

WM2013 Conference Panel Report

PANEL SESSION 65: US DOE Procurement and Contracting Opportunities

Co-Chairs: Cathy Hickey, *CH2M HILL, Inc.*

John Longenecker, *Longenecker and Associates, Inc.*

Panel Reporter: Cathy Hickey, *CH2M HILL, Inc.*

Panelists:

1. **Jack Surash**, *DAS for Acquisition and Project Management, US DOE*
2. **Dave Hess**, *Procurement Director, US DOE*
3. **Steve Mournigan**, *Consultant, Longenecker and Associates, Inc.*
4. **Sue Stiger**, *EFCOG Chair, Bechtel National, Inc.*

Summary of Presentations

Jack Surash introduced the restructuring of the DOE portfolio into a small, better defined program with enhanced management. The traditional contracts are more difficult to administer from both sides; however, DOE understands the challenges on the contractors e.g. an integrated baseline. DOE would like to see a minimum of an 80% confidence with a baseline that aligns with proposals. This protects both DOE and the contractors as changes occur. DOE has made strides at improving contractor and project management. DOE is monitoring to assure that both DOE and the contractors have adequate resources. This is a key success factor. Other areas requiring continuous improvement are: timely EVMS certification, management of contract changes, award of more contracts to small businesses, swift approval of the performance baseline aligned with the contract and last but not least true partnership with contractors. Recognition was given to the success of ARRA.

The EM contracts portfolio consists of 20 Cost Plus Award fee, 4 Cost Plus Incentive FEE and 6 hybrid including firm fixed price. The presentation included a briefing of current and upcoming procurements with a breakdown of percentages of large and small business participation.

Dave Hess the new Procurement Director of EM Consolidated Business Center, focused on the Strategic Sourcing Initiative. This initiative has the potential to save hundreds of millions of dollars. This process looks at historical spending and applies this research to shape upcoming procurements. This initiative was modeled after the NNSA Kansas City model. The models success depends on coordination between prime contractors, greater standardization on the acquisition process, sharing of knowledge and leveraging small business capabilities. The goal is to achieve cost savings greater than the cost of implementation. In FY12, \$1.2M in savings were achieved, already covering the cost of implementation.

Steve Mournigan focused on changes in the procurement process over the past decade. His presentation cited findings achieved during an EFCOG study. His presentation questioned the cost proposal process. How low can you bid a fair and reasonable price and achieve true delivery of the proposed cost. Most that "bid low" typically cannot deliver at their proposed costs, thus much time is spent in "chasing the number". DOE provides training to the contracting community on the process of responding to the cost proposals with encouragement to

WM2013 Conference Panel Report

attend. Steve suggested that DOE consider providing the contractor with "the number" and request a response of what contractors can perform within this number.

Sue Stiger, Chair of EFCOG, provided a presentation that focused on aligning contract incentives for capital asset projects. Her data were obtained from a broad base of EFCOG contractor participation. They include making incentives challenging but attainable, phasing the incentives such that they are realistic and achievable. Challenges include: developing clear and mutually defined objectives, mature project definition, alignment of authorities and accountabilities, effective change control processes, well developed project cost estimates that confirm affordability and compelling objectives with misalignment. Things to consider include cost caps, fixed price or gain share/pain share provisions work best when contractor contractors control project execution and risk resolution, other government models may not be effective in DOE without careful consideration, the more a project is subdivided through its lifecycle, the more accountability DOE assumes and balance is important.