



Department of Energy
Savannah River Operations Office
P.O. Box A
Aiken, South Carolina 29802

BUSINESS SENSITIVE

DEC 10 2009

Mr. Garry Flowers, President & CEO
Savannah River Nuclear Solutions, LLC
Building 730-1B, Room 333
Aiken, SC 29808

Dear Mr. Flowers:

SUBJECT: Final Fee Determination for Fiscal Year 2009 Base Work Performance Period

The purpose of this letter is to inform you of my determination of the amount of performance fee to be awarded to Savannah River Nuclear Solutions (SRNS) for Fiscal Year (FY) 2009, in accordance with Contract No. DE-AC09-08SR22470, section H-28 (d)(2). The fee associated with the American Recovery and Reinvestment Act (ARRA) will be addressed in separate correspondence.

The Savannah River Site workforce is highly skilled and experienced, contributing to a long standing history of successful mission accomplishment, which sustains public confidence. There have been many successes over the past fiscal year; met all Federal Facilities Agreements, Site Treatment Plan and Resource Conservation and Recovery Act milestones; significantly reduced the amount of liquid waste streams from nuclear material processing; completed remediation, characterization, and shipment of more than 2,500 contact-handled and remote-handled Transuranic Waste packages to the Waste Isolation Pilot Plant; achieved a 40% reduction in stored volumes of Low-Level, Mixed and Hazardous Wastes; completed disposal of all legacy PUREX waste; and completed numerous critical infrastructure upgrades across the site and its facilities.

However, SRNS failed to adequately perform the Environment, Safety and Health (ES&H) requirements of the contract. A number of safety performance failures occurred over several months that were significantly adverse to ES&H. The safety and protection of our workforce is our highest value.

The fee available for SRNS to earn in FY2009 is \$18,655,079.00. As a result, of the evaluation of the FY 2009 Comprehensive Performance Based Incentives, it was determined that \$2,327,502.00 of available fee was not earned. SRNS's lack of progress in the business operation functions and the failure to obtain certifications of a life-cycle baseline and an earned value management system contributed this decision. However, it was determined that SRNS would not forfeit fee for the replacement of Key Personnel within this evaluation period, pursuant to Clause B-6. As a result, the total earned fee for FY 2009 is \$16,327,577.00.

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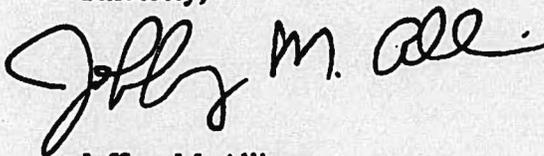
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Additionally, earned fee reductions include the following:

- Correspondence from the Contracting Officer to the SRNS President/CEO dated December 10, 2009 in the amount of \$320,728.00. These reductions were made because SRNS failed to comply with DOE Order 350.1 – Labor Relations and Contract clause H-21 requiring the contractor to notify the Contracting Officer or designee in a timely fashion of all labor relations issues and matters of local interest including organizational initiatives.
- Correspondence from the Contracting Officer to the SRNS President/CEO dated December 10, 2009 in the amount of \$4,081,894.00. These reductions are being made pursuant to the Department of Energy Acquisition Regulations (DEAR) 970.5215-3, Conditional Payment of Fee, Profit, and Other Incentives – Facility Management Contracts (Jan 2004) Alternate II [Jan 2004][Deviation] and Contract Section B-9. SRNS failed to meet contract performance requirements in the area of Environment, Safety and Health (ES&H).

It is my expectation that tangible, measurable improvements in safety and contract performance will be carried out in this fiscal year. Based on the total earned fee and reductions as identified, I have determined that the final fee award will be \$11,924,955.00 for FY 2009.

Sincerely,



Jeffrey M. Allison
Manager

MGR-10-09

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