

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT				1. CONTRACT ID CODE DE-NR0000031	PAGE OF PAGES 1 27
2. AMENDMENT/MODIFICATION NO. 001	3. EFFECTIVE DATE Same as Block 16C	4. REQUISITION/PURCHASE REQ. NO.	5. PROJECT NO. (If applicable) N/A		
6. ISSUED BY U.S. Department of Energy Pittsburgh Naval Reactors Office P.O. Box 109 West Mifflin, PA 15122-0109	CODE	7. ADMINISTERED BY (If other than Item 6)		Code	
8. NAME AND ADDRESS OF CONTRACTOR (No. street, county, State and ZIP Code) Bechtel Marine Propulsion Corporation 50 Beale Street San Francisco, CA 94105-1895			<input checked="" type="checkbox"/>	9.A. AMENDMENT OF SOLICITATION NO.	
				9.B. DATED (SEE ITEM 11)	
			<input checked="" type="checkbox"/>	10.A. MODIFICATION OF Contract/Order NO. DE-NR0000031	
CODE N/A			FACILITY CODE N/A		10.B. DATED (SEE ITEM 13) September 18, 2008

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers is extended, is not extended.

Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods:

(a) By completing Items 8 and 15, and returning ___ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)
N/A

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS, IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.



<input checked="" type="checkbox"/>	A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(B).
<input checked="" type="checkbox"/>	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF: 43 U.S.C. 253(c)(1) and Mutual Agreement of the Parties
	D. OTHER (Specify type of modification and authority)

E. IMPORTANT: Contractor is not, is required to sign this document and return 2 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section heading, including solicitation/contract subject matter where feasible.)

The contract, as previously amended, is further amended and modified as set forth on the following sheets.

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print) SHAFIK G. HADDAD, VICE PRESIDENT		16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print) A. J. DeNapoli, Contracting Officer	
15B. CONTRACTOR/OFFEROR  (Signature of person authorized to sign)	15C. DATE SIGNED 12/8/08	16B. UNITED STATES OF AMERICA  (Signature of Contracting Officer)	16C. DATE SIGNED 12/8/08

1. Part I, Section B, Supplies or Services and Prices/Costs, of the contract is amended and modified by replacing page 1 of 2 with new page 1 of 2 attached hereto.
2. Part I, Section F, Deliveries or Performance, of the contract is amended and modified by replacing page 1 of 1 with new page 1 of 1 attached hereto.
3. Part I, Section H, Special Contract Requirements, of the contract is amended and modified by replacing page 7 with new page 7 attached hereto.
4. Part III, Section J, List of Attachments, of the contract is amended as follows:
 - A. Attachment 9, Management Plan is deleted and replaced with the new attachment 9 Management Plan attached hereto.
 - B. Attachment 12, Transition Plan is deleted and replaced with the new attachment 12, Transition Plan attached hereto.

By acknowledgement of this Modification No. 001 to Contract No. DE-NR0000031, Contractor agrees that the scope of work required is understood by the Contractor; that there are no informal commitments by the Government or the Contractor; that there are no open or unresolved issues related to this modification except as explicitly stated herein; and that the Contractor therefore understands and agrees that the modification states the complete agreement of the parties.

1. SERVICES BEING ACQUIRED

The contractor shall be responsible for planning, managing, and executing work described in Section C. This work is entirely in support of the Naval Nuclear Propulsion Program.

The contract consists of the following phases:

1. Transition Period (beginning on award date).
 - a. For the Bettis sites the transition period ends on January 31, 2009.
 - b. For the Knolls sites the transition period ends on February 1, 2009.
2. Initial Operating Phase (end of transition period through September 30, 2013).
3. Five year Option Period in accordance with the clause "Option to Extend Term of the Contract" at Section I-2 (October 1, 2013 through September 30, 2018).

1. Term of Contract

The term of this contract is from the award date through September 30, 2013. (A Transition Period shall commence on the award date.

- a. For the Bettis sites the transition period ends on January 31, 2009.
- b. For the Knolls sites the transition period ends on February 1, 2009.

The Government may extend the term of the contract by unilaterally exercising the option pursuant to the clause entitled, "Option to Extend the Term of the Contract" in Section I. Acceptable technical, administrative, and cost performance on the base contract along with realization of projected enterprise shared services cost savings will be factors included in determining whether or not to exercise the option. The option period shall be for the period of October 1, 2013 to September 30, 2018.

2. Principal Place of Performance

The principal places of performance for the contract are in or near Pittsburgh, Pennsylvania, Schenectady, New York, and Idaho Falls, Idaho.

17. LOBBYING RESTRICTION (ENERGY & WATER DEVELOPMENT AND RELATED AGENCIES APPROPRIATIONS ACT, 2008)

The contractor agrees that none of the funds obligated on this award shall be expended, directly or indirectly, to influence congressional action on any legislation or appropriation matters pending before Congress, other than to communicate to Members of Congress as described in 18 U.S.C. 1913. This restriction is in addition to those prescribed elsewhere in statute and regulation.

18. MANAGEMENT PLAN

The Management Plans provided in the offeror's proposal are hereby incorporated as Attachment 9 to Section J of this contract.

19. OPEN COMPETITION AND LABOR RELATIONS UNDER MANAGEMENT AND OPERATING AND OTHER MAJOR FACILITIES CONTRACTS (Acquisition Letter 2002-08)

Labor Organization as used in this clause, shall have the same meaning it has in 42 U.S.C. 2000e(d).

(a) Unless acting in the capacity of a constructor on a particular project, the Contractor shall not-

(1) Require bidders, offerors, contractors, or subcontractors to enter into or adhere to nor prohibit those parties from entering into or adhering to agreements with one or more labor organizations, i.e., project labor agreements, that apply to construction project(s) relating to this contract; or

(2) Otherwise discriminate against bidders, offerors, contractors, or subcontractors for refusing to become or to remain signatories or to otherwise adhere to project labor agreements for construction project(s) relating to this contract.

(b) When the Contractor is acting in the capacity of a constructor, i.e., performing a substantial portion of the construction with its own forces, it may use its discretion to require bidders, offerors, contractors, or subcontractors to enter into a

1. Management

Almost 10 years ago, we made a promise to the Naval Reactors Program to be good stewards of the Bettis Atomic Power Laboratory by maintaining stability, continuing the tradition of excellence, ensuring technical independence, minimizing interference, and providing the right levels of corporate support only when asked. We believe we have delivered on this promise, and we are now pleased to have an opportunity to extend the same commitment to both of NRLFO's Laboratories—Bettis and Knolls.

Our ability to deliver on this commitment is stronger than ever. Bechtel has formed Bechtel Marine Propulsion Corporation (BMPC) as a single-purpose entity to bid on this opportunity. BMPC is a wholly owned subsidiary of Bechtel National, Inc.—we have no teaming partners or preselected subcontractors. This ensures that the lines of communication between the customer and BMPC are clear, uncomplicated, and responsive. The new, focused entity has the same stability and independence found throughout the privately owned Bechtel group of companies (Figure 1).

- As a privately owned company, we make decisions that maximize customer satisfaction, not share prices or dividends.
- Riley Bechtel is the fourth-generation Bechtel to personally run the company, ensuring that there will be continuity of our values, vision, ethics, and top-level direction.
- Bechtel is now 110 years old, and our customers have never valued us more. In 2007, the

Our management approach ensures that both Laboratories continue to deliver technical excellence that is free from unwanted corporate influence.

- We bring the stability and freedom from corporate pressures that only a privately owned firm can offer.
- Our Board of Directors fully empowers the Bettis and KAPL General Managers to act autonomously to meet or exceed NRLFO's expectations.
- We minimize reporting requirements, Board meetings, and points of contact to avoid unintended influence.
- Policy 106 sets restrictions on Bettis/KAPL interaction.

company set a record for new work booked at \$34 billion, an increase of 38 percent over 2006, which was also a record year.

- Bechtel is the largest engineering-construction firm in the U.S., as ranked by *Engineering News-Record*, and has been for the last 10 years, and it is the top civilian nuclear power contractor for 2007. Not only does this bring stability; it ensures that we have the right resources to assist NRLFO whenever asked.

Despite these strengths and records, Bechtel is a quiet company that rarely advertises or seeks publicity. We are internally motivated by performing challenging work, exceeding expectations, delivering on commitments, and growing through repeat business with customers we know and respect. NRLFO is exactly the type of customer and program we value, and we hope to extend our working relationship by operating Bettis and KAPL on your behalf for the next decade.

If you cannot trust a man's handsbake, you can't trust his signature.
Warren A. Bechtel

I know our people can build anything, under any conditions, anywhere on the face of the globe.
Stephen D. Bechtel Sr.

BECHTEL

- Privately owned company
- 110-year history of success
- 9-year experience with Bettis
- Annual bookings of \$34 billion
- Fourth generation of Bechtel family leadership
- Responsive to customer needs—not stock market pressures

Stability

It's not important that we be the biggest. It's important that we be the best.
Stephen D. Bechtel Jr.

Give Bechtel people a challenge, and they'll make history.
Riley P. Bechtel

Figure 1. Why Bechtel? Our 110-year history of stability and privacy—coupled with our 9-year working relationship with Naval Reactors—make us uniquely qualified to manage Bettis and KAPL.



1.i Independent technical judgment

Our approach to maintaining the independent technical judgment of Bettis and Knolls is tailored from the approach we have demonstrated at Bechtel Bettis, Inc. (BBI). For this contract, we have created BMPC as a stand-alone company whose policies, benefits, and practices can be tailored to meet NRLFO’s specific needs.

BMPC will be overseen by a Board of Directors that exercises arms-length governance of the current General Managers at the two Laboratories. Through BMPC’s governance documents, the General Managers will be empowered to run the daily operations of their respective Laboratories and will be fully authorized to take any and all actions necessary to ensure that NRLFO is fully satisfied with our performance, including establishing and executing policy.

We have also minimized corporate requirements that flow down to BMPC. All our governing actions are intended to ensure we maintain the high level of independent technical judgment the Laboratories now provide to the Naval Nuclear Propulsion Program. The following sections detail how we deliver on our commitment to not interfere with the independence of the two Laboratories.

1.i.A Relationship to rest of organization

BMPC, a wholly owned subsidiary of Bechtel National, Inc. (BNI), will report organizationally through BNI as shown in Figure 2. While this is a typical arrangement for our subsidiaries, BMPC will not be governed in the same way—it will be isolated to the maximum possible degree. Only the BMPC Board of Directors will have any direct interaction with the Laboratory General Managers or their employees. Oversight and assistance typically provided to our projects and subsidiaries by our corporate managers will be forbidden unless specifically requested by the General Managers and approved by NRLFO. Contact with BMPC from other Bechtel projects, functions, and services will also be prohibited. Finally, only legally required acknowledgment of Bettis or KAPL will be made in any marketing or business development activities and then only with prior approval by NRLFO.

The BMPC Board of Directors is small and responsive, and it comprises individuals known to NRLFO, as shown in Figure 3. This creates continuity of knowledge, continuance of our existing policies of non-interference in and technical independence of Bettis, and continuation of established working relationships between NRLFO officials and

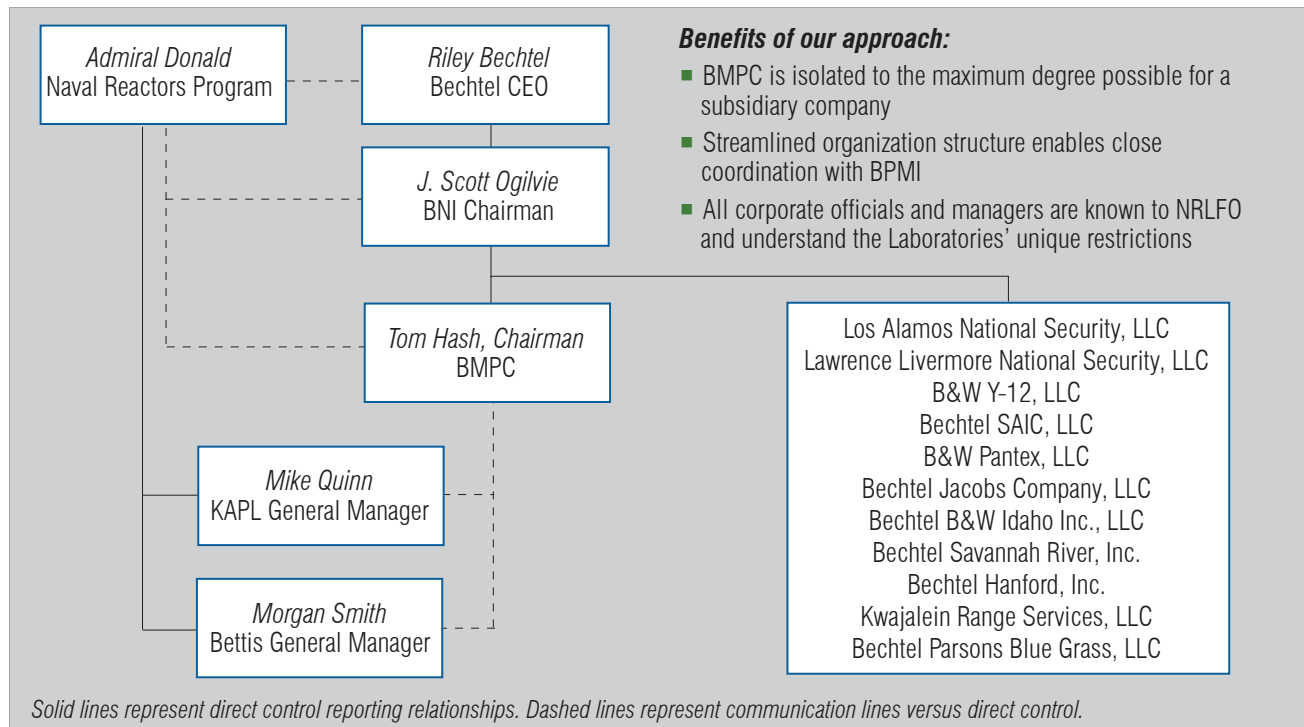


Figure 2. Relationship to Organization. We have positioned BMPC in our organization to keep it isolated while also simplifying access to key corporate officials who all understand the NR Program’s need for technical excellence and independence.

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Tom Hash, Board Chairman

- 38 years experience with NR
- 12 years experience with Bechtel
- BGI Board Director
- Board Chairman for BBI and BPMI
- [REDACTED]

Scott Ogilvie, Board Member

- President of BSII, Chairman of BNI
- Will serve as Corporate Responsible Official
- Former President of Bechtel Nuclear Power
- BGI Board Member
- [REDACTED]

Shafik Haddad, Board Member

- 9 years experience with NR
- 34 years experience with Bechtel
- Oversees Bettis/BPMI interactions with BNI
- Served on pension committees managing \$8 billion in assets

David Walker, Board Member

- President of BNI
- Responsible for 13 customer-focused standalone subsidiaries
- Oversees all Bechtel U.S. Government work
- [REDACTED]

Sandra Ogden, Board Member

- BSII General Counsel
- 30 years experience with Bechtel Legal
- Expert in government contracting

Figure 3. BMPC Board of Directors. Our Board members are familiar to NRLFO, they know how to minimize interference with the sites, and they are dedicated to maintaining the Laboratories' independence and technical excellence.

Bechtel senior management. Consistent with our practice for the last 9 years, our Board of Directors will exercise its fiduciary duties and governance of BMPC while keeping visits and interactions with the sites to a minimum. They have and will continue to communicate routinely with senior leadership of NR and NRLFO to seek input on performance in delivering what we promise.

Mr. Tom Hash will serve as the Chairman of the BMPC Board. As Chairman of BBI and Bechtel Plant Machinery, Inc. (BPMI) for the last 9 years, Mr. Hash has played an important role in facilitating leadership changes at Bettis, PAD, and MAO in a seamless manner. He also provided leadership

in the consolidation of PAD and MAO as well as insights that helped NRF improve its performance. As Chairman of BMPC, Mr. Hash will leverage this experience as well as his 38 total years of NR Program involvement—first through his affiliation with B&W and then at Bechtel as the President of BNI and BSII—to ensure that the Laboratory General Managers are empowered to maintain the Laboratories' technical independence from Day One of the new contract.

Mr. Scott Ogilvie has been named as our Corporate Responsible Official. [REDACTED]

[REDACTED]. Mr. Ogilvie is a Bechtel Partner and Senior Vice President, making him one of the 45 most senior managers within the 40,000-person organization. [REDACTED]

[REDACTED] He also serves on the Accenture Energy Advisory Board and the University of Maryland School of Engineering Board of Advisors. This assures NR that Mr. Ogilvie has the corporate standing needed to address any issues brought to his attention by NRLFO, the BMPC Board, or the Bettis or KAPL General Managers.

Mr. Ogilvie also brings a strong nuclear power background to this assignment and a hands-on understanding of the challenges facing the nuclear industry and the NR Program in finding, recruiting, retaining, and developing the necessary resources to maintain the technological edge needed for this business. As the President of Bechtel Power from 2001 to 2007, Mr. Ogilvie drew upon his management expertise and thorough knowledge of the power industry to establish the company as the premier provider of steam generator and reactor pressure vessel head replacement services for nuclear power utilities worldwide—during this period he managed Bechtel's nuclear and fossil power divisions in the successful delivery of 39 new generation projects and 8 steam generator replacements in 15 countries on 5 continents. Mr. Ogilvie is well positioned to continue Mr. Hash's practice of providing appropriate resources from Bechtel's core



competencies (e.g., construction, project management, nuclear power, and safety) when desired by the Program.

In setting up BMPC through its by-laws and articles of incorporation, we have been careful to balance the need for integrated governance of the Laboratories with the need for protecting the independent technical judgment of Bettis and KAPL. Populating the Board with experienced managers who all understand the NR Program is a strong first step in achieving this balance. The Board will meet annually unless circumstances warrant more frequent meetings such as during the initial phase of the new contract.

To simplify interactions with the sites, the Board will delegate routine governance and integration duties to one of its members, Mr. Shafik Haddad. Mr. Haddad has exclusively—and at no cost to the Bettis contract—performed similar duties over the last 9 years. He has been instrumental in interfacing with NRLFO, leading our initial transition efforts, providing corporate support when required, serving as a fiduciary for pension and benefit plans, and driving closer cooperation between Bettis and BPML. Mr. Haddad provided assistance to the Bettis senior management team when requested, and he served as a liaison for accessing Bechtel corporate resources to better support the Program. He also actively supported the various consolidations and cost saving initiatives and was diligent in ensuring that the rest of the Bechtel organization was aware of and compliant with corporate policies protecting Bettis’ independence. Mr. Haddad will continue in this role to support the Laboratory General Managers under BMPC.

[REDACTED]

With this arms-length approach, Messrs. Smith and Quinn will report to the Chairman of the Board, who will hold them accountable for satisfying the expectations of NRLFO. Both General Managers will be fully empowered to take any and all actions needed to ensure that the Program is totally satisfied with our performance. Mr. Hash will hold Messrs. Smith

and Quinn accountable for successfully managing the relationship between BMPC and Naval Reactors. This accountability ensures that every action taken is protective of human health and the environment, all BMPC deliverables are of the highest quality and are completed on schedule and within or under budget, and the two Laboratories provide their services in the most cost-effective manner possible. Messrs. Smith and Quinn will be authorized by Mr. Hash to commit BMPC in all financial and contractual matters. Figure 4 further depicts the General Managers’ responsibilities, authorities, and accountabilities.

1.i.B Degree of technical independence of Bettis and KAPL

By setting up BMPC as a stand-alone company with arms-length governance of two fully autonomous General Managers, we have taken important first steps toward ensuring that it has the highest possible degree of technical independence. Messrs. Smith and Quinn do not have to consult with any corporate officials before making programmatic decisions that affect their respective Laboratories. They are to remain focused on continuing the

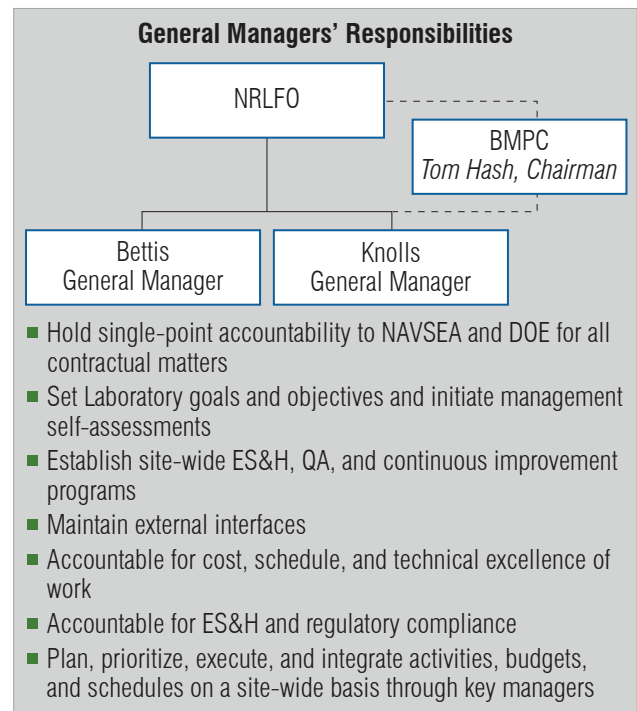


Figure 4. General Manager Responsibilities. To ensure their ability to continue technical independence, we have assigned to Messrs. Smith and Quinn the autonomous authority needed to manage their Laboratories on a daily basis.



tradition of excellence expected by both NRLFO and Bechtel. However, we have not stopped there. We have taken additional measures to further ensure that the Laboratories are independent of intentional and even unintentional corporate influence. We have developed an approach to preserving the benefits of having two independent Laboratories while also accelerating savings through integration where possible. The following sections describe these approaches.

1.i.B.1 Independence from corporate influence

When we were awarded the Bettis contract nine years ago, we immediately implemented several measures to ensure that Bechtel corporate managers and employees understood the unique nature of the contract and the constraints placed on interactions with Bettis. As demonstrated by our successful experience over the life of the contract, these measures have been effective. Should we be awarded this new contract, we will repeat these measures to reinforce the restrictions on Bettis interactions and extend the policies to apply to KAPL. These measures include the following:

- We have modified BSII Policy 106. This policy has been in place since we were awarded the Bettis contract almost a decade ago. As shown in Figure 5 on the following page, we have prepared an update that expands Policy 106 to include KAPL as well as Bettis. This modified policy will be implemented immediately upon award of this new contract. This policy ensures that Bettis and KAPL are free of corporate influences that would negatively impact the level of technical independence now in effect.
- While Policy 106 formally establishes the restrictions on interactions with the Laboratories, we will also widely advertise these requirements to ensure that all BNI employees are aware of and compliant with them. For Bettis, this will serve as a reminder of the widely understood policy we have enforced since 1998. For KAPL, this will sensitize the population to the fact that the limit on interactions is broader than it was before. We will achieve this wide notification through our existing communication tools, including e-mail, the corporate intranet, and corporate publications such as the *Bechtel Globe*. The restrictions

will be included in the announcement of the contract award—good news that will attract the attention of every Bechtel employee.

Drafts of these communiques are depicted in Figure 6.

- We will distribute to all BNI functional managers a copy of our letter of commitment to Admiral Donald (included in Section K of our Offer volume). This letter reinforces our dedication to supporting NRLFO, achieving technical excellence, and ensuring technical independence. Put simply, we are here to serve the needs of the NR Program. Within the Bechtel organization, functional managers are the individuals who provide oversight and staffing of technical departments on projects—Mr. Ogilvie’s letter to Admiral Donald will firmly embed in their minds the hands-off relationship they must maintain with Bettis and KAPL. Figure 6 also reproduces this commitment letter.

We are confident that these measures will be extremely effective because the entire BNI workforce is already aware of and used to observing these restrictions for Bettis. Broadening these policies to KAPL will be a logical extension of our current practices.

1.i.B.2 Independence from each other

The structure of BMPC retains both the KAPL and Bettis General Managers and keeps both organizations intact and separate. Both General Managers report individually to the Chairman of our Board of Directors, and both are equally empowered to take the actions they deem necessary to safely accomplish their assigned scopes of work and satisfy their customers. This ensures that both Laboratories remain independent of each other.

Within this independent structure, there are opportunities to promote and accelerate the ongoing cost savings and business enterprise initiatives among Bettis, KAPL, and BPMI in areas that do not affect independent technical judgment. This will naturally occur as a result of removing the corporate barriers between these organizations and by encouraging all General Managers and their staff to collaborate effectively. The BMPC Board will, with NRLFO’s approval, encourage the Laboratory Directors to streamline processes and systems to





benefits shall be reviewed with and approved by the BNI Naval Reactors Program Integration Manager who shall seek the approval of the Naval Reactors Laboratory Field Office prior to such requests being made.

Approval Requirements

This policy can be changed only with the written approval of the Chairman of BNI.

Submitted by: S. Haddad

Approved by: J. S. Ogilvie



Subject: Interaction with the Bettis and Knolls Atomic Power Laboratories

Purpose

To establish the means by which other Bechtel entities may interact with Bechtel Marine Propulsion Corporation (BMPC), the management and operations contractor of the Bettis and Knolls Atomic Power Laboratories and formalize the limitations on corporate requirements to be placed on BMPC.

Background

BMPC is a standalone, fully autonomous, wholly owned subsidiary of Bechtel National, Inc. (BNI). BMPC was created solely to serve the Naval Reactors Program. Above all else, BMPC must provide independent, unbiased technical recommendations to its customers. To ensure BMPC retains the independence to fulfill its mission, interactions with BMPC are strictly limited.

Policy

Limit recruiting of BMPC personnel. BMPC personnel cannot be recruited by other corporate entities either for full time employment or part time consulting without the written permission of the BMPC General Managers. To implement this prohibition, the following actions are required:

- All BMPC employees will be excluded from all corporate human resources databases in order to ensure that these employees do not show up on computerized searches run for the purposes of locating personnel with a specific expertise for use on a project, to fill open job requisitions, or to propose as a key person in a business development exercise.
- The BNI Naval Reactors Program Integrator, in coordination with the BSII Manager of Functions, is accountable for ensuring that the BSII functional managers avoid any unauthorized contacts with BMPC for the purpose of recruiting personnel.
- The BMPC General Managers are responsible for filling BMPC open positions in accordance with BMPC policies only. BMPC is not required to post internal job openings with other Bechtel corporate or subsidiary entities if it chooses not to do so.
- The BMPC General Managers will immediately notify the BNI Naval Reactors Program Integration Manager of any violations of this policy. Once notified, the BNI Naval Reactors Program Integration Manager will review this policy with the offending individual. Disciplinary action may be taken at the discretion of the BNI Chairman—up to and including termination as warranted.

Ensuring technical independence. No influence—either intended or not, direct or indirect—can be exerted on BMPC employees regarding recommendations to be made to the Naval Nuclear Propulsion Program. All decisions and recommendations must be unbiased, made for the good of the Program, and exclusive of any considerations motivated by corporate financial or strategic considerations.

- The BMPC General Managers have been given full autonomy over all BMPC contractual, financial, technical, and performance matters. This autonomy is limited to BMPC matters; approval from the BSII President is required before the BMPC General Managers can authorize expenditures of derived funds in excess of the approval limits specified by the applicable delegation of authority letters, or before taking an action that would place BMPC or its parent companies at greater risk than already obligated by the DOE and NAVSEA contracts.
- No off-project reviews of BMPC's work (technical or budgetary) will be conducted unless requested in writing by the BMPC General Managers. The BNI Naval Reactors Program Integration Manager will review this restriction with all BNI functional managers annually.
- All marketing and business development (M&BD) prospects that may present a conflict of interest to BMPC, or may adversely impact BMPC's ability to provide unbiased recommendations, shall be reviewed with the BMPC General Managers as part of the management approval process. If the conflict—real or implied—is deemed by the BMPC General Managers to be detrimental to BMPC's independence, a "no bid" decision is mandated. The BNI Naval Reactors Program Integration Manager, in coordination with BSII M&BD Managers, is accountable for recognizing the potential of conflict as prospects are reviewed and for getting the required input from the BMPC General Managers. On an annual basis, this limitation shall be reviewed with all BSII M&BD Managers.
- Corporate reporting requirements imposed on BMPC shall be strictly limited. Financial reporting shall be limited to quarterly preparation and presentation of the standard Project Financial Status Review (PFSR) form. All reporting requirements beyond the PFSR and those necessary for employee compensation and

Figure 5. Ensuring Technical Independence. Upon award, we will publish a modified version of our existing Policy 106 (as shown above). This will include KAPL in our existing "hands-off" approach to interacting with Bettis.



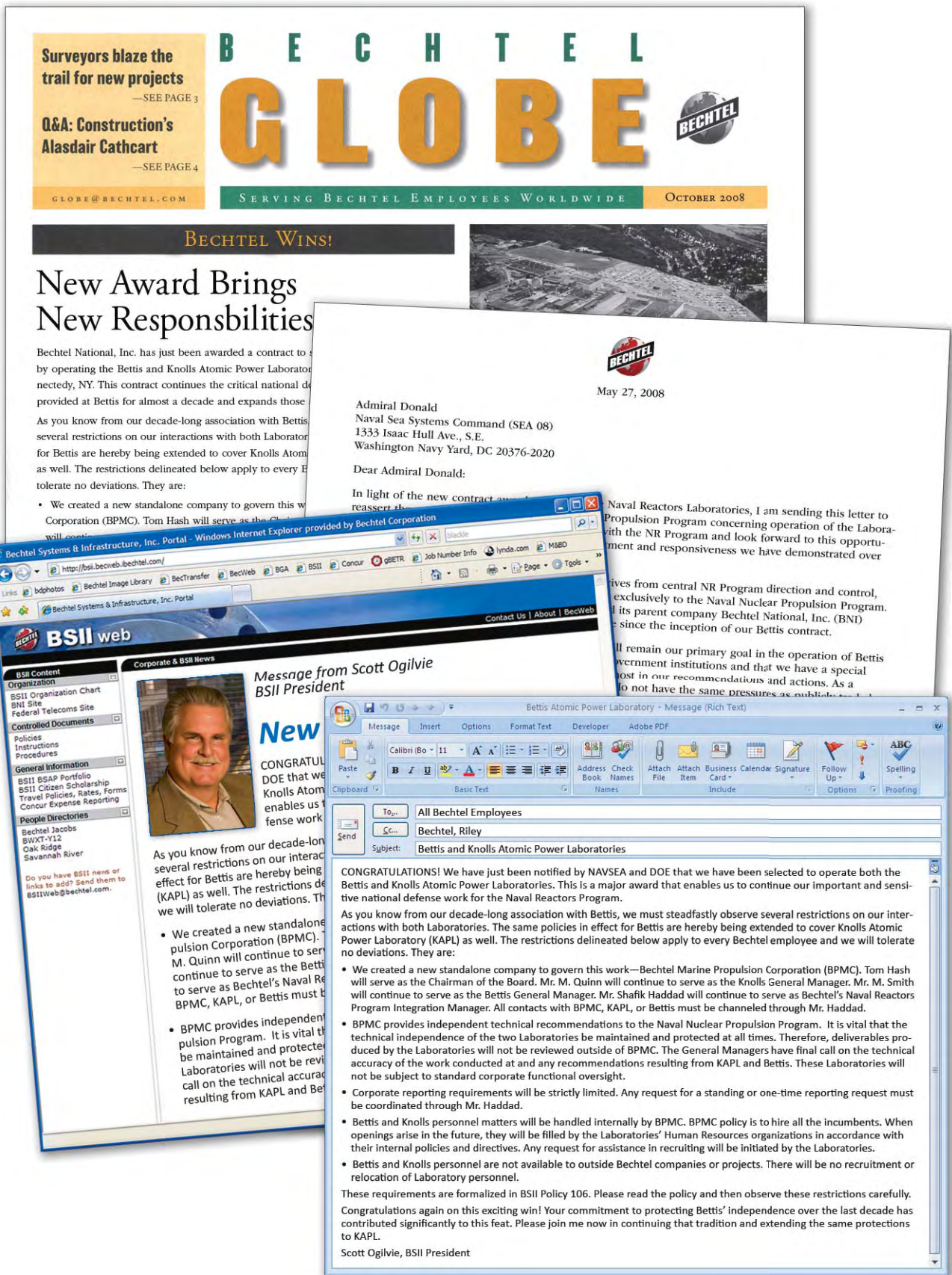


Figure 6. Eliminating Corporate Interactions. To enforce the commitments we made to Admiral Donald, we will notify all Bechtel employees of the rules for interacting with Bettis and KAPL immediately upon award of the contract.



improve overall performance while also simplifying interactions and reviews by NRLFO, without compromising the independence of technical judgment at the Laboratories.

1.i.C Corporate plans for staffing including limits on recruitment by rest of organization

Our corporate approach to staffing Bettis and KAPL is fully compliant with contract Clause H-21, Personnel and Qualification Criterion (1) from RFP Section M. We will make employment offers to all incumbent personnel at the same base salary/pay rates they are being paid at the time of the offer of employment. We will promote from within to fill management positions, recruit to fill entry-level positions, and strictly forbid the transfer of personnel to other Bechtel entities or projects unless NRLFO so approves. Each of these components of our approach, summarized in Figure 7, is discussed in the following sections.

1.i.C.1 Hiring all incumbents

Our goal is to hire 100 percent of the Bettis and KAPL managers, employees, and workers in the most efficient and cost-effective manner possible. Being the sole owner of BBI and BMPC, BNI will transfer all existing BBI employees into BMPC effective the day after transition ends. Using the communication plans outlined in Section 1.ii, Transition, Bettis employees will be notified early of their impending transfer of employment, and their questions will be promptly answered to ensure continuity of work and to avoid disruptions.

BMPC will quickly extend offer letters to all KAPL, Inc. employees. We will begin with a hand-delivered offer to Mr. Quinn within 48 hours of the start of the transition. All current key personnel will receive offers in the first week of the transition. All remaining incumbent employees will receive offers the following week. With two weeks allowed for responses to offers, we will know by the end of the first month of transition if there are any employees who elect to not join BMPC. This strategy allows ample time to implement contingency plans. Our plan and schedule for this process are detailed in Section 1.ii.

One of the major components of our transition plan is the smooth assimilation of the Bettis and KAPL workforces. During the transition, we will

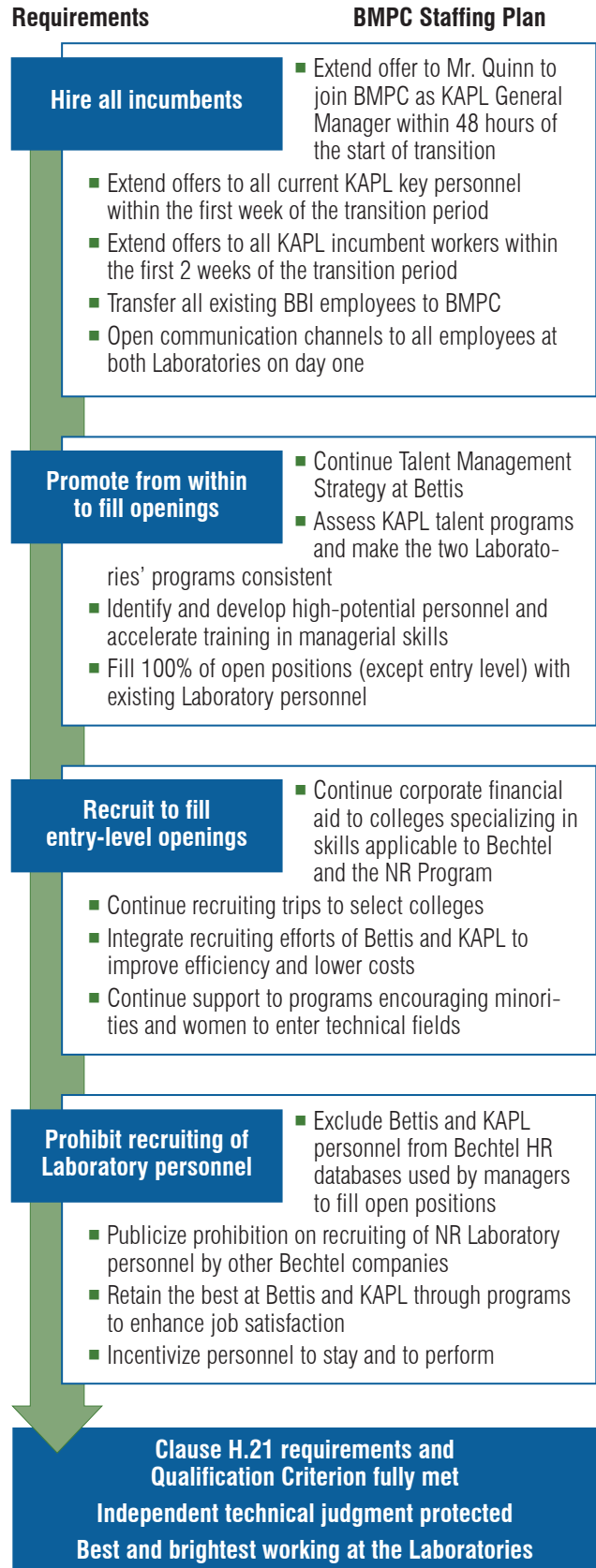


Figure 7. Staffing Plan. Our plan for staffing Bettis and KAPL with the most talented and motivated personnel is based on our experience in attracting top performers to Bechtel and Bettis.

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communicate with all employees at both sites to help them understand that there will be no impact on their daily work assignments, their reporting relationships with their supervisors, or their overall pay and benefits packages. While the transition should be more transparent at Bettis, where Bechtel is already a known entity, we will emphasize communication and openness at both sites throughout the transition period to ensure that we maintain continuity of all ongoing operations.

1.i.C.2 Developing and promoting to fill openings

Many of the positions at Bettis and KAPL are highly specialized and require unique knowledge, training, or expertise. Our 9 years of experience at Bettis have shown us that it is much more effective and efficient to promote from within to fill openings that arise. It is also better for morale because the employees know that they will receive top consideration for any promotions.

As Figure 8 shows, we have been very successful with promoting from within at Bettis—new college hires are progressing steadily into successively more responsible positions by being promoted as openings arise. Our commitment to promote from within is also shown in the composition of our current management team. Today’s Bettis leadership team includes 28 Bettis managers and 1 KAPL employee. Of the 28 Bettis managers, only 5 managers remain from the incumbents we hired in 1999. We encouraged the General Manager to promote from within to fill 22 of those 23 openings over the last 9 years. With the endorsement

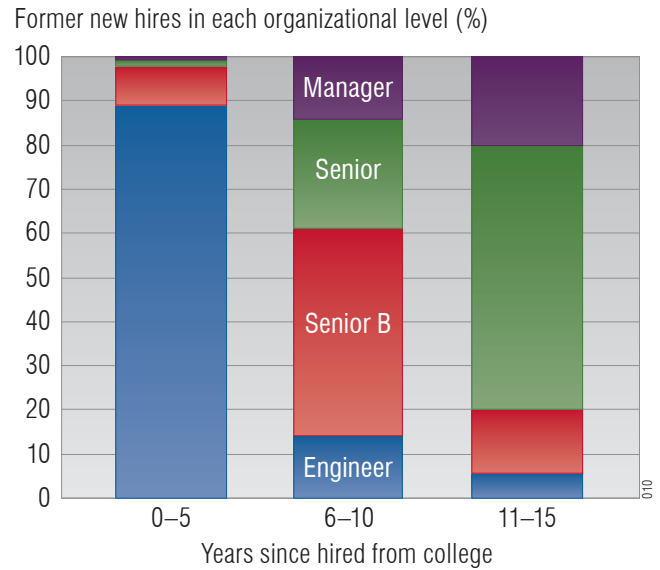


Figure 8. Promoting From Within. Our data from Bettis show that our college hires are steadily progressing upward in our organization, demonstrating our commitment to promote from within to fill openings

and approval of NRLFO, Bettis made one strategic activity-level hire from Bechtel to leverage a Bechtel core competency in construction and construction management. Similarly, at NRF, the current management team consists of 2 original members, 8 promotions from within, and 3 external strategic hires made with NRLFO approval.

To continue this tradition and ensure that we always have the next generation of leaders ready to step up and fill openings, BMPC will initially adopt the formal Talent Management Strategy now in use at Bettis (Figure 9). BBI implemented this approach by tailoring Bechtel’s corporate Global

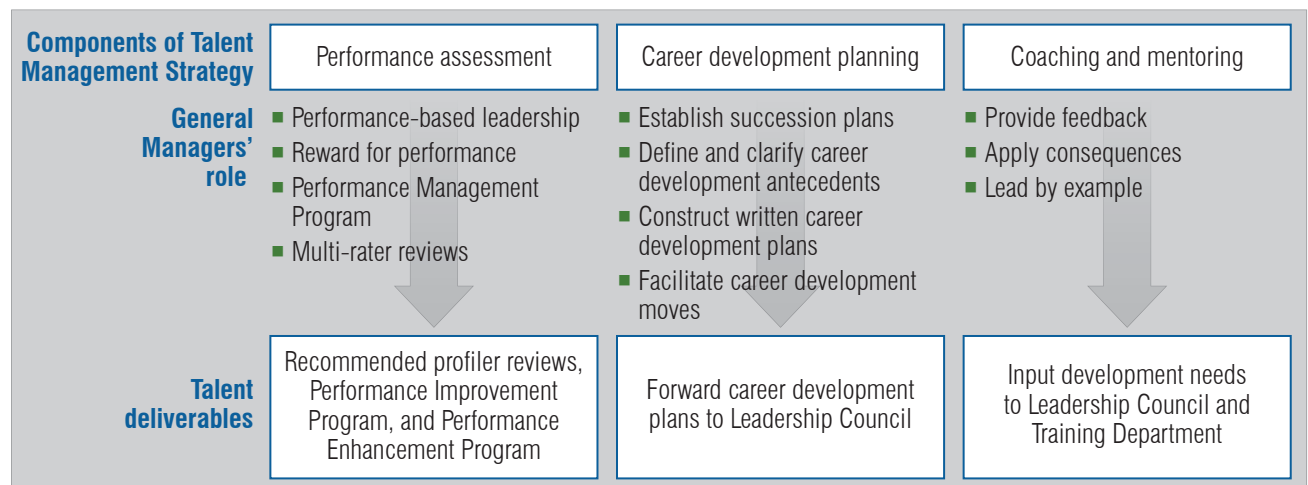


Figure 9. Talent Management Strategy. At Bettis, we are actively monitoring and developing the talent of the employees to ensure we have the next generation of leaders ready to smoothly step into openings and continue the site’s vital missions without interruption.



Talent Strategy. During transition, we will work with Mr. Quinn to determine whether a similar program is in place at KAPL, and we will expand this approach to address both Laboratories consistently.

Our Talent Management Strategy addresses both succession planning and leadership development. The BBI Leadership Council (like our functional managers at Bechtel) drives the process through annual talent identification exercises such as the one conducted on May 14, 2008. In this exercise, each manager reviews his/her succession plans and the status of the individuals in line for key positions. Leadership abilities are evaluated against the performance criteria outlined in Figure 10. Talent is rated as “ready for management now,” “ready in 1–3 years,” or “ready in >3 years.” Dossiers are reviewed by the attending managers, and adjustments are made as needed. Specific staffing issues such as upcoming shortages of critical skills are discussed and resolved.

From this exercise, development plans are customized to enable the responsible managers—with support from Human Resources—to guide employee development and growth so the pre-identified individuals are prepared to assume increased responsibilities as the needs arise and to fill openings as they occur.

For lower-level positions, Bettis advertises openings to the general population of the Laboratories and interviews potential internal candidates to

identify the most suitable replacements. This is an area where the combined Bettis/Knolls contract will improve resource sharing and efficiency. As pay and benefits packages are normalized between the two sites, movement of personnel among all the locations will become easier. This will allow personnel to be exchanged, shared, or transferred if desired. This flexibility will improve efficiency, increase retention, and enhance job satisfaction because more opportunities are open to the workforce. If a replacement is required for which no qualified candidate can be found within BMPC, Mr. Smith or Quinn would immediately seek approval from the Contracting Officer to expand the search for a qualified replacement external to the Laboratories. No action would be taken to look outside Bettis or KAPL before approval is granted by the Contracting Officer.

1.i.C.3 Recruiting to fill entry-level openings

Just like Bettis and KAPL, Bechtel’s corporate success rests heavily on its ability to find, attract, hire, and retain the best talent in the industry. Our people are our major competitive advantage. For this reason, we maintain aggressive recruiting programs at the best schools around the nation.

Both Bechtel Corporation and Bechtel Bettis have comprehensive college relations programs that include mature on-campus recruiting, internship, summer hire, and scholarship components. In addition to finding the best available talent, these

Performance Criteria	Competencies	Seven Performance Characteristics of a Great Leader
Customer focus	<ul style="list-style-type: none"> ■ Customer relations 	1. Drive to create value for both the organization and the customer
Leadership and teamwork	<ul style="list-style-type: none"> ■ Lead courageously ■ Effective teaming ■ Motivate others ■ Leverage diversity ■ Initiative 	2. Manage for the good of the entire organization, not just a particular area of responsibility 3. Act as owners, not just caretakers 4. Enable and empower their people and each other to succeed
Contribution to mission success	<ul style="list-style-type: none"> ■ Think strategically ■ Project management ■ Continuous improvement of people, processes, and product 	5. Position the organization for future success, looking well beyond just immediate needs
Organizational and individual work objectives	<ul style="list-style-type: none"> ■ Promote ES&H and security programs ■ Effective communications ■ Adaptability/flexibility 	6. Provide positive leadership through even the most difficult times 7. Understand their strengths and weaknesses and build a staff around them that fills in the gaps

Figure 10. Leadership Expectations. Bechtel Bettis evaluates and develops its managers to achieve **High Managerial Skills** Seven Characteristics of a Great Leader.



efforts keep Bechtel and Bettis attuned to the curricula that schools are offering (as they relate to business lines of interest to us) and their progress in attracting more minorities and women to careers in high-technology and engineering fields. Bechtel's corporate experience in implementing recruiting programs is described in further detail in Section 1.iii.B. The remainder of this section focuses on BBI's successes in recruiting to fill entry-level openings as they have arisen over the last 9 years.

Since 2000, BBI has recruited 1,777 new employees to fill openings created by all routine forms of attrition as well as the accelerated recruitment necessary to staff the Space Reactor program in 2005. As shown in Figure 11, 460—or 26 percent—of these new hires resulted from BBI's extensive college recruiting efforts. In the first 5 months of FY08 alone, BBI has held 18 career fairs and 24 on-campus interview events at 28 different colleges and universities (Figure 12). This effort demonstrates that Bechtel Bettis is actively engaging with the nation's top colleges and universities to successfully bring highly talented college graduates to the NR Program. This success is facilitated by the connections BBI develops with students and educational institutions from its active scholarship and internship programs. In 9 years, BBI has awarded 65 scholarships and hired 169 interns. Our data indicate that retention rates for interns is demonstrably higher than for the general employee population.

Our experience at NRF also demonstrates our ability to recruit. As the NRF mission evolved and new requirements came into effect, Bechtel

Fiscal year	Scholarships	Interns	College hires	Total hires
2000	10	10	20	133
2001	5	27	35	125
2002	4	26	11	58
2003	8	28	54	155
2004	10	25	80	248
2005	8	28	176	551
2006	7	4	33	166
2007	13	21	51	341

Figure 11. Bettis Recruiting Program. Our comprehensive recruiting efforts use scholarships, internships, and aggressive outreach to consistently bring the best people to Bettis.

School	Career Fair Date	Campus Interview Date
North Carolina A&T	9/11/2007	9/12/2007
Kansas State	9/18/2007	9/19/2007
University of Tennessee	9/18/2007	N/A
Virginia Polytechnic Institute	9/18/2007	10/23/2007 & 10/24/2007
Penn State	N/A	11/15/2007
University of Virginia	9/20/2007	TBD
University of Michigan	9/24/2007	N/A
Florida A&M	9/26/2007	N/A
Rochester Institute of Technology	9/26/2007	9/27/2007
Tuskegee	9/27/2007	TBD
University of Maryland	9/27/2007	9/28/2007
Pittsburgh	10/3/2007	10/11/2007
University of Nebraska	10/31/2007	10/4/2007
Youngstown State	10/3/2007	10/4/2007
Ohio State University	10/4/2007	10/18/2007
Penn State, Behrend	10/9/2007	10/10/2007
Grove City	10/10/2007	10/15/2007
West Virginia University	10/17/2007	11/6/2007
Carnegie Mellon	N/A	11/1/2007
Cornell	N/A	10/18/2007
University of Central Florida	N/A	11/30/2007
Purdue	N/A	10/1/2007 & 10/2/2007
Rose Hulman Institute of Technology	N/A	9/26/2007
Rensselaer Polytechnic Institute	N/A	10/2/2007
University of Missouri-Rolla	N/A	10/4/2007
Howard University	2/20/2008	N/A
Illinois	N/A	9/18/2007
University of Notre Dame	N/A	9/27/2007

Figure 12. Campus Recruiting to Date in FY08. Bettis personnel routinely recruit from the best schools in the nation to attract college hires to the NR Program.

increased the staffing from 653 to 1137. This was accomplished by hiring locally, transferring Bechtel professionals, and recruiting from nearby sources. This 484-person recruiting effort is especially noteworthy considering the remoteness of the site and the extended travel time to get to work each day.

We have no doubt that the existing KAPL college recruiting efforts are of the same caliber as our Bettis program. However, we believe there may



be slight differences in approaches. At Bettis, we have adapted Bechtel's corporate approaches into a stand-alone, NR-specific, Bettis-executed recruiting program. We disengaged the BBI recruiting efforts from Bechtel's corporate initiatives because they have different goals. Where Bechtel Corporation values mobility and attracts people interested in variety through rotational assignments to different aspects of a large company, BBI wants to find employees interested in long-term careers dedicated to the NR Program—not an entry point to bigger Bechtel. While the merger of the Bettis and KAPL contracts may engender more mobility than is currently possible, we believe the individuals sought by Bechtel and BMPC will still be fundamentally different. BMPC will continue to focus on attracting and retaining excellent personnel with the explicit intent of building their careers by serving the NR Program. To the degree possible, BMPC can leverage Bechtel's knowledge of and reputation in the nuclear industry, but we envision that the recruiting programs should remain separate.

Under the new contract, we will evaluate recruiting at Bettis and KAPL and will integrate and normalize the efforts where possible. By recruiting under one NR Program banner, we can improve recruiting efficiency while also reducing costs.

1.i.C.4 Retaining the best at the Laboratories

Our approach to keeping the best personnel at the Laboratories consists of two major elements:

- We strictly forbid “raiding” of the Laboratories by any Bechtel corporate entity. As described in Section 1.i.B.1, we will expand our corporate policy restricting interaction with and recruiting from Bettis to also include KAPL (shown earlier in Figure 5). Furthermore, as was shown in Figure 6, we will broadly advertise these restrictions so all Bechtel employees understand and comply with the stated policy and the contractual requirements from Clause H.21 that “The contractor will coordinate with the contracting officer prior to any management initiated transfers of personnel from the Naval Reactors Program to other contractor locations.” Additionally, Bettis and Knolls employees hired into BMPC will be excluded from corporate Human Resources databases designed to track and identify personnel by

location, competencies, and skill types. In this way, they will not show up in searches run on those databases by corporate managers trying to fill positions on other projects.

- We have corporate- and Bettis-specific initiatives focused on keeping the best talent once we find it, including competitive compensation packages, rewards for performance, employee development programs, leadership training, community involvement, training opportunities, and other efforts to improve job satisfaction and work/life balancing.

As shown in Figure 13, these have been proven effective at Bettis where annual voluntary attrition over the last 5 years has ranged from 1.6 to 3.0 percent—dramatically lower than the double digit attrition rates being experienced in many high-tech industries. Excluding retirements, the percentage of employees who leave simply for a perceived better or different opportunity has ranged from 0.5 to 1.7 percent. The result of these efforts will be that the Bettis and KAPL workforces will continue to be very stable, capable, and motivated to support NRLFO in this important national program.

1.i.D Corporate reporting requirements

Just as we did for BBI, corporate reporting requirements for BMPC will be kept to a minimum. Essentially, the only reports we will require

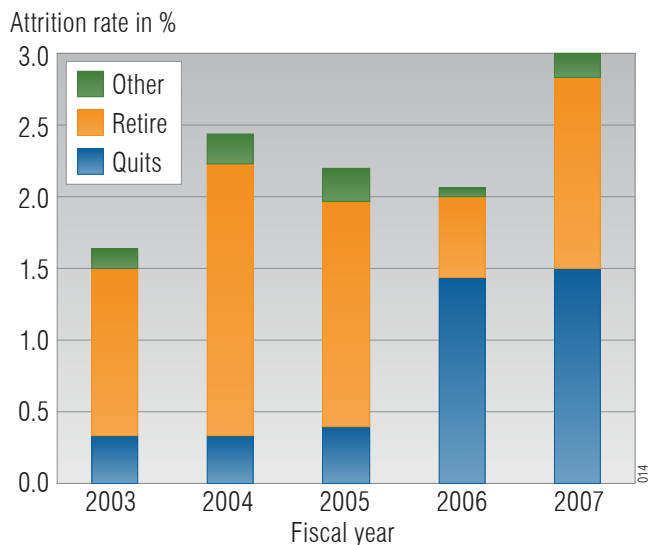


Figure 13. Bettis Attrition Rates. High employee satisfaction at Bettis has resulted in attrition rates much lower than in similar high-technology industries.



are those needed to satisfy Bechtel's fiduciary and legal responsibilities for a subsidiary company and to gather data that we in turn are required to report to the Government.

Figure 14 summarizes the notifications approved by the NRLFO Contracting Officer that are now in place for Bettis; we anticipate the same would apply to KAPL. As the figure also shows, in keeping with our commitment to NR, we strictly limit the distribution of these reports/notifications; most are handled by Bechtel's Naval Reactors Program Integration Manager, Shafik Haddad. Also, we keep the notifications and reporting process as simple as possible. In most cases the process is conducted through a quick phone call or inclusion of Bechtel on the distribution list of an existing report.

1.i.E Financial or other corporate goals and requirements

We will impose no corporate financial goals or requirements on either Bettis or KAPL. Our private ownership means we are not driven by the need to

see a specific return on each dollar invested. We are not subject to external pressure from stockholders and investors to return a profit of a certain magnitude each quarter so stock prices or dividends do not decline. Once our fee has been set through NRLFO's acceptance of our offer, our corporate financial goals are met. Beyond that, our financial books are closed to the public, and monetary issues take a back seat to achieving technical excellence and satisfying our customers.

The only corporate expectations we will set for BMPC will be that its employees do everything within their power to meet or exceed NRLFO expectations on a daily basis and to consistently drive toward Zero Accidents in all work they do.

1.i.F Incentives planned for BMPC management

Bechtel is committed to rewarding its employees and managers for their performance, and that has been our policy at Bettis. Under this new contract, we will continue the Bettis Reward for Performance (RFP) incentive structure now in place

Item	Project Contact	Process	Bechtel Contact
Safety incidents	Schramm/Reynolds	Telephone call/fax	Haddad/Mathis
Lawsuits (excluding workers' compensation)	Leonardi	Communicated via phone call. Include BNI on distribution of annual fiscal year contingent liability report.	Haddad/Humphries
Procurement protests	Leonardi	Telephone call	Haddad/Humphries
Awards, events, ceremonies	Smith/Burton	Telephone call/fax	Haddad
Budget changes	Haughey	Review via Project Financial Summary Report (PFSR)	Haddad
PFSR	Haughey	Submit in accordance with BNI schedule	Haddad/Sweningsen
Contract amendments	Haughey	Provided to BNI for information/approval as needed	Haddad/Humphries
News/media stories in paper or about to be published	Bradfield (PAO)/DiBattista/Kelleher	Telephone call/fax to corporate Public Relations Officer	Kidder/Haddad
External audits (IG, DNFSB)	Haughey	Telephone call/fax	Haddad
Monthly SB/SDB activity	Andreos	Statistics provided to BNI	Houston/Haddad
Labor grievances/agreements	Hutchings	Telephone call/fax	Haddad/Humphries
Monthly safety reporting	Schramm	Report monthly to incorporate in corporate statistics	Poff/Snow/Haddad
NOVs, fines, permit issues	Schramm/Reynolds	Telephone call/fax	Haddad/Humphries
Internal audit team reports	Haughey (Richert)	BNI included on distribution	Mende/ Haddad
Unusual incidents	Smith/DiBattista/Kelleher	Telephone call/fax	Haddad
Terminations for cause	Hutchings	Telephone call	James/Haddad
Standard HR reports	Hutchings	Include BNI on distribution	James/Haddad
Out of policy/exceptions	Haughey	Contact BNI in accordance with delegation letter	Ogilvie/Haddad
Interworks Requisition (IWR)	Andreos	Formal Purchase Orders/Change Notices as needed	Haddad
Six Sigma	Bradfield	Annual Six Sigma Plan and PFSR progress reporting	Rochester/Haddad

Figure 14. Corporate Notifications. We have reduced the reporting requirements for BMPC to the least amount possible for a corporate subsidiary to ensure the Laboratories' technical independence and freedom from interference.



where NR sets aside up to 0.44 percent of the Bettis payroll for incentives, and Bechtel contributes [REDACTED] to that pool. During transition, we will review the KAPL incentive program, which we believe to be similar to the Bettis program. Differences will be resolved, and a fair, equitable, and consistent structure will be implemented across both Laboratories. All RFP bonuses (including both the Government and contractor portions) will be shared openly with, and approved by, NRLFO prior to award.

We have two major goals for the consolidated BMPC incentivization program. First, we will reward key managers for achieving NRLFO-established objectives and expectations and accomplishing the overall mission of the Program. Second, we will incentivize our leaders for collaboration, leadership, and consistent efforts to improve effectiveness and efficiency. These areas align well with Mr. Morgan Smith's Seven Characteristics of a Great Leader, shown earlier in Figure 10.

We will also continue to work to increase the number of employees being incentivized through the RFP program. We have already made strides in this at Bettis. When we took over the contract, [REDACTED] [REDACTED] [REDACTED] [REDACTED] By increasing the number of employees eligible for the RFP program, we build ownership of both individual and collective performance, enhance employee alignment with NRLFO goals, and drive motivation and alignment to lower levels of the organizations.

[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] Awards from these funds will continue to be tied to NRLFO objectives [REDACTED] [REDACTED] [REDACTED] [REDACTED]

[REDACTED] For the two Laboratory General Managers, BMPC will evaluate additional criteria such as the following when allocating bonus awards:

- success in implementing effective and timely

career development and succession plans that address routine attrition issues and anticipated skills shortages;

- degree of inter-laboratory collaboration in finding enterprise-style efficiencies and savings without jeopardizing the independent technical judgment of either Laboratory;
- continuing progress in improving the safety cultures and security postures at both Bettis and KAPL; and
- degree of cooperation in developing joint systems for budget development, prioritization, management, reporting, and corrective actions.

At the beginning of each year, we will seek NRLFO input on the specific areas that DOE and NAVSEA want to incentivize. As RFP awards are being determined, we will solicit input from NRLFO on the performance of each General Manager against the established criteria. We reiterate that Rewards for Performance will not be tied to corporate financial goals or requirements, as we will impose none on the Bettis or KAPL managers.

1.i.G Policies affecting technical independence

In developing our management plan for Bettis and KAPL, we have been extremely careful not to create any policies that would hinder or impact their continued ability to provide unbiased, independent technical recommendations. As demonstrated throughout this section, we have formalized the "arm's-length" policy for interactions between the Laboratories and external Bechtel entities through BMPC governance documents, corporate policies, letters, e-mails, and intranet postings. We have mandated that BMPC's legally required Board of Directors must not become intrusive. We are complying with the requirement to retain all current managers and promote from within. We are placing great trust in Messrs. Smith and Quinn by empowering them to autonomously run their respective Laboratories within the new BMPC.

These are commitments we take seriously. We have delivered on the promises made in our original Bettis proposal submitted almost a decade ago. From that performance record, NRLFO can be assured that we will continue our commitments at Bettis and extend the same protection of independent technical judgment at KAPL.



1.ii Transition

Our approach to workforce transition has been refined and improved on the 17 transitions we have accomplished since 1995 (Figure 15). In all, we have smoothly transferred over 47,000 incumbent employees into Bechtel National, Inc. or its subsidiaries such as Bechtel Bettis, Inc. Over 90 percent of these transferred employees were working on DOE M&O contracts with circumstances similar to the upcoming Bettis and KAPL transitions.

From this extensive experience, we have developed four principles to help us consistently deliver smooth transitions that finish on time without disrupting ongoing work:

- *Communicate early, often, openly, and honestly.* We will begin talking to the workforces at both Bettis and KAPL as soon after award as NRLFO approves. We will maintain dialogue with employees throughout the entire workforce transition period.
- *Consciously avoid disrupting ongoing work.* While we are transitioning the Bettis and KAPL workforces to BMPC and arranging for payroll and benefits packages, the workforce is trying to deliver its mission. We understand that meeting programmatic milestones is the top priority, and we will not interfere with it.
- *Extend employment offers as early as possible.* Even though the incumbents should know their jobs are secure, anxiety levels diminish

Our transition approach leverages our successes at Bettis and 16 other major contract turnovers to smoothly bring Bettis and KAPL into BMPC.

- Early, frequent, and honest communication is our key to alleviating employee anxiety to keep work going.
- Mr. Shafik Haddad will personally manage the transition, bringing his 9 years of NR and 34 years of Bechtel experience to bear on the challenge.
- Access to Bechtel experts with extensive transition experience assures NR we can achieve a smooth transition that avoids disruptions.

when job offers are in hand. We will extend offers to KAPL employees as quickly as possible; Bettis employees will be notified at the same time that they are being directly transferred to BMPC.

- *Focus on the big items.* BMPC will adopt all the systems, processes, and procedures in place at KAPL and Bettis and then work at the appropriate pace to make necessary changes after the transition.

These same principles were used when we assumed responsibility for Bettis in 1999. In that transition, we succeeded in quickly and effectively moving 100 percent of the incumbent workforce into BBI in just 2 months as well as establishing working relationships and restrictions with BNI (Figure 16). By using our experience, lessons

Personnel in thousands

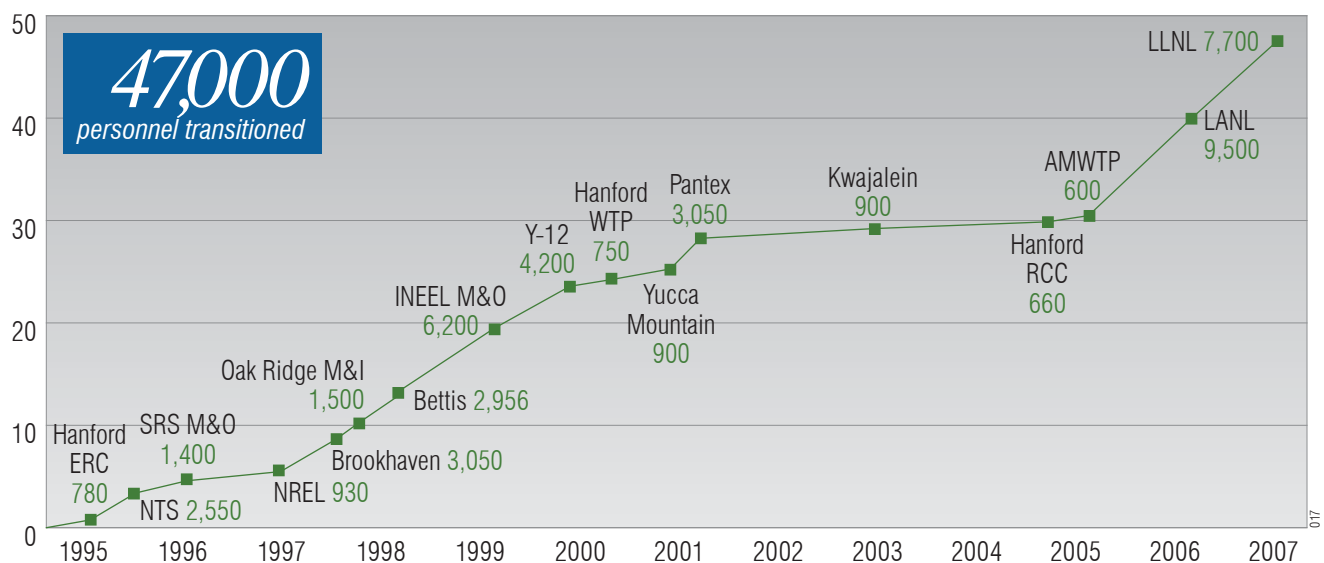


Figure 15. Transition Experience. We bring extensive lessons learned from successfully, safely, and smoothly transitioning 17 major management and operations contracts since 1995.



Human Resources

- Extended offers to 2,956 employees; all offers accepted
- Established communications with employees to resolve concerns and address questions
- Developed mechanisms to ensure continuation of benefit and pension plans
- Set up PP and SP interim trusts to accept employee and employer contributions until final plans were in place
- Appointed Plans Committee to oversee the management of the plans funds
- Resolved internal audit team potential COI by assigning to BSII Internal Audit and Compliance Management



- Planned and conducted orientation and sign-up sessions for all employees
- Conducted training and orientation for Plans Committee members
- Established stand-alone workers compensation program

Procurement

- Assigned all incumbent subcontracts and IWRs to BBI
- Established letter of credit bank accounts
- Transferred all procurement cards to BBI
- Transferred travel cards to BBI account
- Established corporate reporting requirements for procurement data



Environmental, Safety, and Health

- Transferred permits to BBI
- Established corporate reporting requirements for ES&H
- Conducted facility environmental inspections and issued favorable findings report

Controller

- Established corporate financial data reporting requirements
- Evaluated alternatives for long-term payroll processing
- Mapped interfaces between BNI and DOE chart of accounts
- Developed plan for revising BBI disclosure statement

Management

- Entered into agreement with CBS for continuation of payroll, claims, and benefits processing services
- Entered into agreement with U.S. Government and CBS for the transfer of assets and liabilities
- Novated contract from BNI to BBI
- Negotiated and executed agreements with all three unions to continue labor agreements with BBI in lieu of CBS
- Registered BBI to operate in nine states
- Established post-transition communications requirements and protocol with Bettis site leadership
- Developed plans to phase out reliance on incumbent-developed procedures
- Linked BBI management team to Bechtel intranet

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Figure 16. Bettis Transition Accomplishments. In just 2 months in 1999, we accomplished all actions needed to smoothly transition all incumbent Bettis personnel into Bechtel Bettis, Inc. with no disruptions to ongoing work.

learned, and Bettis incumbency, we will again deliver a transition tailored to meet NRLFO's goals to "achieve a transition for incumbent employees and minimize transition costs" as described in the following sections.

1.ii.A Corporate transition

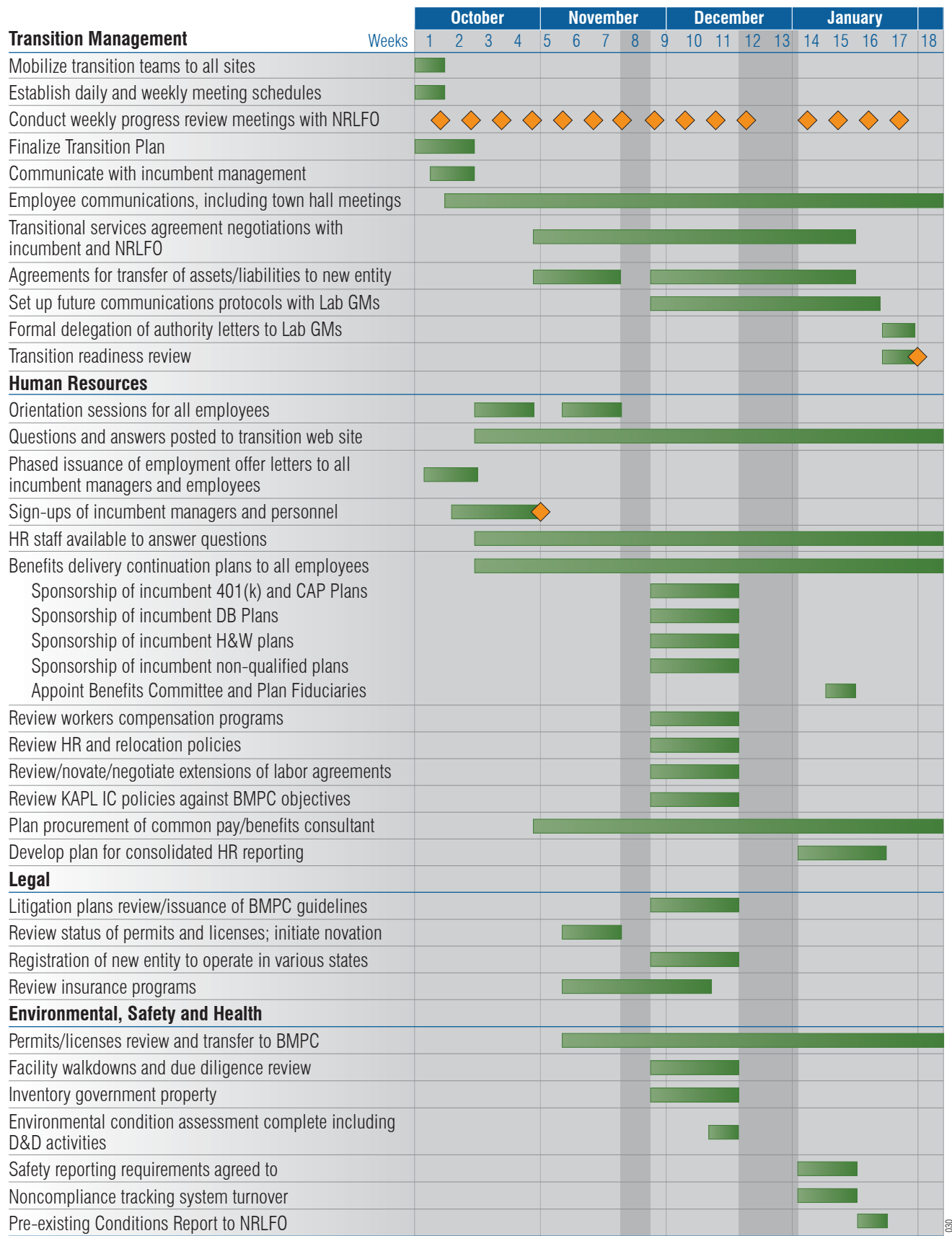
Our overall schedule for the transition is depicted in Figure 17 on the following pages. Mr. Shafik Haddad will serve as our Transition Manager, bringing his 9 years of experience with the NR Program, his previous Bettis transition success, and his 34 years of Bechtel experience to the effort.

Mr. Haddad, working closely with the NRLFO and incumbent managers, will coordinate the Bechtel corporate resources needed to complete the multi-site transition as expeditiously, cost effectively, and smoothly as possible. He will deploy small, tailored transition teams to Schenectady, Kesselring, West Mifflin, Idaho Falls, and Charleston to perform the specific actions listed in our schedule—these represent the minimal steps necessary to effect the changeover. This plan reflects one of the biggest lessons learned in 17 major transitions: focus on the big items; don't try to do too much too fast.

In the first week of the transition period, Mr. Haddad will focus on getting the process off to the right start. He will

- mobilize transition teams to each site;
- schedule management site visits and all-hands meetings with senior staff at all locations;
- coordinate personal meetings between Mr. Hash and Mr. Quinn and Mr. Smith to arrange for their continuing leadership after becoming BMPC employees;
- validate transition schedules and plans with the NRLFO and KAPL transition teams;
- initiate discussions with Lockheed Martin Human Resource specialists to allow the issuance of offer letters to all KAPL employees;
- begin negotiations with Lockheed Martin regarding continuation of selected services beyond the transition period;
- establish a working schedule for due diligence activities with NRLFO and KAPL management;
- establish after-hours town hall meeting dates and announce them to all employees; and
- set up an e-mail repository, web site, and/or 1-800 number for receipt of questions.





█ Weeks including holidays

Figure 17. Transition Schedule. Our plan for achieving a smooth, disruption-free transition of both Bettis and KAPL incorporates lessons learned from Bettis and 16 other transitions successfully accomplished in the last 14 years.



Finance/Procurement	Weeks	October				November				December				January					
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Banking and letters of credit																			
Obtain federal tax ID																			
Signature plates and checks for A/P, payroll, and corporate																			
Obtain state tax IDs																			
Sales and use tax—obtain direct pay permit																			
Establish signature and delegation authority																			
Review and confirm procurement authorities																			
Consolidate financial reporting to DOE																			
Payroll transition—Bettis																			
Payroll transition—KAPL																			
Develop going-forward plan for pension plan assets																			
Develop plan for consolidated budget and financial reporting to NR																			
Establish corporate unallowable budget for 2/1/09–12/31/09 and ledger																			
Issue novation letters of all contracts, subcontracts, IWRs, and POs																			
Develop IWR Process for post-2/1/09																			
Employee travel cards transfer to BMPC																			
Plan franchise taxes structure																			
BMPC disclosure statement plan																			
Travel and corporate rebates transfer to BMPC																			
Procurement Cards Consolidation Plan and transfer to BMPC																			
Conduct SB information conference																			
Initiate process of selecting mentor-protégé firm(s)																			
Review Laboratory property management system																			

Figure 17. Transition Schedule. Continued.

Once mobilized, our site-specific transition teams will follow slightly different paths. The Bettis team will focus primarily on the straightforward actions needed to transfer all current Bechtel Bettis, Inc. employees into BMPC and ensure continuity of operations. The KAPL-based team will concentrate on those actions necessary to hire all the existing KAPL employees into BMPC, providing continuity of equal pay and benefits, and minimizing anxiety through open communication—all while avoiding disruption. At KAPL, we must also conduct due diligence activities. Finally, when the two Laboratories are stabilized and the corporate transition is complete, working closely with NRLFO and the Laboratory General Managers, we will evaluate integrating selected elements of the two sites in a gradual and measured way to achieve efficiencies and cost savings from the new contract structure. Each of these components is discussed below.

1.ii.A.1 Bettis transition

Because the Bettis workforces (including those in Pittsburgh, Idaho Falls, and Charleston) are already Bechtel employees through BBI, the Bettis transition is relatively straightforward. All employees can be transferred from BBI to BMPC in an essentially transparent manner. On the first day after the end of the transition period, BBI employees will become BMPC employees with no changes to pay, benefits, pensions, 401(k) plans, assignments, supervisors, or daily routines. This is possible because we have consistently chosen over the last nine years to keep BBI independent of corporate systems, processes, and other financial entanglements. This approach afforded more flexibility and customer input as compared to having benefits managed at the corporate level.

However, while the transfer is mechanically simple, we will not underestimate the need to



communicate openly and often with the workforces in all Bettis locations. Through meetings, mailings, and other media, we will keep the workers apprised of transition activities, and we will assure them that impacts will be minimal. The small transition teams deployed to the Bettis sites will work with the incumbent managers on all transition-related activities, including communications, novation of subcontracts, transfer of permits and licenses, and details related to changing the name to BMPC and tax, payroll, and contracts issues.

1.ii.A.2 KAPL transition

Our plan for the KAPL transition is built on the model we used for the Bettis transition in 1999. There are many similarities in the issues we will face in separating KAPL systems from Lockheed Martin corporate systems, just as there were with Bettis and CBS/Westinghouse. Our previous experience in solving these challenges on an NR Program site, coupled with the extensive DOE transition experience we have accrued over the last decade, positions us perfectly to proactively recognize and resolve the issues as they arise. When we complete this transition, both Bettis and KAPL will have fully functioning, stand-alone systems that can be more easily transitioned in the future. We are confident that this transition can be accomplished quickly

since the Bettis systems and plans are already established, qualified, and operating effectively.

Mr. Haddad will personally manage our KAPL-based transition team to ensure the transition is handled in accordance with NRLFO expectations. Our KAPL-specific transition plan has three major focus areas: communication with everyone, quick extension of employment offers, and non-disruptive due diligence activities to facilitate the corporate transition. Each of these is outlined below.

Communication. Our approach of open communication with all employees will be critical to achieving a smooth transition of the KAPL sites. Employees will be eager to learn more about their new employer and will be anxious to hear how the transition impacts their personal situations. Our experience has shown this to be true even in transitions where full employment and equal benefits are promised to the workforce.

To alleviate these concerns and thereby keep the employees focused on mission delivery and performance excellence, we open communication lines on Day One following notice of award (Figure 18). Our message for this transition is that change will be minimal. The Navy and DOE are pleased with the work being done at Bettis and KAPL, and Bechtel wants only to continue the tradition of excellence. BMPC is matching the existing benefits

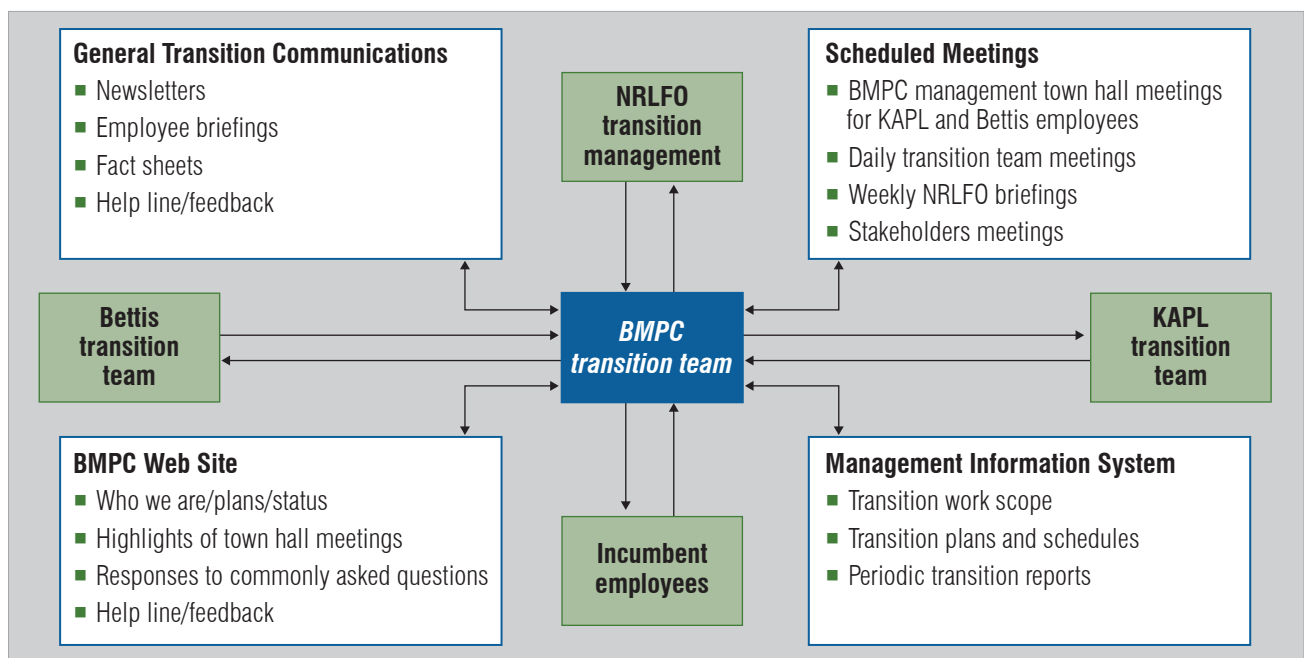


Figure 18. Transition Communication Approach. We will immediately implement a comprehensive external/internal communications program to meet site and stakeholder information needs.



package and salaries. Current managers will continue to lead the sites, and all current incumbent personnel will be offered jobs.

These messages will be disseminated through a communication plan that focuses on three levels—the individual, the workforce, and the community. For each audience, we publish information targeted to resolve their specific concerns:

- *Communication with individual employees.*

Our immediate initiation of a dialogue with the incumbent personnel helps relieve anxiety by answering the questions everyone will have. Will I have a job? How does this transition affect me personally? How are my benefits going to change? How will I get paid? Where do I go for information? When will I meet someone from Bechtel? We use multiple methods of communicating the answers to these questions to ensure that each person gets straightforward, honest answers. We hold town meetings after working hours so both employees and families can participate and get questions answered. We will also establish an e-mail depository, web site, or 1-800 hotline where questions can be posted. In answering questions and carrying out these communications, we will also rely heavily on the incumbent Communications and Human Resources personnel who are in tune with employee sentiments and issues. To prepare them for this assistance, our transition team will first give them a detailed overview of Bechtel and our proposed transition plan.

- *Communication with the KAPL workforce.*

Questions also arise on how the transition affects the workforce in general. How will this affect the way I work with others? Who is Bechtel and what did they say in their proposal to win this job? What does this mean to the future of KAPL? How will the work culture change without Lockheed Martin after so many years? Through fact sheets, e-mail, and group meetings, we will disseminate information quickly. We believe honest answers are always best; we do not hesitate to say we don't know the answer when we don't—but we commit to finding it and getting back to the workers.

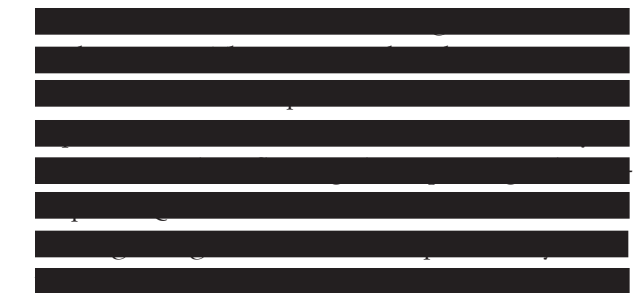
- *Communication with the community.* At many

of the locations where we have taken over operation of a DOE facility, the surrounding populations often have questions related to the socioeconomic impacts of the change in site contractors. As we recently did with issues raised by Schenectady-area community and state officials related to the BPMI campus consolidation, we will work directly with NRLFO to craft responses to any community questions. We will also leverage the contacts we made during the BPMI response to avoid any adverse publicity.

While we are busy communicating with the employees, we will also be closely coordinating with NRLFO and the Lockheed Martin transition team. Daily interaction of representatives from each party to the transition is essential for quickly and decisively resolving the issues that will arise in any transition; for arranging meetings, walkdowns, and due diligence inspections that do not impinge upon ongoing work; and for coordinating the actions of incoming and outgoing transition teams to keep the changeover as seamless as possible.

Employment offers. To ease potential anxiety over job stability, we will extend offers to all KAPL incumbents as quickly as possible (Figure 19):





- By the end of the first week of the transition period, we will have extended offers to all of the KAPL key personnel as defined by the contract. This achieves our commitment to avoid interrupting the leadership of the site.
- Working with the current KAPL key personnel, Human Resources Manager, and leadership of the collective bargaining units, we will extend offers to the remainder of the incumbent workforce by the end of the second week of the transition period.

All incumbent personnel will have been offered employment with BMPC by the end of the second week of transition. Since we require that an offer must be accepted within 2 weeks after the employee receives it, we will quickly know



of the KAPL key managers do not accept employment in BMPC. By the end of the first month of transition, we will know whether any of the incumbent employees will not hire on to BMPC. We can then quickly implement our plans to fill those positions, with NRLFO approval.

Due diligence. In addition to the actions needed to transition the KAPL workforce, there are specific actions we must undertake to assume informed responsibility for the Lockheed Martin sites and any associated pensions, permits, liabilities, fines, compliance issues, or other pre-existing conditions. These activities are listed in Figure 20 and were shown earlier in Figure 17, Transition Schedule.

While this may appear daunting and disruptive, our extensive experience in assuming responsibility for DOE M&O sites and our previous experience at Bettis will streamline this effort and prevent it from impacting ongoing work. Mr. Haddad will coordinate all related actions with NRLFO and Lockheed Martin to ensure we do the necessary due diligence needed to effect a smooth turnover.

Due Diligence Checklist	
<input checked="" type="checkbox"/>	Legal (litigation and claims, governance and corporate structure, intellectual property)
<input checked="" type="checkbox"/>	Financial (fiscal year funding and expenditures, accruals, cash flow, taxes, other)
<input checked="" type="checkbox"/>	HR (labor relations, whistleblower actions, pending personnel actions, pension funding)
<input checked="" type="checkbox"/>	Regulatory (license specifications, compliance status, key regulatory issues/liabilities, fines/penalties)
<input checked="" type="checkbox"/>	Risk register (risk identification and mitigation)
<input checked="" type="checkbox"/>	ES&H (injury statistics/performance, nuclear safety performance, H&S programs and performance, environmental performance and risks, etc.)
<input checked="" type="checkbox"/>	Customer and supplier contracts/issues; subcontract novation
<input checked="" type="checkbox"/>	Performance (cost, schedule, quality, trends, issues, milestones)
<input checked="" type="checkbox"/>	Nuclear material accountability and control
<input checked="" type="checkbox"/>	Government property inventory

Figure 20. Due Diligence Actions. To achieve a seamless transition at KAPL, we will ensure that we fully understand the issues affecting the sites for which we will become responsible upon completion of the turnover process.

1.ii.A.3 Opportunities for an enterprise approach

Once the formal transition of the two sites into BMPC is achieved, we will work with NRLFO and the Laboratory General Managers to explore areas at the two Laboratories that may benefit from being treated more like an enterprise. Our motivation is to deliver the best value for each dollar NRLFO spends at each site. We believe that careful integration of selected functions and business operations can save the NR Program millions of dollars each year with no impact on technical independence or mission delivery. We will work diligently to accelerate what is already in process and to investigate and implement any new opportunities with no consideration for impacts on the fee base or any direct or indirect corporate profitability.

Working with the Laboratory General Managers, we believe Bechtel can help to achieve a vision for a Naval Reactors Laboratory Enterprise that would use a shared services group consisting of Finance, Human Resources, Information Technology, Procurement, Security, and Facilities Management. Operating these functions as an enterprise serving all sites would improve consistency across



the Program, reduce costs by eliminating overlaps and redundancies, and improve efficiency through centralization.

This long-range vision is very similar to our approach to integrating the business systems and services at the Los Alamos and Livermore weapons laboratories while keeping them technically independent. Working with DOE, we are integrating selected business services under functional managers who oversee both sites. We also have an Integration Committee reporting to our managing Board that investigates other methods for gaining efficiencies in programs, facilities, and personnel without jeopardizing the decades-long benefits accrued through having two stand-alone laboratories. Finally, we are evaluating best practices at both national laboratories—and the other Nuclear Weapons Complex (NWC) sites we operate for DOE—and sharing those processes and lessons learned with other NWC sites. This quickly improves performance at all sites while also creating consistency, interoperability, and better data sharing across DOE and contractor organizations.

1.ii.B Employment, pay, and benefits

As required by Contract Clause H.30(b), we will offer employment to all incumbent personnel at the same base salary and pay rates in effect at the time the offer is made. Beyond that, we will offer equivalent benefits packages. We recognize the

complexity of merging the employee compensation plans for the two sites (Figure 21), but we are confident that our experience, Human Resource experts, and world-class consultants will enable us to develop equivalent plans and work with Lockheed Martin to disengage KAPL programs from its corporate systems.

Because this process may take longer than the transition period to complete, we will open discussions with Lockheed Martin in the first week following contract award to establish a formal agreement that allows continued use of specific corporate systems. This agreement will set a specific duration and fee structure for the needed services so they will continue without interruption while we are standing up independent plans that deliver equal services and benefits.

This is the approach we successfully used with CBS/Westinghouse during the Bettis transition in 1999. As a result of this one-time effort, Bettis now has strong, independent systems that will simplify future transitions should they be necessary. These systems are ready to be expanded to incorporate the KAPL employees until common pay and benefits plans are approved for implementation. Working in partnership with NR, Lockheed Martin, and our experts, we will expeditiously develop a “go forward” plan that meets all legal and program requirements and treats all employees at all sites fairly and equitably.

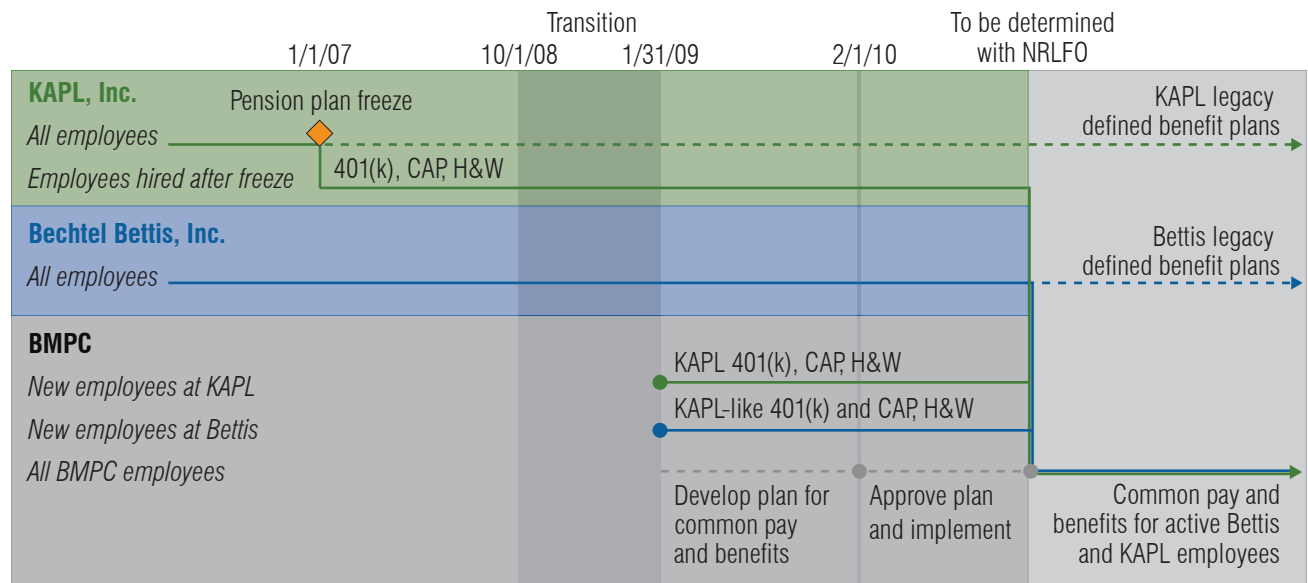


Figure 21. Benefits Approach. Our experience in converting, normalizing, and transitioning benefits programs will enable us to expeditiously achieve a “go forward” plan for Bettis and KAPL.

