Laboratory.
- (c) Work Authorization
- (1) To carry out DOE's program of work, the Contractor will submit, in writing, to the DOE, work program documents covering work it believes it can and should pursue hereunder in the best interest of scientific progress.
 - (2) Work programs shall be developed and approved in accordance with DOE's system for preparing, budgeting, and authorizing work, and shall constitute work to be performed under this Contract during the pertinent periods

involved. Such work programs may include program and project performance objectives and milestones. Subject to the other provisions of this Contract, and except as the Parties may otherwise agree as part of an agreed work program for basic science, additions to, deletions from, and other changes in the agreed work program for basic science, within the general scope thereof and not constituting major changes in the agreed work program, may be made by the Contractor as and when it appears to the Contractor to be in the best interest of scientific and technical objectives of the agreed work program to do so.

(End of Clause)

H-18 Application of DOE Contractor Requirements Documents

- (a) Performance. The Contractor will perform the work of this Contract in accordance with each of the Contractor Requirements Documents (CRDs) appended to this Contract as “Appendix D,” and “Appendix F” until such time as the Contracting Officer approves the substitution of an alternative procedure, standard, system of oversight, or assessment mechanism resulting from the process described below.
- (b) Laws and Regulations Excepted. The process described in this clause shall not affect the application of otherwise applicable laws and regulations of the United States, including regulations of the Department of Energy.
- (c) Deviation Processes in Existing Orders. This clause does not preclude the use of deviation processes provided for in existing DOE directives.
- (d) Proposal of Alternative. The Laboratory Director may, at any time during performance of this Contract, propose an alternative procedure, standard, system of oversight, or assessment mechanism to the requirements in a listed CRD by submitting to the Contracting Officer a signed proposal describing the nature and scope of the alternative procedure, standard, system of oversight, or assessment mechanism (alternative), the anticipated benefits, including any cost benefits, to be realized by the Contractor in performance under the Contract, and a schedule for implementation of the alternate. In addition, the Contractor shall include an assurance signed by the Laboratory Director that the revised alternative is an adequate and efficient means to meet the objectives underlying the CRD. Upon request, the Contractor shall promptly provide the Contracting Officer any additional information that will aid in evaluating the Contractor’s proposal.
- (e) Action of the Contracting Officer. The Contracting Officer shall within sixty (60) days:
 - (1) deny application of the proposed alternative;

- (2) approve the proposed alternative, with conditions or revisions;
 - (3) approve the proposed alternative; or
 - (4) provide a date by which a decision will be made (not to exceed an additional 60 days).
- (f) Implementation and Evaluation of Performance. Upon approval in accordance with (e)(2) or (e)(3) above, the Contractor shall implement the alternative. In the case of a conditional approval under (e)(2) above, the Contractor shall provide the Contracting Officer with an assurance statement, signed by the Laboratory Director, that the revised alternative is an adequate and efficient means to meet the objectives underlying the CRD. Additionally, the statement shall describe any changes to the schedule for implementation. The Contractor shall then implement the revised alternative. DOE will evaluate performance of the approved alternative from the date scheduled by the Contractor for implementation.
- (g) Application of Additional or Modified CRDs. During performance of the Contract, the Contracting Officer may notify the Contractor that he or she intends to unilaterally add CRDs not then listed in Appendix D or Appendix F or modifications to listed CRDs. Upon receipt of that notice, the Contractor, within thirty (30) calendar days, may, in accordance with paragraph (d) of this clause, propose an alternative procedure, standard, system of oversight, or assessment mechanism. The resolution of such a proposal shall be in accordance with the process set out in paragraphs (e) and (f) of this clause. If an alternative proposal is not submitted by the Contractor within the thirty (30) calendar-day period, or, if made, is denied by the Contracting Officer under paragraph (e), the Contracting Officer may unilaterally add the CRD or modification to Appendix D or Appendix F. The Contractor and the Contracting Officer shall identify and, if appropriate, agree to any changes to other Contract terms and conditions, including cost and schedule, resulting from the addition of the CRD or modification.
- (h) Deficiency and Remedial Action. If, during performance of this Contract, the Contracting Officer determines that an alternative procedure, standard, system of oversight, or assessment mechanism adopted through the operation of this clause is not satisfactory, the Contracting Officer may, in his or her sole discretion, determine that corrective action is necessary and require the Contractor to prepare a corrective action plan for the Contracting Officer's approval. If the Contracting Officer is not satisfied with the corrective action taken, the Contracting Officer may direct corrective action to remedy the deficiency, including, if appropriate, the reinstatement of the CRD.

(End of Clause)

H-19 Cap on Liability

- (a) The Parties have agreed that the Contractor's liability, for certain obligations it has assumed under this Contract, shall be limited as set forth in paragraph (b) below. These limitations or caps shall only apply to obligations the Contractor has assumed pursuant to the following:
- (1) The cost principle at DEAR 931.205-47 titled "Costs Related to Legal and Other Proceedings" [DOE coverage—paragraph (h), Costs Associated with Whistleblower Actions];
 - (2) The clause titled "Property", paragraph (f)(1)(i)(C);
 - (3) The clause titled "Insurance – Litigation and Claims", (h), with respect to prudent business judgment only; and
 - (4) The clause titled "Insurance – Litigation and Claims", (j)(2), except for punitive damages resulting from the willful misconduct or lack of good faith on the part of the Contractor's managerial personnel as defined in the clause titled "Definitions".
- (b) The Contractor shall be liable for an amount not-to-exceed 1.25 times the maximum total available performance fee for each fiscal year. The amount of the Contractor's liability shall be calculated on a cumulative, per fiscal year basis. The annual cap which will apply shall be based on the fiscal year in which the Contractor's act or failure to act was the proximate cause of the liability assumed by the Contractor. In the event the Contractor's act or failure to act overlaps more than one fiscal year, the limitation will be the annual limitation for the last fiscal year in which the Contractor's act or failure to act occurred. If the Contractor's cumulative obligations equal the amount of the annual limitation of liability, the Contractor shall have no further responsibility for the costs of the liabilities it has assumed pursuant to (a)(1) through (4) above.
- (End of Clause)

H-20 Performance Based Management and Oversight

- (a) Performance-based management shall be the key enabling mechanism for establishing the DOE-Contractor expectations on oversight and accountability. DOE expectations (outside of individual program performance and requirements of laws and regulations) and performance targets shall be established through the Performance Evaluation and Measurement Plan (PEMP) pursuant to the clause entitled "Standards of Contractor Performance Evaluation". This PEMP shall establish the expected strategic results in the areas of mission accomplishment, stewardship and operational excellence. Mission performance goals shall be

established by agreement with each major customer of the Laboratory, and customer evaluation will be the primary means of evaluating mission performance. Stewardship and operational goals shall be established by agreement with DOE. Contractor self-assessment, third party certification, and Contractor and DOE independent oversight, as appropriate, shall be the primary means for assessing stewardship and operational performance. Routine DOE oversight of Contractor performance will be conducted at the systems level.

- (b) The performance-based management system shall be the primary vehicle for addressing issues associated with performance expectations. In the event of a substantive performance shortfall in any area, the appropriate improvement expectations and targets will be incorporated into the PEMP and tracked through self-assessment and independent oversight, as appropriate.
- (c) Compliance with applicable Federal, State and local laws and regulations, and permits and licenses, shall be primarily determined by the cognizant regulatory agency and DOE will primarily rely upon the determination of the external regulators in assessing Contract compliance. DOE oversight will be achieved through periodic assessments at the management system level, including review of Contractor self-assessments and assessments by independent third parties.

(End of Clause)

H-21 Site and Occupational Health Services

(a) Site Services

The Contractor may submit to the Contracting Officer alternative proposals for obtaining services currently provided by other contractors as Shared Services. All proposals will reflect innovative cost-effective approaches whereby the Contractor will obtain services in a manner reflecting the best interests of the Government and the Contractor. The Contractor will consider contractual and regulatory constraints in all proposals. The Contractor must submit proposals under this clause to the Contracting Officer a minimum of 90 calendar days in advance of the proposed date for transitioning services.

The Contracting Officer shall accept, reject, or conditionally accept the proposal, in writing, within 90 calendar days of receipt. The Contracting Officer shall provide an explanation for any rejection.

(b) Occupational Health Services

Occupational Health Services are provided primarily by the Hanford Onsite Medical provider.

- (i) The Contractor shall obtain for itself and, as directed by the Contracting Officer, shall require subcontractors performing work at the Richland Laboratory Campus to obtain the following services from the Onsite

Medical provider unless an exception is granted, in writing, by the Contracting Officer: occupational medical evaluations including return to work and fitness for duty evaluations, pre-placement evaluations, work restriction reviews, medical surveillance evaluations, health care centers, case management for plant injuries, and medical records services.

- (ii) Other Occupational Health Services not specified within paragraph (b)(i) above, such as, but not limited to, a wellness program, voluntary health maintenance examinations, and immunization services, may be procured from other competent providers. As stipulated under paragraph (a) above if the Contractor elects to utilize an outside medical provider for any of the these services, the Contractor must submit a proposal 90 calendar days in advance of a proposed date for transitioning services. The Contracting Officer shall accept, reject, or conditionally accept the proposal, in writing, within 90 calendar days of receipt as called for under paragraph (a) of this clause. Furthermore, should the Contractor elect to utilize an outside medical provider for health maintenance examinations, the Contractor shall ensure that full records of such examinations, including but not limited to, raw data, x-rays, blood and urine tests, and physician notes are provided to DOE for disposition in a Records Holding Area consistent with statutes and regulations pertaining to the retention of such records. Such services acquired by the Contractor must be in the most cost-effective manner for the Contractor and the Government and must be more cost-effective than the manner in which these services are provided by the Hanford Onsite Medical provider.

(c) Cost-Efficiency Comparison Information

To facilitate the cost-efficiency comparisons required under paragraphs (a) and (b) above, DOE agrees to provide pricing information associated with services provided by other Hanford Site contractors to the fullest extent possible and at the highest level sufficient to perform such analysis. DOE will deliver the information to the Contractor within 30 days of the Contractor's request or such time period as agreed to by the Parties.

(End of Clause)

H-22 Lobbying Restriction (Energy & Water Development Appropriations Act, 2003) (AL-2003-03)

The Contractor agrees that none of the funds obligated on this award shall be expended, directly or indirectly, to influence congressional action on any legislation or appropriation matters pending before Congress, other than to communicate to Members of Congress as described in 18 U.S.C. 1913. This restriction is in addition to those prescribed elsewhere in statute and regulation.

(End of Clause)

H-23 Lobbying Restriction (Department of Interior and Related Agencies Appropriations Act, 2003) (AL-2003-03)

The Contractor agrees that none of the funds obligated on this award shall be made available for any activity or the publication or distribution of literature that in any way tends to promote public support or opposition to any legislative proposal on which Congressional action is not complete. This restriction is in addition to those prescribed elsewhere in statute and regulation.

(End of Clause)

H-24 Determining Total Available Performance Fee and Fee Earned

In implementation of the clause in Section I entitled, "Total Available Fee: Base Fee Amount and Performance Fee Amount," the following shall apply:

- (a) There shall be no base fee for the period of this Contract. The Parties have agreed to a multi-year performance fee for the Contract period, to be 100% at risk, and determined as described below:
 - (1) During the period of Contract performance the total available performance fee for FY03 shall be \$7,300,000. For FY04 through FY07, the total available performance fee shall be \$7,800,000 per fiscal year.
 - (2) The Parties have agreed that in the event of a significant change (greater than plus or minus 10%) to the Laboratory's budget for any fiscal year, the negotiated fee shall be subject to adjustment. The Parties may re-negotiate, in good faith, the total available performance fee pool. The FY 2003 Estimated Allowable Cost (Budget Authority) will serve as the base year to which each fiscal year Estimated Allowable Cost (Budget Authority) will be compared.
- (b) Determination of Total Available Fee Amount Earned.

The Government shall, at the conclusion of each specified evaluation period, evaluate and/or validate the Contractor's performance in accordance with the clause in Section I entitled "Total Available Fee: Base Fee Amount and Performance Fee Amount." The evaluation of the Contractor performance shall be in accordance with Section J, Appendix E "Performance Evaluation and Measurement Plan."

(End of Clause)

H-25 Project Management System

The Contractor shall provide a Project Management System that delivers the policies, procedures, and tools that assist PNNL project managers in completing projects on time and within budget. The system will be applied to all projects using a graded approach

based upon the nature, complexity, risk, size, and sensitivity of the work being performed. Attributes of the system will include the following:

- (a) Definition and organization of the work scope
- (b) Planning
- (c) Work authorization
- (d) Performance assessment
- (e) Change management
- (f) Closeout.

The Contractor shall conduct periodic self-assessments and independent reviews of the effectiveness of its Project Management System by comparing performance with industry standards and best practices.

The Contractor shall implement an Earned Value management system for capital projects exceeding \$20 million that is compliant with ANSI/EIA-748-1998. The Contractor shall certify to the Government that it has complied with the standard and provide a system description document with the certification. The Contractor shall be prepared to demonstrate compliance. The Contractor shall support a Government review and provide requested documentation to the Government in support of a review, if the Government determines a need for such a review.

For projects proposed to be funded by the Science Laboratory Infrastructure Program, the Contractor shall provide support to DOE as requested by the federal Project Manager.

(End of Clause)

H-26 Advance Understandings on Allowable Costs

- (a) Allowable costs under this Contract shall be determined according to the requirements of DEAR 970.5232-2, Payments and Advances. For purposes of effective Contract implementation, certain items of cost are being specifically identified below as allowable and/or unallowable under this Contract to the extent indicated:
 - (1) Home office expenses are allowable to the extent that such expenses are allocated consistent with FAR 31.2 and Cost Accounting Standards. Because this is an M&O contract, a substantially reduced allocation of Home Office expense is calculated consistent with DEAR 970.3102-3-70 and CAS 403 Allocation of Home Office Expenses to Segments using the 3 factor formula for allocation of residual expenses as currently applied by the Contractor.

- (2) Losses and expenses (including settlements made with the consent of the Contracting Officer) sustained by the Contractor in the performance of this Contract and certified in writing by the Contracting Officer to be reasonable are allowable, except the losses and expenses expressly made unallowable under other terms and conditions of this Contract.
- (3) Stipends and payments made to reimburse travel or other expenses of researchers and students who are not employed under this Contract but are participating in research, educational or training activities under this Contract are allowable to the extent such costs are incurred in connection with fellowship, international agreements, or other research, educational or training programs approved in writing by the Contracting Officer.
- (4) Payments to educational institutions for tuition and fees for researchers and students who are not employed under this Contract but are participating in research, educational or training activities under this Contract, or institutional allowances in connection with fellowship or other research, educational or training programs are allowable.
- (5) Costs incurred or expenditures made by the Contractor, as directed, approved, or ratified in writing by the Contracting Officer and not unallowable under any statute, regulation, or other provision of this Contract, are allowable.
- (6) In accordance with FAR 31.205-43, Meetings, Meals, and Refreshments (MMR) are allowable and/or unallowable as follows:

The costs of meeting rooms, meeting supplies and equipment rental, and, in very limited circumstances, meals for PNNL staff members and guests incidental to conducting business may be allowable on Contract work. Allowability of these costs is governed by the policy and practices described below.

Allowable Cost

Certain expenses associated with a business meeting are allowable on Contract work subject to the following general criteria. All costs incurred which do not conform to the criteria stated herein are unallowable. Meals and refreshment costs associated with all meetings that meet the definition of a “conference” under DOE Order 110.3 are unallowable.

General Criteria:

Purpose - The principal purpose of the meeting must be the dissemination of business, technical, or professional information necessary for the conduct of PNNL business or, performance of the Contract to support and further accomplishing the PNNL's mission (FAR 31.205.43).

Reasonableness - The cost must be considered reasonable in accordance with FAR 31.201-3.

Substantiation - Documentation must be provided to Contractor management that substantiates the business purpose of the meeting, justification for incurring the cost, and a detailed cost estimate or, if after-the-fact, a statement of the costs incurred.

The following type of expenses may be allowable:

Meeting Room Rental - Rental of a conference room is allowable when justified by a bona fide business reason. DOE or Contractor-owned facilities and equipment shall be given first consideration. Prudence and common sense should govern the decision to secure an off-site location. An itemized receipt, showing a complete breakdown of all costs, must be provided.

Audiovisual equipment - Rental of equipment to aid with presentation at a meeting is an allowable expense. An itemized receipt, showing a complete breakdown of all costs, must be included with the expense report.

Meeting supplies - Meeting supplies such as flip charts, markers, and tape are allowable as a MMR expense.

Working Meals – Working meals shall only be provided when other options, such as breaking for lunch, have been thoughtfully considered and determined to be impracticable. Allowability of expenses for working meals and refreshments under this Contract is limited. Meal and refreshment cost must meet all of the following criteria, in addition to the general criteria above, to be allowable.

- i. The food must be incidental to the meeting and necessary in order to maintain the continuity of the meeting. Discussions or presentations must continue throughout the meeting period (e.g., no breaks for meals or refreshments). The food must be served at the meeting location (i.e., the meal must be served in the meeting room).
- ii. Attendance during the meal is mandatory for full participation in the meeting and/or maintenance of group cohesiveness. Attendees

- cannot breakaway from the meeting without missing essential discussions, lectures, or presentations.
- iii. Meetings must have non-Hanford guests in attendance (i.e., non-Hanford staff with whom Laboratory staff are conducting business). For the purposes of this definition, Hanford staff includes all RL, ORP, and Hanford Contractor personnel.
 - iv. Further, meetings:
 - (A) Must be at least four hours in length for refreshments to be allowable.
 - (B) Must be at least six hours or more for both a working meal and refreshments to be allowable.
 - v. The average cost per attendee of a working meal is limited to 30% of the location's M&IE per diem rate; refreshments are limited to 15% of the M&IE per diem rate.
 - (A) Cost includes caterer's fee, tax, and gratuity.
 - (B) Refreshments are defined as coffee, tea, juices, soft drinks, pastries, cookies, and other similar items.
 - vi. The following documentation must be provided to Contractor management to demonstrate the meeting meets the criteria:
 - (A) Detailed Agenda;
 - (B) Justification should address the following as a minimum:
 - I. The meal is incidental to and an integral part of the conference or meeting;
 - II. Attendance at the meal is necessary for full participation;
 - III. Attendees are not free to take meals elsewhere without missing essential formal discussions; and
 - IV. The meal is part of a formal conference or meeting that includes not only functions such as speeches or business carried on during a seated-meal, but also includes substantial functions taking place separate from the meal.
 - (C) List of attendees and their affiliation; and
 - (D) Total cost of meals and refreshments and the cost per person (estimated if advance approval is being requested).
 - vii. Approval
 - (A) All expenses must be approved by the Line Manager;
 - (B) Additional approval must be obtained from the Travel Accounting Section of Business Support Services

(verifying that the meeting meets the above criteria and the cost is reasonable); and

- (C) Advance approval from Travel Accounting Manager is recommended. Advance approval allows a 10% tolerance in cost-per-person for fewer than planned attendees and “no-shows”. Without advance approval there is no tolerance in the cost-per-person rate.

Reward and Recognition Event - Meals served at the PNNL Recognition & Rewards Program Annual Event to staff and guests as described in the approved Program Plan are allowable. The meals must be considered reasonable in accordance with FAR 31.201-3. Alcohol, entertainment, gifts, and decorations for this event are unallowable.

Employment Interview Meals - On occasion, an external employment candidate may be provided a meal as part of the interview activity. The meal expense for the candidate(s) is allowable for both on and off-site meals. To be allowable, the meal must be an integral and necessary part of the interview process. If the candidate is internal, no meal costs are allowable. The cost of the interviewee’s meal reduces the meal cost claimed by the candidate on travel status. For an interviewer in travel status, the meal cost is covered in the meals category of the Travel Expense Report.

Overtime meals - When called for by the bargaining unit contract, overtime meals are allowable for the bargaining unit staff, their supervisors, and other non-bargaining unit staff required to be present.

Meals Provided to Government Employees - If a meal is provided to a Government employee, the Government employee must be notified of the cost of the meal and a mechanism must be provided for he/she to pay for the meal. If the Government employee is on travel status, he/she may choose to have that day’s meal per diem reduced in lieu of making the payment. The requirement for providing notification and a payment mechanism must be met regardless if the meal is allowable or unallowable.

Other Items/Events - Requests for approval of the allowability of other necessary and reasonable Meeting, Meal, and Refreshment costs not covered under this policy must be made to the PNNL CFO. After determining allowability of the request is appropriate, the Supervisor, Travel Accounting will submit the request to the DOE Contracting Officer for written approval.

Documentation:

- i. Business purpose and justification for the expenditure;

- ii. Detailed cost estimate;
- iii. Attendee list with affiliation (if applicable);
- iv. Supporting documentation from client (if available); and
- v. Line manager signature approval.

Unallowable Cost

Meeting, Meal, and Refreshment expenses not covered above are unallowable. Specific examples include:

- i. Meals provided to staff or guests away from the business meeting and/or conference location (e.g., breaking to have a meal at a restaurant);
- ii. A staff member's lunch with a DOE representative or another Government client or associate Contractor;
- iii. Meal expenses for interviews with current PNNL staff members;
- iv. Meal expenses for PNNL staff involved in interviewing potential PNNL employees;
- v. Meal costs for spouses of either party of an interview;
- vi. Alcoholic beverages under any circumstance;
- vii. Gifts;
- viii. Entertainment expenses;
- ix. Costs related to Protocol functions unless otherwise approved in writing in advance by the DOE Contracting Officer;
- x. The cost of in-home functions unless otherwise approved in writing in advance by the DOE Contracting Officer;
- xi. Holiday or staff Parties;
- xii. Rental of formal wear for functions attended; and
- xiii. Meals and refreshments associated with internal meetings are unallowable unless it involves situations that relate to imminent danger to human life or the destruction of Government property.

- (7) Appropriate charges are allowable in accordance with reimbursement policies mutually agreed upon in advance in writing by the Contracting

Officer for the use of Battelle facilities and general purpose equipment and appropriate charges for the use of special purpose equipment when DOE-owned special purpose equipment in Contractor's custody is not available for such use. Definitions follow:

Battelle facilities: Battelle-owned or -leased general purpose facilities included in the Consolidated Laboratory. Such general purpose facilities are comprised of buildings, trailers, and structures that house research activities and necessary support functions, including those devoted to administration and general services. Buildings and structures include the building service equipment, such as that required for heat, power, ventilation, etc., that is carried in the property records as part of the value of the building or structure.

Special purpose equipment: Equipment used in the direct support of the technical aspects of research and development activities. It includes all personal workstations, all equipment in the custody of a research organization, and all client (OFA, DOE related service, non-1830 client) funded equipment. SPE excludes Laboratory infrastructure equipment (general purpose equipment). (Note: Long-standing DOE and Battelle agreements define computers in the possession of support organizations as special purpose equipment.)

General purpose equipment: Equipment that is administrative in nature (i.e., not research equipment), of a general use or institutional nature that benefits multiple cost objectives and is required for Laboratory-wide needs. It includes equipment used in support of landlord functions, including equipment that would normally be provided to a tenant. (Note: Long-standing DOE and Battelle agreements define computers in the possession of support organizations as special purpose equipment.)

- (8) Imputed interest costs relating to leases classified and accounted for as capital leases under generally accepted accounting principles (GAAP) are allowable, provided that the decision to enter into a capital leasing arrangement has been specifically authorized and approved in writing by the DOE Contracting Officer in accordance with applicable procedures and such interest costs are recorded in an appropriately specified DOE account established for such purpose.

(End of Clause)

H-27 Employee Concerns Program

- (a) The Contractor shall develop and maintain an employee concerns program (ECP) and plan to be reviewed and approved by DOE.
 - (1) Contractor and subcontractor personnel shall be informed of the availability of the ECP, their right to raise concerns relating to the

environment, safety, health, or management of DOE-related activities through the Contractor or Departmental ECP programs and to do so without any fear of harassment or reprisal.

- (2) The Contractor shall evaluate and attempt to resolve employee concerns in a manner that protects the health and safety of both employees and the public, ensure effective and efficient operation of programs, and use alternative dispute resolution techniques whenever appropriate.
 - (3) The Contractor shall conduct an annual self-assessment to measure the effectiveness of the ECP. Problems that hinder the ECP from achieving its objectives shall be corrected.
 - (4) The Contractor shall provide timely notification to the Department of any significant staff concerns or allegations of retaliation or harassment. The Contractor shall cooperate with any Departmental actions including requests for documentation or information involving employee concerns.
- (b) The Contractor currently has in place an ECP that meets these requirements. If the Contractor revises the ECP, a copy of the revised ECP shall be provided to DOE for approval.

(End of Clause)

H-28 Greening the Government Through Federal Fleet and Transportation Efficiency

When performing motor vehicle fleet operations for the Department of Energy, the Contractor will conduct such operations in accordance with the requirements of Executive Order 13149 of April 21, 2000, Greening the Government Through Federal Fleet and Transportation Efficiency, including implementing guidance for the Department of Energy fleet. Such operations should include the use of environmentally preferable motor vehicle products in the maintenance of these vehicles when such products are reasonably available, and meet manufacturers warranty requirement and applicable performance standards. Environmentally preferable motor vehicle products include re-refined motor vehicle lubricating oils, retread tires, and bio-based motor vehicle products.

(End of Clause)

H-29 Conditional Payment of Fee or Profit--Safeguarding Restricted Data and Other Classified Information (66 Fed. Reg. 8560, Feb. 1, 2001)

(Note: DOE is currently finalizing a new Conditional Payment of Fee or Profit – Safeguarding Restricted Data and Other Classified Information clause through the rulemaking process. When the new clause comes into effect, the Contractor will have the option to retain the current clause or modify the Contract and adopt the new clause.)

- (a) General.

- (1) The payment of fee or profit (i.e., award fee, fixed fee, and incentive fee or profit) under this Contract is dependent upon the Contractor's compliance with the terms and conditions of this Contract relating to the safeguarding of Restricted Data and other classified information (i.e., Formerly Restricted Data and National Security Information) including compliance with applicable laws, regulations, and DOE directives. The term "Contractor" as used in this clause to address failure to comply shall mean "Contractor or Contractor employee."
 - (2) In addition to other remedies available to the Federal Government, if the Contractor fails to comply with the terms and conditions of this Contract relating to the safeguarding of Restricted Data and other classified information, the Contracting Officer may unilaterally reduce the amount of earned fee, fixed fee, or profit which is otherwise payable to the Contractor in accordance with the terms and conditions of this clause.
 - (3) Any reduction in the amount of fee or profit earned by the Contractor will be determined by the severity of the Contractor's failure to comply with Contract terms and conditions relating to the safeguarding of Restricted Data or other classified information pursuant to the degrees specified in paragraph (c) of this clause.
 - (4) Any reduction in the amount of fee or profit earned by the Contractor relating to the safeguarding of Restricted Data or other classified information will be determined under this clause and not under the clause in this Contract entitled "Conditional Payment of Fee, Profit or Incentives".
- (b) Reduction Amount.
- (1) If it is found that the Contractor has failed to comply with Contract terms and conditions relating to the safeguarding of Restricted Data or other classified information, the Contractor's earned or fixed fee, or profit may be reduced. Such reduction shall not be less than 51% nor greater than 100% of the total fee or profit earned for a first degree performance failure, not less than 26% nor greater than 50% for a second degree performance failure, and up to 25% for a third degree performance failure. The Contracting Officer may consider mitigating factors that may warrant a reduction below the specified range, including a determination that no reduction should be made (see 48 CFR 904.402(c), 66 Fed. Reg. 8562).
 - (2) (i) For purposes of this clause, the Contracting Officer will at the time of Contract award allocate the total amount of fee or profit that is available under this Contract to equal periods of 12 months to run sequentially for the entire term of the Contract (i.e., from the effective date of the Contract to the expiration date of the Contract, including all options). The amount

of fee or profit to be allocated to each period shall be equal to the average monthly fee or profit that is available or otherwise payable during the entire term of the Contract, multiplied by the number of months established above for each period.

(ii) The total amount of fee or profit that is subject to reduction under this clause, in combination with any reduction made under any other clause in the Contract that provides for a reduction to the fee or profit, shall not exceed the amount of fee or profit that is earned by the Contractor in the period established pursuant to paragraph (b)(2)(i) of this clause in which a performance failure warranting a reduction occurs.

(c) Safeguarding Restricted Data and Other Classified Information. The degrees of performance failures relating to the Contractor's obligations under this Contract for safeguarding of Restricted Data and other classified information are as follows:

- (1) First Degree: Performance failures that have been determined, in accordance with applicable DOE regulation or directive, to have resulted in, or that can reasonably be expected to result in, exceptionally grave damage to the national security. The following performance failures or performance failures of similar import will be considered first degree:
 - (i) Non-compliance with applicable laws, regulations, and DOE directives actually resulting in, or creating a risk of, loss, compromise, or unauthorized disclosure of Restricted Data or other classified information classified as Top Secret.
 - (ii) Contractor actions that result in a breakdown of the safeguards and security management system that can reasonably be expected to result in the loss, compromise, or unauthorized disclosure of Restricted Data, or other classified information which is classified as Top Secret.
 - (iii) Failure to implement corrective actions stemming from the loss, compromise, or unauthorized disclosure of Restricted Data or other classified information classified as Top Secret.
- (2) Second Degree: Performance failures that have been determined, in accordance with applicable DOE regulation or directive, to have actually resulted in, or that can reasonably be expected to result in, serious damage to the national security. The following performance failures or performance failures of similar import will be considered second degree:
 - (i) Non-compliance with applicable laws, regulations, and DOE directives actually resulting in, or creating risk of, loss,

compromise, or unauthorized disclosure of Restricted Data or other classified information which is classified as Secret.

- (ii) Contractor actions that result in a breakdown of the safeguards and security management system that can reasonably be expected to result in the loss, compromise, or unauthorized disclosure of Restricted Data, or other classified information which is classified as Secret.
 - (iii) Failure to promptly report the loss, compromise, or unauthorized disclosure of Restricted Data or other classified information regardless of classification.
 - (iv) Failure to implement corrective actions stemming from the loss, compromise, or unauthorized disclosure of Restricted Data or other classified information classified as Secret.
- (3) Third Degree: Performance failures that have been determined, in accordance with applicable DOE regulation or directive, to have actually resulted in, or that can reasonably be expected to result in, undue risk to the common defense and security. In addition, this category includes performance failures that result from a lack of Contractor management and/or employee attention to the proper safeguarding of Restricted Data and other classified information. These performance failures may be indicators of future, more severe performance failures and/or conditions, and if identified and corrected early would prevent serious incidents. The following performance failures or performance failures of similar import will be considered third degree:
- (i) Non-compliance with applicable laws, regulations, and DOE directives actually resulting in, or creating risk of, loss, compromise, or unauthorized disclosure of Restricted Data or other classified information which is classified as Confidential.
 - (ii) Failure to promptly report alleged or suspected violations of laws, regulations, or directives pertaining to the safeguarding of Restricted Data or other classified information.
 - (iii) Failure to identify or execute corrective actions to mitigate or eliminate identified vulnerabilities and reduce residual risk relating to the protection of Restricted Data or other classified information in accordance with the Contractor's Safeguards and Security Plan or other security plan, as applicable.
 - (iv) Contractor actions that result in performance failures which unto themselves pose minor risk, but when viewed in the aggregate

indicate degradation in the integrity of the Contractor's safeguards and security management system relating to the protection of Restricted Data and other classified information.

(End of Clause)

H-30 Contractor Compensation, Benefits and Pension

- (a) The Contractor shall develop, implement and maintain formal policies, practices and procedures to be used in the administration of its compensation system including a compensation system self-assessment plan consistent with 48 CFR 31.205-6, "Compensation for personal services." The Contractor's compensation system and methods shall be fully documented, consistently applied, and acceptable to DOE in accordance with 48 CFR 31.205-6 as supplemented by DEAR 970.3102-05-6. Costs incurred under a compensation program will generally be deemed reasonable if they are in accordance with the program accepted by the Contracting Officer, consistent with applicable cost principles, and conform to Contracting Officer approved applicable industry benchmarks. Further advance understandings on allowable costs are detailed in the attached Appendix A of this Contract.
- (b) The Contractor shall submit the following to the Contracting Officer for a determination of cost reimbursement under the Contract:
 - (1) A description of the compensation program supported by the relevant data comparing it to other industry or relevant benchmark programs.
 - (2) Compensation System self-assessment and compensation system existing baseline package for DOE validation.
 - (3) Proposed compensation design changes that increase cost must be approved by the Contracting Officer prior to implementation.
 - (4) Annual Compensation Increase Plan (CIP).
 - (5) Individual compensation actions, as required in the Contract including initial and proposed changes to base salary and or payments under an Executive Incentive Compensation Plan submitted on the Application for Contractor Compensation Approval, DOE F 3220.5.
 - (6) Any proposed establishment of an incentive compensation plan.
- (c) The Contractor shall provide the Contracting Officer with the following reports:
 - (1) Annual Contractor Salary-Wage Increase Expenditure Report to include, at a minimum, breakouts for merit, promotion, variable pay, special

adjustments, and structure movements for each pay structure showing actual against approved amounts.

- (2) At the time of Contract award and upon any change thereafter, a list of the top five most highly compensated executives and their salaries.
- (3) Annual Report of Contractor Expenditures for Employee Supplemental Compensation through the Department Workforce Information System (WFIS), compensation and benefits module.

Part I - Benefit Programs

The Contractor shall implement an employee benefits program that supports at a reasonable cost the effective recruitment and retention of highly skilled workforce at the Department facility. No presumption of allowability will exist when the Contractor implements changes to its existing employee benefits program until the Contracting Officer makes a determination of cost reimbursement for reasonable changes to the program.

- (a) Submit to the Contracting Officer for a determination of cost reimbursement a periodic evaluation of the Contractors Employee Benefits Program based on two professionally recognized performance measures:
 - (1) An Employee Benefits Value Study (ben-val) Measure every two years which is an actuarial study of the relative value (RV) of the benefits programs offered by the Contractor measured against the RV of benefit programs offered by comparator companies approved by the Contracting Officer. To the extent that the value study does not address post-retirement benefits (PRB) other than pension, the Contractor shall provide separate PRB cost and plan design data comparison with external benchmarks for nationally recognized and Contracting Officer approved survey sources.
 - (2) An Employee Benefits Cost Survey Comparison (cost survey) Method every year that analyzes the Contractor's employee benefits cost on a per capita basis per full time equivalent employee and compares it with the cost reported by the U.S. Chamber of Commerce (CoC) Annual Employee Benefits Cost Survey or other Contracting Officer approved broad based national survey.
- (b) When net benefit value and/or per capita cost exceed the comparator group by more than 5 percent, submit corrective action plans to achieve a net benefit value and per capita cost not to exceed the comparator group by more than 5 percent.

- (c) When required by the Contracting Officer submit an analysis of the specific plan costs that are above the per capita cost range and a corrective action plan to achieve conformance with a Contracting Officer directed per capita cost range.
- (d) Implement corrective action plans determined to be reimbursable by the Contracting Officer to align employee benefit programs with the target in paragraph (b) of this Part I.
- (e) Post Retirement Life, Medical and Other Benefit Obligations Upon Contract Termination. Employer costs for retiree medical benefits will be prorated based only on service under this Contract.
 - (1) Subject to the availability of appropriated funds obligated to this Contract, if the Contract terminates, the Department of Energy will make available to the Contractor in a timely manner sufficient funds so that the Contractor has no out-of-pocket expenditures from corporate funds to cover all liabilities incurred under this Contract related to Contracting Officer-approved employee welfare benefit plans (including but not limited to medical, life, and workers' compensation). If so requested by the DOE at the time of Contract termination or expiration, the Contractor will continue as the sponsor of these plans until all liabilities of such plans are discharged.
 - (2) If the Contract terminates, the Department of Energy may make use of a third party such as an insurer to guarantee benefit payments.

Part II – Leave of Absence Without Pay

An employee may be granted a leave of absence without pay for up to three years by the Contractor provided the absence will not interfere with the Contractor's operations or create any conflict of interest. Continuation of benefits during leave of absence without pay will be administered according to the Contractor's leave of absence policy and any applicable Plan amendments as subject to ERISA.

- (a) Granting of company service for a period of leave and restoration of vacation eligibility immediately upon return to work may be provided for employees who return to work from leaves including, but not limited to:
 - (1) Leaves granted when it is in the Government's interest to make an employee's expertise or services available to DOE, another DOE Contractor, another government agency (e.g. Department of Homeland Security, Department Of Defense, Centers for Disease Control, or National Aeronautics and Space Administration), colleges or universities, or other work-related activities such as the International Atomic Energy Agency.

- (2) Entrepreneurial leave granted to accelerate technology start up based on DOE developed technologies.
- (b) Continuation of company service credit and/or immediate restoration of vacation upon return to work for any leave without pay other than those listed above require DOE approval if the leave exceeds 180 days.
- (c) The Contractor shall submit an annual report to the Contracting Officer identifying all employees on leave of absence without pay under this provision, the organization they are supporting, the location of assignment and length of leave of absence.

Part III Group Pension Plans

Staff members of the Contractor's Pacific Northwest National Laboratories (PNNL) assigned to or performing work under the Contract may participate in the Contractor's Group Pension Plans (the Plans) applicable to PNNL in accordance with the terms of the Plans. The Group Pension Plans are trusteed plans described in items (a) and (b) below and with respect to the Plans, the Contractor and DOE agree as follows:

- (a) "Pension Plan of Pacific Northwest Laboratories, Battelle Memorial Institute," [PNNL Plan] (applicable to non-bargaining unit employees) effective July 1, 1987, and as the foregoing PNNL Plan may be amended from time to time by the Contractor's Board of Trustees; and as determined to be reimbursable by the DOE Contracting Officer.
- (b) "Hanford Contractors Multi Employer Defined Benefit Pension Plan for HAMTC Represented Employees," [HAMTC Plan] (applicable to bargaining unit employees) effective April 1, 1987; and, as the foregoing HAMTC Plan may be amended from time to time by the Plan Administrator in cooperation with the Administrative Committee; as determined to be reimbursable by the DOE Contracting Officer.
- (c) The PNNL Plan and disposition, payment and transfer of Plan assets shall satisfy the requirements of the Employee Retirement Income Security Act (ERISA), the Internal Revenue Service (IRS), and the Department of Labor and any other applicable Federal statutes and regulations.
- (d) All costs related to the PNNL Plan required to meet the requirements of this Article including administrative costs incurred by the Contractor and applicable to the work under the Contract and employer contributions related to work performed under this Contract will be allowable costs. To the extent practicable all non-settler administrative costs shall be charged to the pension plan rather than to the operating budget to the maximum extent permitted by Department of Labor regulations. The employer contributions will be allowable at rates determined for

PNNL based on actuarial valuations performed by the actuary appointed by Battelle, using the entry age normal cost method of funding.

- (e) The Contractor will provide DOE with annual actuarial valuation reports and IRS Form 5500 Reports. These reports shall contain information regarding PNNL Plan assets and liabilities. Said information shall be based on the valuation assumptions and calculation methods which are then in use for the PNNL Plan. The actuarial valuation reports shall be provided to DOE within thirty (30) days after preparation or nine (9) months following the opening of a plan year for which funding requirements are calculated, whichever is earlier.
- (f) Unless otherwise agreed, the Contractor will obtain an actuarial valuation of the PNNL Plan as of the effective date of Contract termination or expiration. The cost of such valuation will be allocated in accordance with then current procedures for allocating actuarial valuation costs.
- (g) Procedures for Annual Accounting of Employer Pension Contributions for PNNL Plan
 - (1) For each plan year, the Contractor will provide to DOE an accounting of assets associated with employer pension contributions with respect to the Contract work of PNNL and the Non-Contract work of PNNL as follows:
 - (i) accrual basis market value of such associated assets at the beginning of the PNNL Plan year;
 - (ii) the dollar amount of employer pension contributions made during the plan year allocated, on the basis of the cost of non-bargaining direct staff labor during such year, to the Contract work and the Non-Contract work;
 - (iii) the dollar amount of investment income on such associated assets based on the yield rate determined on the dollar-weighted market value basis as shown in actuarial reports of the Plan;
 - (iv) the dollar amount of related benefits and/or assets disbursed to terminated and retired PNNL staff members and beneficiaries; such related benefits and/or assets will be allocated on the basis of the historical relationship of non-bargaining direct staff labor to the Contract work of PNNL staff members and the other work of PNNL staff members; and
 - (v) accrual basis market value of associated assets at the end of the plan year [(i) + (ii) + (iii) - (iv) = (v)].

- (2) The first accounting under this PNNL Plan shall be as of June 30, 1987, and shall reflect the removal of those assets and liabilities transferred to the HAMTC Plan effective April 1, 1987, from total PNNL pension assets accounted for in previous reports covering the periods from January 1, 1965 on. For the Plan year ending June 30, 1987, and annually thereafter, the Contractor will provide to DOE an accounting of assets as described in Part III, paragraph (g)(1) above. Such reports shall be provided to DOE within thirty (30) days after preparation but no more than nine (9) months following the opening of the plan year for which funding requirements are calculated. The final accounting period shall end with the effective date of Contract termination.

- (h) References to termination of the Contract in this Article are intended to cover the circumstances created when the contractual relationship between DOE and the Contractor is terminated in whole or in part by formal action of DOE in accordance with the Clause of the Contract entitled "Termination". It is not intended that the provisions of this Article pertaining to Contract termination be implemented in cases when reduced funding levels or cessation of individual projects or programs require work force reductions but do not affect the continuing contractual relationship under the Contract.

- (i) Procedures for Determination of Contract Service Pension Assets and Liabilities Upon Contract Termination.
 - (1) Contract Service Assets. Contract Service Assets shall include all assets attributable to employer contributions with respect to the Contract work of PNNL, as determined in this Part III, paragraphs (g)(1) and (g)(2) above. Such assets shall also include applicable employer contributions due the fund but not paid as of the effective date of termination.

 - (2) Non-Contract Service Assets. Non-Contract Service Assets shall include all assets attributable to employer contributions with respect to the Non-Contract work of PNNL as determined in this Part III, paragraphs (g)(1) and (g)(2) above. Such assets shall also include applicable employer contributions due the fund but not paid as of the effective date of termination.

 - (3) Liabilities for Present and Future Benefits

(i) Pensioners, Beneficiaries, and Terminated Vested Members

The liability for benefits for PNNL pensioners, beneficiaries, and terminated vested members who separated prior to the date of Contract termination and whose separation was not directly caused by such termination, shall be equal to the present value of such benefits as of the effective date of termination of the Contract. Such present value shall be calculated using GATT rates for interest and mortality as appropriate for the PNNL Plan, consistent with the then current actuarial valuation, or as mutually agreeable to the DOE and the Contractor based on circumstances at the time.

(ii) Active Participants Retained by Battelle

For the active participants retained by Battelle, the past service liability shall be calculated as of the effective date of Contract termination using the PNNL Plan actuarial assumptions, actuarial cost method, and benefits as then in effect. The calculations shall be completed in a manner comparable to those for an ongoing plan.

(iii) Active Participants Not Retained by Battelle in the Event There Is No Successor Pension Plan

If there is no successor pension plan, liabilities for vested accrued benefits of PNNL Participants whose active membership is terminated as a result of Contract termination, including benefits becoming vested by reason of such termination under applicable PNNL Plan provisions, law and/or IRS regulations, shall be equal to the present value of such vested benefits calculated using the GATT rates for interest and mortality, as appropriate for the PNNL Plan consistent with the then current actuarial valuation, or as mutually agreeable to the DOE and the Contractor based on circumstances at the time.

(iv) Active Participants Not Retained by Battelle in the Event There is a Successor Pension Plan

For the Participants covered by a successor pension plan, the past service liability shall be calculated as of the effective date of Contract termination using the Plan actuarial assumptions, actuarial cost method, and benefits as then in effect. The calculations shall be completed in a manner comparable to those for an ongoing pension plan.

(j) Disposition of Contract Service Assets and Liabilities

(1) The liabilities and Contract Service Assets associated with such liabilities for pensioners, beneficiaries, and terminated vested members as described in this Part III, paragraph (i)(3)(i) shall be retained by Battelle and shall include an amount actuarially determined to cover reasonable administrative service costs provided, however, that if requested by DOE to do so, Battelle shall solicit proposals from at least three insurance carriers for a single premium purchase non-participating contract for assumption of liabilities for such participants. The award shall be based on mutual agreement between the DOE and the Contractor, and shall be consistent with fiduciary standards related to such transactions. In such case, retained assets shall equal the cost of such insurance contracts.

(2) The remainder of Contract Service Assets, after the retention described in this Part III, paragraph (j)(1) above, shall be divided into two parts as follows:

(i) One part equals such remainder of Contract Service Assets multiplied by the ratio $R / (R+S)$ where:

R = past service liability for active Participants retained by Battelle calculated as described in this Part III, paragraph (i)(3)(ii). And

S = past service liability for active Participants not retained by Battelle calculated as described in this Part III, Paragraph (i)(3)(iv).

This part of Contract Service Assets will be retained by Battelle.

(ii) The other part of Contract Service Assets equals the total of Contract Service Assets less the amount retained by Battelle under Part III, paragraph (j)(1) and paragraph (j)(2)(i) above.

(A) If there is a successor plan, then this part shall be transferred to, and associated liabilities calculated in accordance with this Part III, paragraph (i)(3)(iv) shall be assumed by, the successor plan.

(B) If there is no successor plan, then

1. this part and associated liabilities calculated in accordance with this Part III, paragraph (i)(3)(iii) will be retained by Battelle;

2. if such assets exceed the associated liabilities (including the option of purchasing annuities to cover the liabilities) and the PNNL Plan terminates, Battelle will pay to DOE from Plan assets any excess amount remaining after plan termination costs, penalties, and taxes resulting from such termination of the Plan; and
3. if Plan assets remaining after the costs, penalties and taxes resulting from termination of the Plan are not sufficient to cover the liabilities in accordance with this Part III, paragraph (i)(3)(iii) then DOE will pay to Battelle the deficiency; provided, however, payment by DOE shall be subject to the availability of appropriated funds which may be used for such purposes.

(C) If there is no successor plan, then

1. this part and associated liabilities calculated in accordance with this Part III, paragraph (i)(3)(iii) will be retained by Battelle; and
2. if the PNNL Plan does not terminate, then DOE and Battelle shall meet to determine an equitable disposition of the PNNL Plan.

(k) Disposition of Non-Contract Service Assets and Liabilities

- (1) The liabilities and Non-Contract Service Assets associated with such liabilities for pensioners, beneficiaries and terminated vested members as described in this Part III, paragraph (i)(3)(i) shall be retained by Battelle.
- (2) The remainder of Non-Contract Service Assets, after the retention described in paragraph (k)(1) above, shall be divided into two parts as follows:
 - (i) One part equals such Non-Contract Service Assets multiplied by the ratio $T / (T+W)$ where:

T = past service liability for active Participants retained by Battelle calculated as described in paragraph (i)(3)(ii); and

W = past service liability for active Participants not retained by Battelle calculated as described in paragraph (i)(3)(iv).

This part of Non-Contract Service Assets will be retained by Battelle.

- (ii) The other part of Non-Contract Service Assets equals the total of Non-Contract Service Assets less the amount retained by Battelle under paragraph (k)(1) and paragraph (k)(2)(i) above.
 - (A) If there is a successor plan, then this part shall be transferred to, and associated liabilities calculated in accordance with paragraph (i)(3)(iv) shall be assumed by, the successor plan.
 - (B) If there is no successor plan, then this part and associated liabilities calculated in accordance with paragraph (i)(3)(iii) will be retained by Battelle. Any excess or shortage of Non-Contract Service Assets in relation to such liabilities will be retained or absorbed by Battelle.

(l) Financial Adjustments

- (1) If within six (6) months after the termination of the Contract, a retained staff member of Battelle is transferred to the successor contractor, or a transferred staff member is returned to Battelle, adjustments will be made to Contract and Non-Contract Service Assets as if the transfer had been effective on the date of Contract termination, and appropriate payments or transfers of assets will be made.
- (2) If at the end of twenty-four (24) months following Contract termination, the terminations of retained staff members during this period exceed the numbers expected in the actuarial assumptions of the Plan at Contract termination, liabilities for vested benefits of the excess terminated staff members will be calculated as the present value of benefits as of the date the staff member terminated; such present value shall be calculated using the GATT rates for interest and mortality, as appropriate for the PNNL Plan consistent with the then current actuarial valuation, or as mutually agreeable to the DOE and the Contractor based on circumstances at the time. This value will be substituted for the value previously established for the retained staff members; adjustments will be made to Contract and Non-Contract Assets; and appropriate payments or transfers of assets will be made.
- (3) The procedures outlined above in paragraph (l)(2) shall also be applied to all staff members who transfer to a successor contractor; adjustments shall be made as above and appropriate payments will be made.

(m) Payments and Transfers of Assets

- (1) Payments by either party for excesses or shortages of Contract Service Assets as described in paragraph (j)(2)(ii) shall be in U.S. currency and completed within thirty-six (36) months of the effective date of Contract termination or such longer period as may be mutually agreed upon. Both parties shall have the option of making payments in one lump sum or in any series of installments at a rate of return mutually agreeable to the parties.
 - (2) If transfers of Plan assets are made to a successor plan as described in paragraph (j)(2)(ii) and paragraph (k)(2)(ii) in the form of investment holdings, such holdings shall include cash, equity securities, and fixed income securities. Such assets shall be allocated on a pro rata basis, with the prorating for fixed income assets based on rating and sector classification. Transfers shall include interest earnings on applicable assets from the effective date of termination to the date of transfer as calculated in paragraph (m)(1) above.
 - (3) Battelle will transfer Plan assets at a rate at least sufficient to meet the cash flow requirements of transferred staff members who go into benefit status after the effective date of Contract termination.
- (n) The Contractor will take no unilateral action concerning the termination, merger, spin-off, or other action affecting the status of the Plan as covering only Non-Bargaining employees of the Pacific Northwest National Laboratory without the approval of the DOE. In the event of a Plan termination, the costs and disposition of Plan assets and liabilities shall be as set out in paragraphs (i) and (j) above, or as mutually agreeable to the DOE and the Contractor based on circumstances at the time.
- (o) With respect to the Multi-Employer Pension Plan for HAMTC Represented Employees (Part III, paragraph (b) above), the Contractor and DOE agree that effective April 1, 1987, pursuant to a collective bargaining agreement, the Contractor became a participating employer in the Hanford Contractor Multi-Employer Pension Plan for HAMTC Represented Employees. All assets and liabilities of the "Employees Retirement Plan of Battelle Memorial Institute" were transferred to and merged with the said Multi-Employer Plan.
- (p) Costs incurred by the Contractor for contributions required by the HAMTC Plan are allowable to the extent applicable to the work under the Contract.
- (q) The HAMTC Plan fund, not the Contractor, shall be liable for costs incurred in the course of administration (actuary fees, reports, and similar expenses); provided, however, that costs for employee communications, sign up and termination, payroll, and similar expenses are allowable as normal operating

expenses to the extent applicable to work under the Contract.

- (r) Upon expiration or termination of the Contract, all liability of the Contractor with respect to the HAMTC Plan shall cease. The Contractor shall have no claim to any HAMTC Plan assets in excess of HAMTC Plan liabilities, nor shall the Contractor be required to fund any excess of HAMTC Plan liabilities over HAMTC Plan assets. DOE agrees that all costs, including cost of defense, from any withdrawal liability arising under federal law by reason of the Contractor's withdrawal from the Multi-Employer Plan shall be an allowable cost under the Contract subject to the provisions of paragraph (j) of the clause entitled "Payments and Advances".
- (s) The Contractor will take no action concerning the termination, merger, spin-off, or other action affecting the status of the plan as covering only Bargaining Unit employees of the Pacific Northwest National Laboratory.
- (t) With respect to all Plans, unless otherwise required by federal law or resulting from the collective bargaining process, no amendment to any of the Plans shall result in allowable costs under this Contract if the adoption date of such amendment is later than 12 months before the termination or expiration date of the Contract and the termination or expiration of the Contract is due to the act or failure to act of the Contractor, or the failure of the Contractor to bargain in good faith with the government for an extension of the Contract.
- (u) The aggregate annual contribution to any Plan shall range from the minimum specified by Internal Revenue Code (IRC) Section 412(b) to the amount necessary to fully fund the year end expected current liability. However, the aggregate annual contribution to a Plan shall be no less than the minimum specified by IRC Section 412(b) nor greater than the tax-deductible limit specified by IRC Section 404.

Part IV - Group Savings Plans

The Contractor maintains or is a participating employer in savings plans for eligible non-bargaining employees. In addition, the Contractor is a participating employer in a multi-employer plan for bargaining unit employees. The savings plans are trusteed plans described in the following two documents entitled "Battelle Employees' Savings Plan", and "Hanford Contractors Multi-Employer Savings Plan for HAMTC Represented Employees". The plans must be established and maintained as qualified defined contribution plans under the regulations of the Internal Revenue Service. The Plan and Trust documents and any amendments thereto which effect substantive changes or increase costs are subject to the approval of the Contracting Officer. With respect to the Plans, the parties agree as follows:

- (a) Costs of employer matching contributions incurred and accrued under the terms of the Plans are allowable to the extent applicable to Contract work. To the extent permitted by law or regulation, the Plans funds, not the Contractor, shall be liable

for the costs of administration.

- (b) The Contractor will provide the Contracting Officer with annual accounting reports within eight months after the close of a Plan year. A copy of IRS Form 5500, together with any supplemental or supporting documents submitted therewith, will be provided to DOE each year when prepared by the Contractor, which may be provided in lieu of the accounting report required by this provision.
- (c) Employee forfeitures of accrued benefits shall be in accordance with the terms of the Plans and such forfeitures shall be used to reduce Contractor contributions made on behalf of remaining participating employees.
- (d) In the event of Contract expiration or termination, the Contractor, if requested by DOE to do so, will transfer assets and liabilities to a replacement contractor's plan.
- (e) In the event of Plan terminations, vest immediately one hundred percent in the Plan participants' individual accounts.
- (f) Upon expiration or termination of the Contract, all liability of the Contractor with respect to the Hanford Contractors Multi-Employer Savings Plan for HAMTC Represented Employees shall cease. DOE agrees that all costs, including cost of defense from any withdrawal liability arising under federal law by reason of the Contractor's withdrawal from the Multi-Employer Plan shall be an allowable cost under the Contract, subject to the provisions of paragraph (j) of the clause entitled "Payments and Advances".
- (g) The Contractor will take no action concerning termination, merger, spin-off, or other action affecting the status of the Plans without the approval of the DOE.

(End of Clause)

H-31 Determining Total Available Mission Stretch Goal(s) Incentive Fee and Fee Earned

- (a) Mission Stretch Goal(s) Fee

In addition to the yearly performance fee available in accordance with the special clause entitled "Determining Total Available Performance Fee and Fee Earned," the Contractor may earn additional "Mission Stretch Goal(s)" incentive fee based on the successful completion of the Mission Stretch Goal(s) identified within Section J, Appendix H of the this Contract. The Parties have agreed that a total available Mission Stretch Goal(s) incentive fee of \$3,000,000 shall be available for the Contract period and is to be 100% at risk.

- (b) Determination of Total Available Mission Stretch Goal(s) Incentive Fee Amount Earned.

The Government shall, at the conclusion of the specified Mission Stretch Goal(s) evaluation period or other timeframe as may be agreed upon between the Parties, evaluate and/or validate the Contractor's performance in accordance with the clause in Section I entitled "Total Available Fee: Base Fee Amount and Performance Fee Amount." The evaluation of the Contractor Mission Stretch Goal(s) and amount of Mission Stretch Goal(s) incentive fee earned shall be in accordance with Section J, Appendix H, "Mission Stretch Goal(s) Performance Evaluation and Measurement Plan."

- (c) Nothing in this clause shall diminish or remove any rights afforded the Government regarding Contract termination as may be set forth elsewhere within this Contract. In the event of such termination, whether for the convenience of the Government or default by the Contractor, the Contractor shall be entitled to any Mission Stretch Goal(s) Incentive Fee Amount provisionally earned, as determined by the Government.

(End of Clause)

H-32 Other Advance Understandings

- (a) To facilitate continuity of performance and Contract administration, all agreements, memorandums of understanding, and contractual assumptions which have been appropriately agreed to in writing by both Parties prior to this Contract extension will continue in effect according to the terms thereof unless they have been superceded or, if they are in conflict with any other terms and conditions of this Contract extension.
- (b) For purposes of the clause in this Contract titled "Access to and Ownership of Records, it is understood and agreed that the Contractor-owned legal records that are subject to an attorney-client privilege or an attorney-work-product privilege require special handling to preserve these privileges. Therefore, the Parties agree that inspection, copying, or audit of any such records will only be conducted by DOE Counsel or its designees.
- (c) The initial submittal of the "Assurance Letter" required by the clause entitled "Management Controls (Dec 2000) (DEVIATION)" shall be no later than November 30, 2004. Unless changed by mutual agreement, subsequent "Assurance Letters" shall be submitted annually by the last day of November.

(End of Clause)

H-33 Open Competition and Labor Relations under Management and Operating and Other Major Facilities Contracts (Dec 2002) (AL 2002-08)

"Labor organization," as used in this clause, shall have the same meaning it has in 42 U.S.C. 2000e(d).

- (a) Unless acting in the capacity of a constructor on a particular project, the Contractor shall not-

- (1) Require bidders, offerors, Contractors, or subcontractors to enter into or adhere to nor prohibit those Parties from entering into or adhering to agreements with one or more labor organizations, i.e., project labor agreements, that apply to construction project(s) relating to this Contract; or
 - (2) Otherwise discriminate against bidders, offerors, Contractors, or subcontractors for refusing to become or to remain signatories or to otherwise adhere to project labor agreements for construction project(s) relating to this Contract.
- (b) When the Contractor is acting in the capacity of a constructor, i.e., performing a substantial portion of the construction with its own forces, it may use its discretion to require bidders, offerors, Contractors, or subcontractors to enter into a project labor agreement that the Contractor has negotiated for that individual project.
- (c) Nothing in this clause shall limit the right of bidders, offerors, Contractors, or subcontractors to voluntarily enter into project labor agreements.
- (End of Clause)