

Hanford Advisory Board Draft Advice

Topic: Master and Acquisition Plan for the Request for Proposal for the Future Hanford Cleanup Contractors

Authors: Bouchey, Korenko, Peltier

Originating Committee: Budgets & Contracts

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General Background

The Hanford Advisory Board (HAB or Board) believes that the selection of the future contractors will influence the success of the Hanford cleanup mission for the next two decades.

NUMBER OF CONTRACTORS

Background

The prime contractors cannot be completely consolidated since the United States Congress passed legislation to keep the U.S. Department of Energy (DOE)-Richland Operations and DOE-Office of River Protection offices separate until 2019.

The Board believes reducing the number of contractors has several advantages:

- Cost savings from fewer senior management structures, consolidated administrative costs, and consolidation of DOE management personnel.
- Better integration of site activities.
- Clearer accountability on hand-offs between site activities, such as moving waste from the tank farms for processing and then for waste treatment.
- Improved ability to move staff to other work scope as portions of projects are completed, such as moving the Purex personnel to other assignments.
- Improved consistency of important practices, e.g. engineering, safety, quality and training.

The Board advised DOE in HAB Advice [#241](#) that the selection of the medical support contractor be independent from the prime contractor to avoid any perception of conflict of interest on employee welfare and to be better supported by the Hanford workforce.

Future land use decisions are fundamental public governmental decisions. The prime site contractors could have apparent conflicts of interest in those decisions, which the contracts should avoid in any scope associated with future land use. in. DOE may utilize qualified separate contractors for support to land use decisions, such as planning firms, without having an appearance or actual conflict.

Advice

The Board advises DOE to:

- Complete the river corridor re-baselining done by the river corridor contractor into the large central plateau prime contract.
- Combine the infrastructure work scope and the remaining work scope from the river corridor contractor into the central plateau prime contractor.
- Bid the tank farm operations work scope as a separate prime contract.

- DOE should emphasize the importance of integration of the scope of the tank farm remediation and the vitrification facilities and between the two prime contractors. (HAB Advice #182)
- Keep occupational medical services work scope and several small contracts as independent contracts.
- Future land management decisions following cleanup completion should be led by DOE and t could be augmented by a separate support contract. (HAB Advice #195)

CONTRACT DURATION

Background

The Board believes that increasing the contract duration has several advantages:

- It takes several months for new contractors to get up to speed. Fewer transitions reduce the life-cycle schedule and cost impacts.
- Longer contracts align the length of the contracts with planned long duration cleanup work scope, such as emptying the tank farms.
- A larger number of contract bids with shorter durations strains DOE and the contractor's resources. There are sixteen prime contracts across the DOE complex that all will be up for re-bid between 2016 and 2018.
- Longer durations enhance the willingness to adapt new technologies with longer-term payoffs. This could be very germane to remediating the vadose zone.
- Fewer transitions reduce the stress on the employees and their families caused by job uncertainty.

DOE-Headquarters (HQ) has previously indicated that it is more supportive of short duration contracts. This preference should be balanced with the above advantages and the practical limitations of effectively and simultaneously managing a larger number of critically important contract transitions across the country.

The Board supports that contract renewal options should not be considered as automatic, but should be based on excellent performance. Positive attributes for a contract renewal could be based on meeting the major objectives of the previous duration. Negative attributes to be considered during contract renewal could be specific events, such as delayed milestones and safety issues resulting in a severe injury. If DOE determines that a major performance structure of the contract needs to be modified then rebidding should to be pursued.

Advice

The Board advises DOE to:

- Bid the contracts as an initial five years with three five-year performance based renewal options. Contract renewal should be performance based.
- Request DOE-HQ to develop an integrated plan to stagger the number of major prime contracts across the DOE environmental management complex.

CONTRACT TYPE

Background

There have been numerous contract types at DOE from the original maintenance and operations contracts to recent fixed-price and cost-capped contracts. The Board believes that the optimum contract for the cleanup activities is a cost-plus incentive fee (CPIF) contract with fee payments for exceeding cost and schedule targets. As mentioned previously, it is important that DOE maintain highly skilled and experienced capabilities to optimize the benefit of the CPIF contracts.

One of the most important features of prime contract re-bids or contract extension negotiations is alignment of goals and incentives, which result in fostering the common interests of the general public, DOE, regulators, workers, and community stakeholders. Other overarching features required of these contracts are clear statements of work and accountabilities, the flexibility to accommodate changes and evolving technology, effective safety and quality cultures, and proven experience and leadership. DOE's acquisition practices should encourage contractors to avoid over-use of fixed price/low-bid subcontracts with insufficient scope definition or evolving design.

The successful contract work scope should be well defined with strong emphasis on pre-project planning. This includes the very important identification and mitigation of risk. As an example, the removal of the 324 contamination hot spot required full scale mock-ups for mitigating the risks of performing this work.

In addition, the concept of "super stretch" incentivized milestones such as those introduced at Rocky Flats deserves consideration. These were major milestones that all parties agreed would be celebrated as major achievements in completing work scope well ahead of schedule. The fees were capped by the limits of the Federal Acquisition Requirements and DOE Acquisition Requirements contract fee allowance. They were lucrative but the results saved years on the integrated schedule and billions of dollars of cost. Hanford tried to adapt this type of milestones, but the "super stretches" were not super and morphed into just other milestones. The super stretch type of milestones can be very effective, if set properly.

Hanford cleanup is a technically complex, integrated project. Technology is the foundation for completing cleanup in accordance with legal agreements in place. The Board believes that DOE expertise needs to match or exceed that of the contractors. Without this expertise, the performance incentive goals are not optimized. A lack of experience can also result in contract or procurement requirements that are over prescribed to achieve a risk-free scope.

DOE is managing highly experienced contract resources. It is counterproductive to oversee these activities with DOE personnel that have less experience. DOE exerts its influence in setting and evaluating the performance milestones. It is particularly important for DOE to should have a strong health and safety oversight and auditing of contracting practices, such as allowable billing and treatment of the subcontractors.

Advice

The Board advises DOE to:

- Develop the Request for Proposal (RFP) for Hanford prime contracts as CPIF contracts utilizing well-defined performance milestones. As part of the incentive performance milestones utilize the “super stretch” incentive measures. The baselines for these stretch incentives should be validated project costs and schedules as referenced in HAB Advice #182.
- Ensure that DOE technical and project staffs are in sufficient numbers and certified in project management and the clean-up technique to improve DOE contract management capabilities; otherwise avoid micro-managing the project details (HAB Advice #182).
- Maintain a strong oversight on health and safety. Require loss of fee for any project in which the contractor either violates environmental or health standards which result in a serious risk to health or the environment, or the contractor is found to have retaliated against any employee raising safety, health, environmental or fraud concerns (HAB Advice #182 and #200).

CONTRACT SCOPE

Background

DOE has obligations as specified in the Tri-Party Agreement (TPA). Past HAB advice has consistently described its values and specific recommended scope for the near and future cleanup.

Subcontracting work scope should not set as a large percentage of total site scope. This is not practical since much of the high dollar value of the work scope, such as building a major vitrification facility or emptying the tank farms involves activities that cannot be easily subcontracted without disruption. The site infrastructure scope has potential for subcontracting but needs to be carefully integrated with Hanford requirements and practices. An example of potential scope for subcontracting is the shipping and transportation across the site. Many small businesses are not experienced in the regulatory work of DOE. It would be beneficial to mentor or assist them in the transition to DOE work scope.

The approach of using preselected subcontracts can be effective if managed carefully. The issue of collecting fees on fees on prime contractors managing subcontractors needs to be predefined in the contract to be consistent with DOE regulations. There is more flexibility if the contracts are competitively bid in this way. The highly touted Rocky Flats contract was almost exclusively fee on fee during the most critical initial several years. Kaiser-Hill earned fee on the work scope of contractors, such as Safe Sites of Colorado, that did the actual work and earned their fee.

Historically, there have been issues at Hanford of prime contractors not dealing fairly with their small business subcontractors. In many instances, the prime contractors did not meet their obligation to pay within the specified period, they focused on fixed price contracts for the subs and then did not reimburse them for the design changes to the contracts, and they bid a series of small work scope packages rather than issuing multi-year contracts that would have allowed the small businesses to invest in the projects.

Past contractor selections and transitions have had major impacts to both the work force personnel and the local community. Unfortunately, cost saving in the new contract often comes at the expense of workers by the removal of pension benefits, insurance benefits, cost sharing for benefits and vacation/sick leave.

Advice

The Board advises DOE to:

- Ensure that completion of the contract work scope meets the TPA commitments.
- Require contractor bids to have a small business execution plan, which describes how they will contract with small business. This plan should include the approach to mentor small businesses and assurances that a substantial portion of the small business subcontracts are multi-year. Prime contractor progress payments and award fees should only be authorized when all small business contract payments are current.
- Include in the RFP an emphasis to utilize the current work force and current labor agreements in the contract transition work scope. Encourage long term employee demographic planning including investment in education at local colleges to train the future work.
- Stipulate contractors to provide a bid that reflects management innovation, a business model that provides technical advancements to cleanup processes, grandfathering of current benefits to existing workers, and a positive impact on the community.

COMMUNITY COMMITMENT CLAUSE

Background

The community is interested in involvement on cleanup priorities, safety and job stability of the current work force, impact on local infrastructure, subcontracting local businesses, and future land use.

In the past, DOE's RFPs asked for the contractors to define how they would help the communities. This included a substantial amount of contract allowable community support costs. This practice has faded since it reduced the money for cleanup, yet the communities are still in close proximity to the current site risks and are impacted by strains on the infrastructure. There is a justifiable need to support universities to train the future Hanford work force (HAB Advice #182).

Major risks to the Hanford work force are accidents commuting to and from work and the reduction of focus on the job after a long commuter time coupled with a ten-hour day (HAB Advice #286). Targeted improvements off the Hanford Site could enhance worker safety.

The use of government money to support the community generally is not allowed. However, if the evaluation criteria included a small yet meaningful credit, for example three to five percent, for community support the bidding contractors would be incentivized to propose spending a portion of their fees for the community.

The community derives two benefits from subcontracted work, the employment of local people and the enhancement of local businesses. If the prime contractor self-performs the work scope, the employees are still working in the community so there is no incremental employment benefit to the community to subcontract. Enhancing local business does enhance the community interest if the business is truly local and is trying to expand into other markets.

Advice

The Board advises DOE to:

- Include a community commitment feature in the upcoming RFP with a small yet meaningful credit, e.g. three to five percent5%, on the evaluation criteria.
- Include meaningful contract allowable costs for support of education for the training of the future work force.

CONTRACTOR SELECTION PROCESS

Background

The deepest understanding of the Hanford work scope technical complexities, the regulatory perspective and the community priorities reside within the local DOE office. They should lead and make up the primary membership of the Source Evaluation Board.

Contractors have reputations based on their history. Some are trusted and respected; others are not. Most of the contractor key personnel have historically been in more than one company. Their historical performance can be more germane than that of their current company, especially since the company will most likely be part of another Limited Liability Company. The key personnel's leadership, technical expertise and performance are critical to the success of the contractor work scope. Both the history of the company and the personnel should be evaluated in the contract selection. Minimum qualification requirements for leadership personnel need to be well defined in contract documents.

Key personnel are evaluated and selected based on education, technical expertise, past performance in similar work, experience in other government contracts, and willingness to commit to three years minimum before transfer. After this stringent evaluation and selection process, they then still may transfer in a year or two. This is anticipated to be an issue which is exacerbated by the number of contracts being rebid across the DOE complex. When one contract on the complex has an issue, in many instances, the company responds by transferring their best performers from another contract to satisfy the local interest. The Hanford contract should stipulate three-year duration of key personnel and a formal evaluation of any new key personnel that transition into the contract. This stipulation should also be a factor considered in contract extensions.

While preparing a bid, contractors focus on the weighting factors allocated to the evaluation criteria. These should be consistent with each other and reflect the site priorities. The bulk of these weighting factors should focus on prior work history similar to proposed work scope, innovation and technology to meet the required work scope and the quality of the key personnel; the remainder should emphasize worker health and safety with a smaller but meaningful percentage on community support.

Safety culture and the treatment of employees is primarily a leadership behavior issue. This can be assessed by past performance, but can be better evaluated during the oral examination for contract selection.

Advice

The Board advises DOE to:

- Ensure that acquisition planning key decisions about the contract, and leadership of the Source Selection Board reside at the site level. Ensure the evaluation criteria and weighting factors in the RFP reflect the site work scope priorities, the quality of the teaming companies and their key personnel, worker safety, and community support.
- Test not only technical expertise but also leadership and safety culture values as part of the oral evaluation.
- Require minimum duration of key personnel and a formal evaluation of any new key personnel that transition into the contract during its duration to ensure that they have excellent project effectiveness with an emphasis on safety.

TRANSITION

Background

Transitioning to new contractors is disruptive. It costs money, impacts the site closure schedule and causes stress to the current work force. The duration should be short, e.g. three months. This is achievable if there is a project plan with well-defined end objectives. With defined preplanned work scope, this aspect of the contract is an exception to the cost-plus contracting and lends itself to a fixed price.

Advice

- The Board advises DOE to require a fixed price project plan for transition. It should emphasize the need for transitioning the current work force, and for integrating safety and quality assurance processes.