



Department of Energy
Richland Operations Office
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Richland, Washington 99352
APR 28 1997

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APR 30 1997

97-PRO-337

Ms. Marilyn B. Reeves, Chair
Hanford Advisory Board
723 The Parkway, Suite 200
Richland, Washington 99352

Dear Ms. Reeves:

HANFORD ADVISORY BOARD (HAB) CONSENSUS ADVICE #62, PROJECT HANFORD MANAGEMENT CONTRACT

Thank you for your letter dated December 5, 1996, regarding HAB Consensus Advice #62. The following information is provided in response to your letter:

The Project Hanford Management Contract (PHMC) is the reference used for the contract itself. Fluor Daniel Hanford, Inc. (FDH) is the Management Contractor (MC) for the PHMC.

The delivery of an integrated sitewide technical, cost, and schedule baseline with supporting documents on July 31, 1997, will provide the first results of the FDH integration effort for the Environmental Management Program full scope of work with any issues identified for subsequent resolution. The Westinghouse M&O baseline provided the basis for determining the incentives that were established for Fiscal Year 1997. Changes to the baseline are and will be controlled through a formal change control process administered by the site contractors and DOE. DOE is committed to the completion of all milestones established in the Tri-Party Agreement (TPA) or related to the health and safety of workers and the public.

The PHMC does provide for all incentives to be achieved within cost and schedule. The performance of incentivized work shall not result in an adverse impact to the cost for all other unrelated work effort. To the extent that FDH fails to achieve cost performance, the associated fee may be reduced in whole, in part, or a negative fee may result. This should prevent any movement of resources.

In March 1997, the DOE announced that the FDH budget for PHMC indirect and overhead costs increased \$26 million over the previous M&O contractual arrangement. Future targets have been set to have FDH reduce overheads and indirects to find the right balance of indirect functions to support program/project workscope. DOE will consider future incentives to reduce indirects; however, DOE still has considerable concern that this type of incentive may have negative programmatic impacts and will manage the reductions so this does not occur. DOE agrees with the Board's recommendation that indirect reductions be accomplished through more efficient performance. DOE continues to work with regulators to ensure that TPA and other regulatory requirements are funded and emphasized as necessary.

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The use of cost reimbursement contracting was deemed appropriate for this contract in the development of the Request for Proposal. An opportunity was provided for input during the draft proposal review period. This contract type is still considered the proper vehicle at this time as definition of workscope and budget uncertainties remain.

The following information is provided to correspond to the final four items of your letter, specifically addressing each item:

1. Fair and flexible criteria are used for the assignment and redeployment of employees from the site to private companies.

The initial criteria for assignment and redeployment of employees from the site to private companies was based on workscope to be performed by each company including Enterprise Companies. Employees who were performing the workscope were matched with the responsible company. A remapping occurred to correct and reevaluate certain assignments based on the initial assessments. This "mapping process" was completed December 31, 1996. More than 95% of the employees moved to different companies continued with their same scope of work. The assignment and redeployment of employees also considered the ability of FDH and its subcontractors to achieve success in meeting the contract requirements and objectives.

2. The rights of employees in "privatized" subsidiaries or spin-off companies under DOE's legal obligations for contractor employee whistle blowers are protected.

DEAR 970.5204-59, Whistle Blower Protection for Contractor Employees (JAN 1993) (Modified), is being contractually imposed on all Enterprise Companies. Additionally, the principals of all major contracts on the Hanford Site recently reaffirmed their policy of zero tolerance for retaliation.

3. Continuity of worker protective measures, including health monitoring and appropriate safety training and indoctrination as employees are assigned and re-assigned to various contractors are provided.

All major subcontractors at the Hanford Site are committed to the implementation of a single Integrated Safety Management System (ISMS) that provides continuity for worker protection measures, onsite medical surveillance and appropriate safety training. By implementing a single ISMS, the consistency during movement or reassignment to various subcontractors is maintained. Enterprise Companies are also held to a set of consistent ISMS requirements by contract language that is derived from the former ES&H Management Plan.

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On October 10, 1996, DOE issued a press release that clarified benefits for employees of PHMC Enterprise Companies. Based on this information, personnel at the Hanford Site and Enterprise Companies who qualify under 3161 will maintain health monitoring and medical surveillance per those requirements.

4. Oversight mechanisms and contractual provisions ensure that the creation of private business enterprises, marketing efforts, or use of equipment and personnel are not subsidized with Hanford cleanup funds.

There are several oversight mechanisms and contractual provisions to ensure that the creation of private business enterprises, marketing efforts, or use of equipment and personnel are not subsidized with Hanford cleanup funds. The contractual provisions include the flow-down of FAR 52.215-43, Audit - Commercial Audit Items (Oct 1995), Auditing of Records clause, Government-Owned Property clause and Use of DOE Facilities clause. It is the responsibility of Fluor Daniel Hanford, Inc. (FDH) and its major subcontractors to perform compliance oversight reviews and audits in addition to those performed by the Government.

Normally, Enterprise Companies will use their own assets and facilities to perform private sector work. There may be instances when work will be performed for other Government Agencies at DOE's request and DOE may authorize the Subcontractor, through coordination with the Prime Contractor, to perform non-DOE funded work involving the use of DOE facilities and resources, including Subcontractor staff, provided that the work is consistent with applicable laws and regulations and satisfies DOE policies regarding mission compatibility and competition with the private and public sectors.

There also may be instances when a Subcontractor may request temporary usage of Government-Owned facilities, equipment, and other property on a noninterference basis for private work and other non-Government entities and such usage may be authorized by DOE on a full cost recovery basis.

Prior to use of any Government facilities and/or equipment for efforts other than those under the PHMC, an agreement will be reached among FDH, DOE, and the Enterprise Company that will provide for a cost accounting and billing approach to verify that DOE does not "subsidize" non-Hanford business. This remittance would be credited to the Government through the Prime Contract or other payment method as agreed by DOE.

Any work performed for other Government Agencies will be evaluated by DOE to determine the appropriate cost recovery consistent with any department agreements on sharing of resources or rationale which would support the waiver of cost recovery.

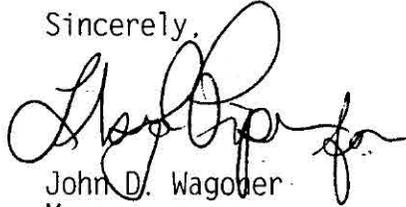
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Again, thank you for your input. If additional information is needed, please feel free to contact me, or your staff may contact Alice Murphy at 376-6657.

Sincerely,



John D. Wagoner
Manager

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