

SECTION B

SUPPLIES OR SERVICES AND PRICES/COSTS

B.1 TYPE OF CONTRACT - ITEMS BEING ACQUIRED

This is a Cost-Plus-Incentive-Fee (CPIF) closure contract that includes cost and schedule performance incentives. Performance incentives provide the motivation to achieve accelerated closure at the lowest cost to the Department of Energy (DOE). The DOE is committed to achieve accelerated closure that does not jeopardize safety and protection of the workers, the public or the environment. The contractor shall be responsible for planning, managing, integrating, and executing the work as described in Section C, Statement of Work (SOW). The contractor shall furnish all personnel, facilities, equipment, supplies, and services (except as furnished by the DOE) and otherwise do all the things necessary for performing in a safe, efficient, and effective manner.

B.2 CONTRACT FUNDING PROFILE

Subject to the availability of funds, the contract will be funded in accordance with the schedule provided below. Such funds shall provide for all allowable and allocable billings for cost and fee for the indicated fiscal year. Funds will be provided from EW-05, Closure Project Fund and FS-40, Safeguards and Security Fund. It is anticipated that annual contract funding will be provided on or before November 30 of each year in the amounts as stated below.

FY 2003	FY2004	FY2005	FY2006	TOTAL
\$73M	\$98M	\$98M	\$98M	\$367M

B.3 TOTAL CONTRACT TARGET COST, FEE, AND COMPLETION DATE

The total contract target cost and target fee shall not exceed \$367 million within the annual funding limitations detailed in B.2. The target cost is \$340 million (the offeror may propose a target cost of less than \$340 million). The target fee is \$27 million (the offeror may propose a target fee of less than \$27 million). The total contract target cost and target fee are set at a contract completion date of September 30, 2006 (the offeror may propose a target completion date earlier than September 30, 2006.)

B.4 INCENTIVE STRUCTURE

The cost incentive and schedule incentive will be cumulative and in no case shall the total maximum fee exceed 12% of the Target Cost. The minimum fee shall not be below 2% of the Target Cost.

B.4.1 Cost Incentive Structure

The following cost incentive structure is established in association with a target completion date of September 30, 2006:

- Target Fee: \$ 27,000,000 (8% of target cost or less as proposed by the contractor. Dollar amount may be less if the offeror proposes a lower target cost or a lower target fee as a percentage of target cost or combination thereof)
- Maximum Fee: \$ 40,800,000 (Maximum Fee must be 12% of target cost, however dollar amount may change if offeror proposes a lower target cost)
- Minimum Fee: \$ 6,800,000 (Minimum Fee must be 2% of target cost, however, the dollar amount may change if the offeror proposes a lower target cost)

Share line:

For a total actual cost greater than target cost, costs exceeding the target cost shall be shared as follows:

- Government’s share: 70%
- Contractor’s share: 30%

For a total actual cost less than target cost, costs less the target cost shall be shared as follows:

- Government’s share: 70%
- Contractor’s share: 30%

B.4.2 Schedule Incentive

The target cost incentive is established at a contract completion date of September 30, 2006. Any fee earned pursuant to the Cost Incentive Structure set forth in B.4.1 above shall be reduced by 1% of the target cost for each month after September 30, 2006 the project is not completed, so long as the total fee earned is not less than 2% of the target cost. Any fee earned pursuant to the Cost Incentive Structure set forth in B.4.1 above shall be increased by 0.5% of the target cost for each month the project is completed earlier than September 30, 2006, so long as the total fee earned is not more than 12% of

the target cost. For periods less than a full month, the amount of fee lost or additional fee earned will be determined using straight-line interpolation.

B.5 ITEMS EXCLUDED FROM TARGET COST

The following items are not included in the Target Cost of this contract:

- (a) Additional work scope identified in DOE direction to the contractor.
- (b) Additional work scope associated with activities of the 4.3 million cubic feet (disposal volumes) of low level waste (LLW) estimated for the total volume of contaminated soils and contamination contained in all building footprints (Section C.2.1.1.5 and C.2.3.1).
- (c) Facility maintenance and utility services required for facilities after they have been determined to be “prepared for transfer” as described in Section C.2.1.2.1.
- (d) Technology Development initiatives funded by Office of Science and Technology (EM-50) described in Section C.4.7.
- (e) Activities funded by the Office of Nuclear Energy (NE).
- (f) Energy Employees Occupational Injury Compensation Program Act funded by the Office of Environment and Health (EH).

B.6 PROVISIONAL FEE PAYMENT SCHEDULE AND ADJUSTMENTS

B.6.1 Scheduled Provisional Fee Payments

Scheduled provisional fee payments will be made quarterly and will be calculated as follows:

$$\text{Provisional Fee Payment} = \frac{\text{Target Fee (8\% of Target Cost)}}{\text{Quarters of Performance (15)}} \times .5$$

The first two quarterly provisional fee payments (performance period January through June 2003) will not be adjusted. Subsequent quarterly fee payments may be adjusted based on the evaluation criteria identified below.

B.6.2 Provisional Quarterly Fee Payment Adjustments and Reductions

The Contracting Officer (CO) may adjust the provisional quarterly fee payment based on the validated cost and schedule variance and the status of the major milestones described in Section H.1.2.d. In determining the appropriate adjustments to the provisional fee payment, the CO will use the following earned value definitions:

- (i) Cost Variance (%) is equal to the Budgeted Cost of Work Performed (BCWP) minus the Actual Cost of Work Performed (ACWP) divided by BCWP times 100%.
- (ii) Schedule Variance (%) is equal to the BCWP minus the Budgeted Cost of Work Scheduled (BCWS) divided by BCWS times 100%.

B.6.3 Conditional Payment of Fee

In order for the contractor to be eligible to earn all otherwise available fee under the contract, the contractor must meet the minimum requirements in paragraphs (a) and (b) below. If the contractor does not meet the minimum requirements, the Ohio Field Office Manager or designee may make a unilateral determination to reduce the minimum fee, target fee and maximum fee as follows:

- (a) Minimum Requirements for Environment, Safety, Quality and Health (ESQ&H) Program. The contractor shall develop and submit an Integrated Safety Management System (ISMS) for approval by the CO in accordance with the provisions of Section I Clause 970.5223-1 entitled, “Integration of Environment, Safety and Health into Work Planning and Work Execution.” The minimum performance requirements will be set forth in the approved ISMS description document. If the contractor fails to obtain approval of the ISMS or fails to achieve the minimum performance requirements, the Ohio Field Office Manager or designee, at his/her sole discretion may reduce the minimum fee, target fee and maximum fee up to four quarters of scheduled fee.
- (b) Minimum Requirements for Catastrophic Event. If, in the performance of this contract, there is a catastrophic event (such as a fatality, serious workplace-related injury or illness to one or more federal, contractor, or subcontractor employee or the public, loss of control over classified or special nuclear material, or significant damage to the environment), the Ohio Field Office Manager or designee may reduce the minimum fee, target fee and maximum fee up to four quarters of scheduled fee. In determining any reduction in fee, the Ohio Field Office Manager or designee will consider whether willful misconduct and/or negligence contributed to the occurrence and will take into consideration any mitigating circumstances presented by the contractor or other sources.

B.6.4 Termination

If this contract is terminated in its entirety, fee shall be payable to the contractor consistent with the Section I clauses entitled “Termination-Cost Reimbursement” and

“Incentive Fee”. Nothing in this paragraph shall limit or restrict the application of the clause entitled “Termination-Cost Reimbursement” in Section I of this contract.

B.7 FINAL FEE DETERMINATION

The final fee determination will be calculated by the CO when the contractor has completed all activities included in the SOW and in accordance with Section F.6. The final fee determination will be based on the total cost of the contract and the closure date. The final fee payment will be the difference between the final fee determination minus the sum of quarterly provisional fee payments made during the period of the contract.

If the sum of quarterly provisional fee payments made during the period of the contract is greater than the overall fee that is calculated by the CO in his/her final fee determination, the contractor shall reimburse the amount of fee already paid that is greater than that earned and shall pay interest to the DOE in accordance with the prevailing Treasury rate(s) in effect at the time the payments were made.

B.8 STATEMENT OF COMMITMENT

The DOE and the contractor recognize the accelerated closure is a cooperative undertaking that requires both parties to seek innovative approaches to achieve the end objective. Streamlining processes and eliminating non-value-added requirements are critical to accomplishing accelerated closure. Both parties agree through the term of this contract to use their best efforts and to cooperate in seeking the reduction of non-value-added requirements and processes that impede progress.

B.9 NOTICE OF CIVIL PENALTIES FOR VIOLATION OF SECURITY OF DOE CLASSIFIED OR SENSITIVE INFORMATION OR DATA

The contractor shall be required to comply with PL 107-197 relating to the safeguarding and security of restricted data, 42 U.S.C.A. 2282b. Any person who has entered into a contract or agreement with the DOE, or a subcontract or sub-agreement thereto, and who violates (or whose employee violates) any applicable rule, regulation, or order prescribed or otherwise issued by the Secretary pursuant to this chapter relating to the safeguarding or security of Restricted Data or other classified or sensitive information shall be subject to a civil penalty of not to exceed \$100,000 for each such violation.

The contractor agrees to the inclusion of 952.204-XX, Conditional Payment of Fee or Profit – Safeguarding Restricted Data and Other Classified Information, once issued.

B.10 OBLIGATION OF FUNDS

Total funds in the amount of **\$(TBD)** are obligated herewith and made available for payment of allowable costs, and fee earned from the effective date of this contract through contract completion Pursuant to the FAR Clause 52.232-22, entitled “Limitation of Funds.”

B.11 AUTHORIZATION OF PRE-PERFORMANCE CONTRACT COSTS

The CO hereby authorizes the contractor to incur pre-performance contract costs that are allowable, allocable, and reasonable, and are limited solely to costs for contract transition.

Contract transition is the period of time between award of the contract and the beginning of the contract period of performance.

Contract transition costs include, but not limited to, moving the management team into place to assume its role as Miamisburg Closure Project (MCP) contractor. All pre-performance contract costs shall be included in the target cost of this contract. As directed by the CO, the contractor shall provide an itemized written account of all costs incurred as pre-performance contract costs.