

Gaseous Diffusion Plant, Contracting Approach



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Contract Planning

- Department of Energy (DOE) Oak Ridge Office of Environmental Management (OREM) began planning for new contract in 2009
- Scope included
 - Complete Decontamination & Demolition (D&D) of major facilities at ETTP including K-25, K-27 and K-31
 - Environmental remediation work at ETTP and Surveillance & Maintenance (S&M) at ETTP, Oak Ridge National Laboratory (ORNL) and Y-12 Security Complex (Y-12)
- Evaluated experience and lessons learned from ETTP and other EM clean up sites and contracts



Contract Planning

- Evaluation led to approach used at ETTP
- Important contractual elements included:
 - Federal Acquisition Regulation (FAR) Performance based contract
 - Contract Line Item Numbers (CLIN) structure with priced Options to drive performance
 - Incentive Type Fee Structure with both incentives and penalties
 - Contract and Project Management Integration
 - Strong emphasis on Project Management and Earned Value Management System (EVMS)
 - Partnering and an Integrated Project Team (IPT) Approach



Performance Based FAR Contract

- Analysis demonstrated FAR based contracts have proven track record of superior performance
- Performance Based contracts dictate end state, not specification driven
 - Rely on industry experts to propose the “how”
 - DOE gets best value – best technical approach
 - Cheapest isn’t always best

Performance based contract helps DOE ensure contractor provides what they promised in proposal – “Build what they sold”



CLIN Structure

- Past experience showed need to have “off ramp”
- Incentivize the contractor with more than just fee
 - Base period included just half of the available work scope
 - Options are unilateral right of DOE
- Make contractor demonstrate ability to perform
 - Optimize workforce skill mix and subcontracts
 - Effective use of funding
 - Prompt and timely completion of base scope
- Still have ability to Terminate for Default or Convenience



Incentive Fee Structure

- Cost-plus-award-fee (CPAF) with Performance Based Incentives (PBIs) was best fit for ETTP
- Award Fee
 - New Performance Evaluation Management Plan (PEMP) every 6 months
 - Allows DOE to emphasize or change important focus areas
- PBIs are objectively measured milestones
 - Activity PBIs allow fee earnings for completion of interim milestones/tasks
 - Performance Work Statement (PWS) completion PBIs include both incentive/penalty for schedule performance



Contract/Project Management: Two sides of the Same Coin

- Critical interdependence between Contract and Project Management
- Contract True-up
 - Utilizing chunking approach
 - Process for evaluating change proposals
- Contract and Project Management Baseline (PMB) alignment complete in a record 10 months
- True-up was less than 10% of the contract value
- Continued Change Control
 - Continued utilization of process for evaluating change proposals
 - 99% of contract changes definitized within 180 days
- The contract and PMB remain in alignment



Project Management and EVMS

- Government Accountability Office (GAO) issued a report which was critical of Project Management on K-25 Project
- ETTP increased emphasis on strong project management
 - Management of Performance Measurement Baseline (PMB)
 - Project Integration, Control and EVMS
- Risk Management
- Assists in the establishment of the Integrated Priority List (IPL) and Buyback list (work within scope not yet under contract)
- DOE needs to be able to rely on contractor's data to make business decisions



Partnering

- Critical for success – can not start off as adversaries
- Way of doing business based on trust
- Partnering Framework is established during Transition
- Establishes organizational alignment between DOE and contractor
- Don't let issues fester
- Establishment of Ombudsman-like role
- Leads to a strong Integrated Project Team (IPT)



Conclusion

*The contract must be a conduit to a successful project,
not a hindrance*

- FAR based contracts help hold both parties accountable
- CLINs/Options further encourage superior performance
- Contract and Project management integration is essential
- Contracts with strong project management and EVMS requirements lead to success
- Partnering – positive relationships based on trust ensure successful performance

