



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

DEC 18 2013

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

Dear Mr. Wilson:

SUBJECT: Final Fee Determination for Fiscal Year (FY) 2013 Base Work Performance Period

The purpose of this letter is to inform you of my determination of performance fee to be awarded to Savannah River Nuclear Solutions, LLC (SRNS) for FY 2013, in accordance with Contract No. DE-AC-09-88SR22470, Section H-28 (d)(2). Fee associated with the American Recovery and Reinvestment Act will be addressed in separate correspondence.

First, I would like to recognize your safety accomplishments. Over this past year SRNS increased emphasis on personal ownership of working safely, achieving 20 million safe hours. This exemplary performance was recognized when the Department of Energy subsequently awarded SRNS its 13th annual Occupational Safety and Health Administration (OSHA) Voluntary Protection Program (VPP) Star of Excellence. The National Safety Council (NSC) also recognized SRNS safety performance with the 2013 Industry Leader Award. These awards are evidence of SRNS commitment to safety and security while delivering excellent service in hazardous waste and nuclear materials management.

Further, SRNS overcame significant challenges in FY 2013 turning national and global events into opportunities. SRNS was responsive in budget management, accommodating major scope changes and addressing multiple funding scenarios, including sequestration, government funding through continuing resolution and program challenges.

SRNS continues to deliver strong operating performance in environmental management and cleanup while maintaining the highest standards of safety, safeguards and security. As the Managing and Operating (M&O) contractor at the site, SRNS realized significant cost savings achieved through an ongoing Continuous Improvement program. In FY13, SRNS realized \$36.8 million in savings through immediate savings or cost avoidance. Additionally, since SRNS assumed the contract in 2008, Site Services and other overhead cost pools have been considerably reduced with notable contract-to-date cost savings of \$161.8 million.

Over the past year the Savannah River National Laboratory (SRNL) continued to provide world leadership in technological advances in environmental stewardship, clean energy and national security. Significantly, the SRNL continued to gain international recognition partnering with

Tokyo Electric Power Company to cleanup areas related to the tsunami-damaged Fukushima Daiichi Nuclear site.

Other notable accomplishments include ongoing missions of H Canyon, completion of legacy transuranic waste remediation, continued exceptional support meeting the nation's defense program needs and safe, secure and handling of nuclear materials from around the world.

SRNS was also recognized by the State of South Carolina, achieving the following:

- South Carolina Chamber of Commerce Commendation of Excellence Award (2013)
- South Carolina Manufacturers Alliance Plant Safety Award (2013)
- South Carolina Department of Labor, Licensing and Regulation Safety Achievement Award (2013)

In consideration of every aspect of performance in making my final determination, protection of the worker, the community and the nation are our top priority.

Earlier in the fiscal year, an increasing trend of adverse events related to Conduct of Operations and Integrated Safety Management failures was noted. These events were primarily noted in H-Area, but also present in other Nuclear Material Operations (NMO) facilities. This adverse trend and the Department's concerns and expectations were documented in a letter to SRNS management. Further weakness was exposed during the conduct of a DOE Readiness Assessment of HB-Line in August. While worker safety was never compromised, the assessments identified a trend that if unchecked could have compromised safety in the NMO facilities in the future.

Additionally, we are a site of distinct projects requiring discipline of the highest demand. However, this past year the SRNS Earned Value Management System (EVMS), used for managing project cost and schedule performance, did not demonstrate adequate compliance with emerging project management standards, resulting in the suspension of your EVMS certification.

The SRNS performance on NNSA work in FY 2013 was mixed: in some respects exceeding expectations and in others falling short of expectations. The Defense Program work in all cases met, and in some significantly exceeded, expectations. The operation and maintenance of mission critical facilities exceeded expectations even though SRNS was working in the context of constrained funding and significant budget uncertainty throughout the year. Of special note was the nearly flawless implementation of the Automated Reservoir Management System II and the simultaneous process outage. The Waste Solidification Building project, on the other hand, fell short of expectations this year as the project was over budget, behind schedule and lost ground after the December 2012 rebaselining. Although some improvements were noted, the schedule continued to slip, resulting in unsatisfactory performance on this significant project. Additionally, the Alternate Feed Stock II project in H-Canyon missed the mark when efforts failed to result in any oxide production.

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Mr. Wilson

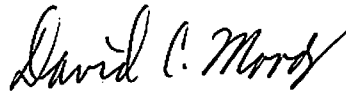
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Total fee available for SRNS in FY 2013 is \$56,035,000 per Contract No. DE-AC09-08SR22470, Section B-2.3, *Total Available Fee*. As a result of careful and considerate evaluation of SRNS performance, I have determined SRNS has earned \$47,071,541.00.

Additional guidance will be provided to your office within the next 90 days providing you with direction on the distribution of the unearned fee.

If you have any questions, please call me or have your staff contact Mr. Douglas E. Hintze at (803) 952-8422.

Sincerely,



David C. Moody
Manager

AMMS-14-002

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