

Portsmouth Contract True-Up & Execution Challenges, Progress and Lessons Learned – *Session 37*

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- **D&D Contract Awarded To Fluor-B&W Portsmouth (FBP) in August 2010**
- **PORTS Presented DOE with Very Unique Challenges**
 - Facility privatized and operated as private entity (USEC) overseen by NRC for 20 years - e.g., No ISMS at this site EVER
 - DOE had limited window of knowledge of the condition of the facilities or infrastructure, workforce makeup or productivity, material/waste inventories, or costs of operations and S&M at time of RFP for D&D Contract



- **Original D&D RFP**
 - FAR Based CPAF Contract Structure
 - 39% of bid value (\$375.3M) were DOE provided costs (“plugged numbers”) requiring future true-up
 - Concept was to progressively de-lease facilities, stabilize or eliminate deposits, and bring in workforce over 4 year period
 - Infrastructure to remain under USEC control until returned to DOE control
 - Forecasted funding profile of \$400M first 3 yrs then \$250 to \$325M/yr



- **Shift in Approach Required at Mobilization**
 - De-lease and take on all GDP facilities (over 300 buildings) and associated workforce at transition
 - Operate site infrastructure and utilities and become service provider to other site entities
 - Historical maintenance and infrastructure condition assessments, costs, operating records, business systems not available for FBP use. Access limited to leased facilities and associated personnel



Base Period True Up Chronology

- **Contract Award (Base Period \$1.1B)** – *August 2010*
- **Transition Completed** – *March 2011*
- **Interim Perf. Measurement Baseline Approved (IPMB)** - *Oct. 2011*
- **Interim True Up (1st 6 months)** – *December 2011*
- **Final DOE True Up RFP Issued** – *March 2012*
- **Base Period True Up Proposal Submitted** – *July 2012*
- **EVMS Self-Certification (Ops. Activities only)** – *September 2012*
- **True Up Proposal Definitized** – *July 2013*
- **Contract Perf. Baseline approved by DOE PPPO** – *August 2013*

- **True Up Proposal covered period from 10/1/12 thru 3/28/16 (4.5 Yrs.)**
- **Modification directed \$307M annual Funding Constraint**
- **Key Elements**
 - Definitize all change site conditions
 - Definitize all DOE directed changes
 - Definitize DOE provided cost “plugged numbers” in the Original RFP
 - Definitize de-scope of deferred work

Changes Presented Challenges

- Accelerated Facility Turnover (< at once vs. phased over 4 Years)
- Process Gas Equipment Deposit Removal Not Completed
- Cascade still in Operation doing Chemical Cell Treatments
- \$307M Constrained Funding – Extended D&D Project;
60 year old Infrastructure/Utilities Req'd for 30 more years



Changes Presented Challenges

- **Quality System Non-Destructive Assay (QSNDA)**
- **New 2010 Regulatory Agreement (OEPA DFF&O) guiding D&D Project**
- **Requirement for Establishment of Nuclear Operations**
 - Cell treatment operations
 - Refurbishment and operation of 40 year old autoclaves for significantly expanded barter program
- **Needed transition to ISMS and Upgrade of over 1000 Procedures**



True Up Proposal Details

Element	Estimated Cost
Changed Site Conditions	\$452.6M
DOE directed changes	\$280.6M
DOE provided cost	(\$107.1M)
De-scope of Deferred Work	(\$313.1M)
<u>Escalation & G&A</u>	<u>\$34.8M</u>
Total Estimated Cost w/o Fee	\$347.8M

Definitization Result:

Negotiated Scope Cost reduction of \$51.8M or 14.9%

- **Change Management – Diversion of Key Resources**
 - Proposal Development - \$28M contract to date cost
 - Mods & RFPs to date - 54
- **Extreme Funding Uncertainty**
 - Swings in Barter Price
 - Appropriations – Annual workforce disruption from looming threats of significant workforce reductions, beginning at the start of every fourth quarter (last year persisted from June to December)
- **True Up and Changes to Date Negotiated Based on Single Point Deterministic Estimates – no Estimating Uncertainty or MR**
- **Condition of Infrastructure and Utilities worse than DOE or FBP envisioned – Efficiencies gained must be Reinvested in deferred maintenance items & targeted infrastructure upgrades**

- **Facilities Transitioned Back to DOE – No interruptions**
- **ISMS In Place**
- **10 Facilities Demolished; 7 Planned for FY 15/16**
- **Deactivation of X-326 55 % Complete**
- **Largest Shipper in DOE Complex last 3 years**
- **850 Cylinders Transferred and Bartered; \$845 M in funding provided at better than 97% return on spot market value**
- **Alignment reached with community on End State Vision and On-Site Disposal**



- **Clear Understanding of Risk Reward Provision of Contract at Time of Bid and True Up**
- **Agreement on level of uncertainty/risk in estimate and schedule provided with initial bid, true up and subsequent change proposals (ex. P50)**
- **Bid True-Up scope independent of anticipated annual funding limitations**
- **Ensure complete alignment with DOE prior to proposal preparation (new scope, changes, & format)**



Base Period True Up Chronology

Paducah Site

- **Contract Award** (Base Period \$417M/3yr) – *July 2014*
- **Transition Completed** – *Oct. 2014*
- **Initial Performance Measurement Baseline Submitted** – *Oct. 2014*
- **Interim Performance Measurement Baseline Updated** – *Jan, 2015*
 - Updated Submittal due end of March
- **True-up Contains 14 Contract Modifications ~\$100M**
 - Cafeteria approach – Cost Proposals - 8 submitted - 4 by March 14
- **Performance Measurement Baseline Approval Expected** – *FY15*
- **EVMS Self-Certification**
 - TBD based on DOE approval of PMB
- **EVMS OAPM certification**
 - Pending DOE direction related to Capital Scope

