

**FY 2007
PERFORMANCE EVALUATION PLAN**

**for
Los Alamos National Security, LLC.**

**Management and Operation
of the
Los Alamos National Laboratory**

Contract No. DE-AC52-06NA25396

**Performance Period
October 1, 2006, through September 30, 2007**



PREFACE

The Performance Evaluation Plan (PEP) for the period of October 1, 2006 through September 30, 2007 defines the performance measures and expectations by which Los Alamos National Security, LLC (LANS) performance of work will be evaluated under Contract No. DE-AC52-06NA25396. The PEP is a joint agreement between NNSA and LANS in support of NNSA's "Getting the Job Done" goals and transformation plans, consistent with the Complex 2030 Vision, Mission and Implementation strategy.

The PEP is implemented in accordance with contract provision, H-12, "Performance Based Management." Further, the PEP is consistent with contract provision, B-2, "Contract Type and Value." B-2 states that for FY2007 through FY2013, 30% of the Maximum Available Fee (MAF) will be applied to fixed fee and 70% of the MAF will be applied to Performance Incentive Fee. The MAF is \$73,280,000 for fiscal year 2007.

The PEP is comprised of individual Performance Based Incentives (PBIs) with objective and subjective performance measures which are categorized within five over-arching Performance Objectives: Mission Success, Science and Technology Excellence, Operational Effectiveness and Efficiency, Multi-Site Integration, and Overall Management Effectiveness. The PBIs were selected to incentivize performance in critical mission, operational and business areas, and to provide the specific expectations required for measuring achievement. Each PBI also specifies the fee available to be earned for achievement of individual measures, and how that achievement is defined and documented.

Multi-site performance measures will be evaluated by NNSA Program and Site Office officials to determine if all of the M&O Contractors within the complex have successfully worked together to achieve the stated objectives. Each multi-site performance measure applies to all NNSA sites. Therefore, if the described goals within the measure are not achieved, none of the Contractors will earn fee, regardless of any individual site's achievements toward the end goal.

In assigning value to the measures included in the individual PBIs, consideration was given to ensure correlation between the available fee to be earned and the cost of implementation, the difficulty/risk incurred for achievement, and the criticality of the successful outcome of the described work.

Performance related to each PBI will be tracked and reported to NNSA on a monthly basis. NNSA and LANS will meet each month to discuss performance status and to ensure that performance issues are identified at the first opportunity, in order to affect timely resolutions. The results of these discussions will be documented and shared between the parties to ensure consensus.

The PEP administration process will be managed by a LASO Contracting Officer. Key participants include the PBI Owners, who are specifically identified in each PBI. The owners are selected LANS managers and designated LASO Contracting Officer Representatives (CORs). Administrative procedures will be developed and documented external to this agreement to define the methods by which the PEP will be managed.

The content of the PEP can be revised through a formally defined Change Control Process that includes mutual agreement between NNSA and LANS, supported by appropriate approvals. However, the NNSA Los Alamos Site Office Manager reserves the unilateral right to make the final decision on all performance objectives and performance incentives (including the associated measures and target) used to evaluate Contractor performance. A PBI Change Control Board (CCB) will be established to review possible changes or other issues that are identified related to the PBIs. The Board will consist of the NNSA Contracting Officer, the LANS Prime Contract Director and subject matter experts as required. In the event that the CCB finds it is unable to

resolve an issue, the matter will be referred to Senior Laboratory Management and the Site Office Manager for resolution.

Any changes to the PEP must be approved by the Contracting Officer. There may be circumstances when changes to program mission, milestones and/or requirements occur that are beyond the control/influence of either NNSA or the Contractor. The Contractor will not be held responsible for delays in completion of expected milestones that are beyond its control or influence. When delays are within the Contractor's control or influence, assessment of the Contractor's performance will be in accordance with the performance measures and fee detailed in the PEP.

Pursuant to H-14, "Performance Incentives", determination of the amount of Performance Incentive Fee earned is a unilateral determination made by the Fee Determining Official (FDO). The FDO's decision will be made within seventy (70) days after the end of the evaluation period. Unearned incentive fee can not be carried over to future performance periods.

The specific wording in the PBIs will constitute the basis for the final fee determination by NNSA.

Approval Page

The FY 2007 Performance Evaluation Plan (PEP) for Los Alamos National Laboratory Contract No. DE-AC52-06NA25396 has been coordinated and reviewed by the Los Alamos Site Office and Los Alamos National Security, LLC. The following individuals approve the contents of this PEP.

_____ Edwin L. Wilmot Manager Los Alamos Site Office National Nuclear Security Administration	_____ Date
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_____ John T. Mitchell, Jr. Deputy Director Los Alamos National Laboratory	_____ Date
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_____ Cheryl A. Thompson Contracting Officer Los Alamos Site Office National Nuclear Security Administration	_____ Date
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FY 2007 Performance Based Incentives
 October 1, 2006 through September 30, 2007
 Los Alamos National Security, LLC

FY 2007 LANL Fee Pool	\$73,280,000	
Fixed Fee	30%	\$21,984,000
Incentive Fee	70%	\$51,296,000

Performance Objectives	Fee Allocation
Mission Success:	
PBI 1: Weapons Program Execution	\$8,451,008
PBI 2: Weapons Quality Assurance	\$1,641,472
PBI 3: Threat Reduction	\$3,400,000
PBI 4: Nuclear and High Hazard Operations	\$6,000,000
PBI 5: Safeguards and Security Execution	\$3,077,760
Science and Technology Excellence	
PBI 6: Ensure Science, Technology and Engineering Excellence	\$5,129,600
Multi-Site Integration	
PBI 7: Multi-Site Performance	\$5,129,600
Operational Effectiveness and Efficiency	
PBI 8: Environmental Projects and Operations	\$4,616,640
PBI 9: Safety and Health Performance	\$2,051,840
PBI 10: Facilities Management	\$1,025,920
PBI 11: Project Management	\$3,077,760
Overall Management Effectiveness	
PBI 12: Implement Contractor Assurance System	\$3,847,200
PBI 13: Management Integration/Effectiveness	\$3,847,200
Total	\$51,296,000

FY2007 PERFORMANCE BASED INCENTIVE

SECTION 1 GENERAL INFORMATION

PBI No. 1

Title: Weapons Program Execution

Revision Number and Date: Revision No.: 0 Date: October 23, 2006
Maximum Available Incentive Fee: **\$8,451,008**
Duration: Annual Multi-year
Fee Payment Type: Completion Progress Provisional
LANS Owner: G. Mara COR: R. Snyder

SECTION 2 PERFORMANCE OUTCOMES

Check Appropriate Box:

- Objective #1: Mission Success
- Objective #2: Science and Technology Excellence
- Objective #3: Multi-Site Integration
- Objective #4: Operational Effectiveness and Efficiency
- Objective #5: Overall Management Effectiveness

SECTION 3 PERFORMANCE MEASURES AND EXPECTATION (S)

List associated performance measures and associated performance expectations for FY07.

Measure 1.1. Annual Assessment Report

LANL will plan and execute activities to assess the safety, reliability and performance of the stockpile, and provide the required assessments of certification and reports to the Secretary for submission to the President.

Expectation Statement: Complete continuous activities necessary to perform annual assessment of warhead safety, reliability and performance, and issue the annual assessment report and Director's annual assessment letter and oral presentation to the Stockpile Assessment Team.

Measure 1.2. Complete programmatic deliverables as specifically described in the Defense Program Milestone Reporting Tool. Complete all Level 1 and Level 2 Milestones. Achievement of 100% of the Level 1 Milestones must be accomplished to earn fee for Level 2 Milestones.

Expectation Statement: LANL will complete programmatic activities in support of the LANL-designed weapons systems, focusing primarily on the B61 Alt. 357, W76-1, Science Campaigns and ASC activities.

Measure 1.3 Ensure long-term vitality of the weapons program and science base of the Laboratory

Expectation Statement: The NNSA will subjectively evaluate the contractor's management of balancing near-term deliverables with long-term activities that are needed to sustain and enhance the vitality of the weapons program and science base of the Laboratory. This includes the investment in long-term research such as that needed for improved predictive capability needed to meet out year milestones (greater than 2009).

**SECTION 4
FEE ALLOCATION AND SCHEDULE**

Identify fee payment schedule for the PBI and the type of payments to be made (e.g., provisional, progress, final) and the basis of the payment (e.g., per canister completed, per assembly, earned value, etc.)

Use this area to define prerequisites for payment of any measure – i.e. completion of other specific measures, etc. Allocate specific dollar amounts to all areas defined in Section 5 – completion description, i.e. if Base is designated as a type of fee, insert a dollar amount.

Measure 1.1

\$1,267,651 (15% of total fee allocated to this PBI):

Must satisfy Section 5, measure 1.1 to receive any fee in any other measure of PBI 1, Weapons Program Execution.

Fee Schedule: Upon completion

Measure 1.2

\$7,098,847 (84% of total fee allocated to this PBI): 100% of Level 1 Milestones must be achieved to earn fee in this measure.

Fee Plan:

Achieve 100% of Level 1 Milestones; 40% of total PBI fee allocated to PBI 1.2
Level 2 Milestone achievement; 60% of total fee allocated to PBI 1.2 prorated across all Level 2 Milestones.

Fee Schedule: Upon completion

Measure 1.3

\$84,510 (1% of total fee allocated to this PBI):

Fee Schedule: Upon assessment at the end of the fiscal year.

**SECTION 5
PERFORMANCE REQUIREMENTS**

PREVIOUS YEAR'S GATEWAY: *(Describe previous year's gateway (if applicable) that must be completed before fee can be paid under this performance measure. The requirements listed below are the only gateway requirements for this Performance Measure.)*

GENERAL REQUIREMENTS:

Develop and implement near-term balanced weapon programs that are coordinated with the NNSA Complex and DOD customers, and foster complex-wide solutions to meet support the U.S. nuclear deterrent.

DEFINE COMPLETION: *(Specify performance elements and describe indicators of success [quality/progress]. Include baseline documentation/data against which completion documentation should be compared.)*

Note: If no specific due date is referenced with any of the completion elements (below), the due date of that element is to be September 28, 2007.

Measure 1.1.

A. Plan, conduct and document stockpile assessment and other requisite activities to provide an annual assessment report to NNSA in accordance with negotiated schedules. Complete all physics input necessary to support the annual assessment letter and report. Director's Annual Assessment letter will be signed by September 30, 2007.

Measure 1.2.

A. Complete Level 1 and Level 2 Milestones as scheduled.

B. Achieved milestones must include:

- Directive Schedule quantities not dependent upon delayed part deliveries from other sites.
- Complete the acceptance of ten W88 pits by LANL QA (with peer review and independent oversight of the acceptance process by CAS).
- Certification of a W88 warhead with a Los Alamos manufactured pit.
- Execute certification activities in accordance with the W76-1 FSED
- DARHT second-axis completion of full accelerator installation, validation testing, and Readiness Review scheduled.

Measure 1.3.

A. LANS will develop a set of criteria to use to assess its performance in balancing near-term deliverables with long-term activities needed to sustain and enhance the vitality of the weapons program and science base of the Laboratory.

B. LANS will provide a self-assessment against these criteria. This assessment may include feedback on performance provided by stakeholders.

C. NNSA will perform an evaluation of LANS performance in these areas. This evaluation will consider the LANS self-assessment. Fee awarded based on NNSA evaluation and will include stakeholder feedback.

COMPLETE DOCUMENTS LIST: *(List document(s) that should be submitted, data that should be available, actions to be taken by evaluator to determine actual performance to the requirements stated above.)*

Measure 1.1.

- Annual assessment letter and report submitted to COR.
- Provide quarterly status reports addressing all required elements to meet this measure at NA-10 Quarterly Program Reviews.

Measure 1.2.

- Level 1 and 2 Milestones as documented in Sandia Milestone Reporting Tool.
- Provide quarterly status reports addressing all required elements to meet this measure at NA-10 Quarterly Program Reviews.
- W76-1 Integrated Master Schedule.
- B61 Alt. 357 Integrated Master Schedule.

Measure 1.3.

- LANL FY 2007 Self Assessment

ASSUMPTIONS/TECHNICAL BOUNDARY CONDITIONS AND REMEDY STATED: *(List foreseeable impacts to performance. If the assumption or condition proves false, the remedy shall be in effect. If remedy is not possible, the next step is renegotiation.)*

- L1 and L2 Milestones must be finalized based on lower of HAC, SAC President's Budget Request or some agreed-to funding level prior to mutual acceptance of the measure.
- When each level 1 and 2 milestone is finalized, PBI success criteria will be negotiated by NNSA and LANS LLC.
- When changes are made to Level 1 or Level 2 Milestones PBI change control that results in acceptance or PBI renegotiation will be conducted.
- The contractor will provide the impact resulting from an extended continuing resolution on the PBI within ten working days of receipt of guidance.
- The NNSA and LANS, LLC will agree within 30 days of receipt of final appropriations to the LANL site that the funding is sufficient to accomplish these measures.
- NA-10 annual assessment tasking letter will be issued by December 31, 2006 for the FY 2007 Annual Assessment.

- Assumes mutual (NNSA & LANS) agreement on L1 and L2 Milestones
- Assumes Baseline Change Requests on L2 Milestones are approved.
- FY 2007 Science Campaign Implementation Plan deliverables are included in the set of Level 1 or Level 2 Milestones.
- FY 2007 Advanced Simulation and Computing Implementation Plan deliverables are included in the set of Level 1 or Level 2 Milestones.
- The intent of this PBI is to measure LANL-specific performance; multi-site cooperation is measured in PBI 7.

FY2007 PERFORMANCE BASED INCENTIVE

SECTION 1 GENERAL INFORMATION

PBI No. 2

Title: Weapons Quality Assurance

Revision Number and Date: Revision No.: 0 Date: October 23, 2006
Maximum Available Incentive Fee: **\$1,641,472**
Duration: Annual Multi-year
Fee Payment Type: Completion Progress Provisional
LANIS Owner: G. Mara COR: A. Leivo

SECTION 2 PERFORMANCE OUTCOMES

Check Appropriate Box:

- Objective #1: Mission Success
- Objective #2: Science and Technology Excellence
- Objective #3: Multi-Site Integration
- Objective #4: Operational Effectiveness and Efficiency
- Objective #5: Overall Management Effectiveness

SECTION 3 PERFORMANCE MEASURES AND EXPECTATION (S)

List associated performance measures and associated performance expectations for FY07.

Measure 2.1. Manufacturing Quality: Continuous improvement in Manufacturing and Design Agency production activities

Expectation Statement: Develop a set of Manufacturing Quality metrics to include a Cost of Nonconformance System to demonstrate a continuous improvement of the quality of manufactured products. The metrics established in FY 2007 form the baseline for improvement in later years.

Measure 2.2. Implementation of a Weapons Quality Assurance Program (WQAP)

Expectation Statement: Develop, issue, and initiate implementation of an approved QA program description document (WQAP) that defines LANL's process for assuring appropriate implementation of QC-1, Revision 10.

SECTION 4 FEE ALLOCATION AND SCHEDULE

Identify fee payment schedule for the PBI and the type of payments to be made (e.g., provisional, progress, final) and the basis of the payment (e.g., per canister completed, per assembly, earned value, etc.)

Use this area to define prerequisites for payment of any measure – i.e. completion of other specific measures, etc. Allocate specific dollar amounts to all areas defined in Section 5 – completion description, i.e. if Base is designated as a type of fee, insert a dollar amount.

Measure 2.1.

\$984,883 (60% of total PBI fee allocated):

Fee Schedule: Progress as outlined.

Fee Plan:

1. 50% for release of the LANS Procedures that describe the collection and publication of the LANS Manufacturing Quality Metrics System, approved by the AD for Stockpile Manufacturing & Support and release of the first Monthly Manufacturing Quality Metrics Report (including Cost of Nonconformance's), approved by the AD for Stockpile Manufacturing & Support. (Reference Section 5, 2.1, Elements A, B, and C)
2. 50% upon completion of all other elements associated with this measure as outlined in Section 5, 2.1 Element D.

Measure 2.2.

\$656,589 (40% of total PBI fee allocated):

Fee Schedule: Progress as outlined.

Fee Plan:

1. 50% upon LANS formal submittal to LASO of the WQAP implementation plan in accordance with the requirements stated in Section 5, 2.2 Elements A and B.
2. 50% upon completion of all other elements associated with this measure as outlined in Section 5, 2.2 Element C.

**SECTION 5
PERFORMANCE REQUIREMENTS**

PREVIOUS YEAR'S GATEWAY: *(Describe previous year's gateway (if applicable) that must be completed before fee can be paid under this performance measure. The requirements listed below are the only gateway requirements for this Performance Measure.)*

GENERAL REQUIREMENTS:

Develop and implement a weapons quality assurance program that ensures contractor products meet NWC and DOD customer requirements; ensures manufacturability; and that fosters support of complex-wide solutions.

DEFINE COMPLETION: *(Specify performance elements and describe indicators of success [quality/progress]. Include baseline documentation/data against which completion documentation should be compared.)*

Note: If no specific due date is referenced with any of the completion elements (below), the due date of that element is to be September 28, 2007.

Measure 2.1.

A. Procedures have been developed and deployed that define the systems being utilized to gather, evaluate, track, trend, and identify continuous improvement initiatives for manufacturing metrics and Cost of Nonconformance. Reports reflecting these data have been issued within LANS and LASO.

B. The deliverables necessary to demonstrate achievement of this measure are:

- Formally identify the set of Manufacturing Quality metrics and processes by December 31, 2006.
- Publish a monthly metrics report beginning in January 2007.
- Establish a process of trending and analysis utilizing these metrics that demonstrates effectiveness of continuous improvement initiatives.

C. As a minimum, the set of Manufacturing Quality metrics will include:

- The percent of product submittals to LASO that are Accepted Trouble Free (PATF).
- Number of nonconformance's generated per product line (.e.g., pits, detonator assemblies.)
- Develop and deploy a formal documented Cost of Nonconformance system that identifies costs associated with scrap, diversion, and rework of manufacturing activities by June 30, 2007.
- Issue a formalized Cost of Nonconformance report by the end of July 2007

D. Continue the monthly quality metrics and nonconformance reports following initial submittals for the remainder of FY 2007.

Measure 2.2.

A. LANS has issued and deployed an approved WQAP, Implementation Plan, and has formally identified compensatory measures for those areas not in compliance with QC-1, Revision 10.

B. Deliverables necessary to demonstrate achievement of this measure are:

- Issue a WQAP to LASO by December 31, 2006.
- Respond to LASO comments within 30 days of receipt of the comments.
- Publish an Implementation Plan that includes identification of compensatory measures within 30 days of responding to LASO comments.

C. Initiate implementation of the WQAP within 7 days of publishing an Implementation Plan.

COMPLETE DOCUMENTS LIST: *(List document(s) that should be submitted, data that should be available, actions to be taken by evaluator to determine actual performance to the requirements stated above.)*

Measure 2.1.

- Cost of Nonconformance report by June 30, 2007, and monthly thereafter.
- Continuous Improvement Report by January 2007 and monthly thereafter.
- Copies of Procedures that define the Continuous Improvement system.
- Copies of Procedures that define the Cost of Nonconformance system.

Measure 2.2.

- LANS WQAP
- LANS WQAP Implementation Plan
- LANS WQAP Compensatory Measures

ASSUMPTIONS/TECHNICAL BOUNDARY CONDITIONS AND REMEDY STATED: *(List foreseeable impacts to performance. If the assumption or condition proves false, the remedy shall be in effect. If remedy is not possible, the next step is renegotiation.)*

- In the event of continuing resolution, guidance will be provided to the contractor.
- The contractor will provide the impact resulting from an extended continuing resolution on the PBI within ten working days of receipt of guidance.
- The NNSA and LANS, LLC will agree within 30 days of receipt of final appropriations that the funding is sufficient to accomplish these measures.

FY 2007 PERFORMANCE BASED INCENTIVE

**SECTION 1
GENERAL INFORMATION**

PBI No. 3

Title: **Reduce the Threat of Weapons of Mass Destruction, Proliferation, and Terrorism (Threat Reduction)**

Revision Number and Date: Revision No.: 0 Date: October 23, 2006
Maximum Available Incentive Fee: **\$3,400,000**
Duration: Annual Multi-year
Fee Payment Type: Completion Progress Provisional
LANS Owner: J. D. Beason COR: R. Snyder

**SECTION 2
PERFORMANCE OUTCOMES**

Check Appropriate Box:

- Objective #1: Mission Success
- Objective #2: Science and Technology Excellence
- Objective #3: Multi-Site Integration
- Objective #4: Operational Effectiveness and Efficiency
- Objective #5: Overall Management Effectiveness

**SECTION 3
PERFORMANCE MEASURES AND EXPECTATION (S)**

List associated performance measures and associated performance expectations for FY 2007.

Measure 3.1. Multi-Site Threat Reduction Technical Capability

Expectation Statement:

Through appropriate teaming between Los Alamos National Laboratory (LANL), Lawrence Livermore National Laboratory (LLNL), the Nevada Test Site (NTS), and the Pantex Plant (PX), re-establish specific capabilities to support Threat Reduction Programs.

Measure 3.2. Nuclear Nonproliferation

Expectation Statement:

Provide technical capabilities to limit or prevent the spread of Weapons of Mass Destruction (WMD) materials, technology, and expertise; eliminate or secure inventories of surplus materials and infrastructure usable for nuclear weapons; and enable the implementation of U.S. non-proliferation policy.

Measure 3.3. Nonproliferation Research and Development

Expectation Statement:

Develop and deploy new technologies to improve U.S. capabilities to detect and monitor nuclear weapons production and testing worldwide.

Measure 3.4. Non-Proliferation Rapid Response Capability

Expectation Statement:

Provide effective and rapid response to emergent non-proliferation and international security requirements stemming from surprising events, high-level initiatives or agreements, or from unanticipated technological or political opportunities.

**SECTION 4
FEE ALLOCATION AND SCHEDULE**

Identify fee payment schedule for the PBI and the type of payments to be made (e.g., provisional, progress, final) and the basis of the payment (e.g., per canister completed, per assembly, earned value, etc.)

Measure 3.1.

\$340,000 (10% of total fee allocated to this PBI):

Fee Schedule: Based upon completion

Measure 3.2.

\$1,360,000 (40% of total fee allocated to this PBI):

Fee Schedule: Payment for each element upon completion of each element

- Element #1: 15%
- Element #2: 30%
- Element #3: 30%
- Element #4: 15%
- Element #5: 10%

Measure 3.3.

\$1,020,000 (30% of total fee allocated to this PBI):

Fee Schedule: Payment for each element upon completion of each element

- Element #1: 50%
- Element #2: 50%

Measure 3.4.

\$680,000 (20% of total fee allocated to this PBI): If no event occurs the fee associated with measure 3.4 will be proportionally applied to the remaining measures within PBI 3.

Fee Schedule: Based upon completion

**SECTION 5
PERFORMANCE REQUIREMENTS**

PREVIOUS YEAR'S GATEWAY: *(Describe previous year's gateway (if applicable) that must be completed before fee can be paid under this performance measure. The requirements listed below are the only gateway requirements for this Performance Measure.)*

GENERAL REQUIREMENTS:

DEFINE COMPLETION: *(Specify performance elements and describe indicators of success [quality/progress]. Include baseline documentation/data against which completion documentation should be compared.)*

Note: If no specific due date is referenced with any of the completion elements (below), the due date of that element is to be September 28, 2007.

Measure 3.1. Multi-Site Threat Reduction Technical Capability

This PBI measure has been achieved when the contractor has submitted to the NNSA LASO, by the end of the second quarter of FY 2007, a resource-loaded project plan with format and level of detail specified by LANL that includes input from LANL, LLNL, NTS, and PX and identifies the scope of work, schedule, and resources required to utilize existing facilities with appropriate Authorization Bases to provide the following capabilities:

1. Radiation Test Object (RTO) construction, testing, and evaluation;
2. Responder training, including hands-on access to Category-1 quantities of Special Nuclear Material;
3. Radiography applicable to diagnosis of Improvised Nuclear Devices (IND's); and
4. Equipment and technology development, testing, and calibration using Category-1 quantities of Special Nuclear Material.

Measure 3.2. Nuclear Nonproliferation

This PBI measure has been achieved when the contractor has:

1. Completed Materials Protection Control and Accounting (MPC&A) upgrades at zone two for the Chemical Metallurgical Plant at SGChE in the city of Tomsk according to requirements specified by NNSA in NA-25 Statement of Work #71195-18, *Comprehensive Physical Protection System for the Chemical Metallurgical Plant of the Federal Unitary State Enterprise 'Siberian Group of Chemical Enterprises', Modification 1*, dated January 26, 2006, and any associated amendments documented by Contract Review Sheets accompanied by revised Statements of Work submitted by LANL and approved by NNSA/NA-25.
2. Begun qualification of Plutonium polishing processes by the end of June 2007 and has completed six qualification runs by the end of September 2007 in accordance with the *Draft Project Management Plan for Polishing of 330-kg of Plutonium Oxide*, September 2006, or any modifications to this draft plan mutually agreed to between LANL and NA-26.
3. Started by the end of FY 2007 the 3rd Advanced Recovery and Integrated Extraction System (ARIES) demonstration according to the requirements contained in *Pit Disassembly and Conversion Integrated Design Support Test Plan, Rev. 2*, June 2006.
4. Supported the Global Nuclear Energy Partnership (GNEP) through evaluation of safeguards technology development choices for UREX+1a. This evaluation will be delivered in a LANL report meeting the technical requirements of Statement of Work ASI-120B and submitted to NNSA/NA-243 on or before the end of the second quarter of FY 2007 or according to any modified schedule and technical content mutually agreed to between LANL and NA-243.
5. Complete 100% of technical reviews on Commerce Dual Use License applications for nuclear controlled items within 30 days.

Measure 3.3. Nonproliferation Research and Development

This PBI measure has been achieved when the contractor has:

1. Designed, assembled, and tested the Mission Response Module (MRM) Engineering Demonstration Unit by the end of FY 2007. Demonstrated actual operations and initial compatibility with Lockheed-Martin spacecraft in their EDU fixturing in a manner consistent with the Lifecycle Plan for LA-040-MRM.
2. Delivered the fully integrated Cibola Flight Experiment (CFE) space vehicle to the launch site contractor for form, fit, and function integration that satisfies *NNSA/NA-22 Project Lifecycle Plan, Cibola Flight Experiment, Life Cycle Input FY 2007*, for Project No. LA99-RF-CFE-PD06, including any changes to this plan that has resulted from a NNSA-approved change control process.

Measure 3.4. Non-Proliferation Rapid Response Capability

This PBI has been achieved when the contractor has, at least once during FY 2007, received notification from NNSA that a surprising event, high-level initiative or agreement, or unanticipated technological or political opportunity has occurred from which non-proliferation and international security requirements have emerged and has satisfactorily responded to mutually-agreed, written work scope and schedule performance requirements associated with that event.

COMPLETE DOCUMENTS LIST: *(List document(s) that should be submitted, data that should be available, actions to be taken by evaluator to determine actual performance to the requirements stated above.)*

Measure 3.1.

1. Letter from LANL to the NNSA LASO Site Office manager transmitting the Multi-Site Threat Reduction capabilities plan.

Measure 3.2.

1. Review the Final 60% Complete Report and Provide assurance that zone one work has started on the time through the Material Protection Control & Accounting Assurance Database against the requirements contained in Statement of Work #71195-18 and any approved amendments.
2. Review the Resource Loaded Schedule in the monthly report to NA-26.
3. Review submittal letter and self assessment of work performed with respect to FY 2007 requirements established by NNSA/NA-243 in Statement of Work ASI-120B. Based on Statement of Work requirements as agreed by LANL, NNSA/NA-243 will evaluate and provide written confirmation of LANL performance.

Measure 3.3.

1. Review the MRM LANL Prototype Acceptance Report.
2. Review the Flight Readiness Review Report.

Measure 3.4.

Review written scope and schedule performance requirements for any surprising event, high-level initiative or agreement, or unanticipated technological or political opportunity declared by NNSA and LANL certification, contained in a letter from LANL to NNSA, that those requirements have been addressed.

ASSUMPTIONS/TECHNICAL BOUNDARY CONDITIONS AND REMEDY STATED: *(List foreseeable impacts to performance. If the assumption or condition proves false, the remedy shall be in effect. If remedy is not possible, the next step is renegotiation.)*

- In the event of continuing resolution, guidance will be provided to the contractor.
- The contractor will provide the impact resulting from an extended continuing resolution on the PBI within ten working days of receipt of guidance.
- The NNSA and LANS, LLC will verify agreement within 30 days of receipt of final appropriations that the funding is sufficient to accomplish these measures.
- HQ (NA-40) will give direction and ensure performance by other sites consistent with support in achieving Measure 3.1
- Assumes LASO completion of all Safety Authorization Bases documents affecting ARIES by April 27, 2007, or by date mutually agreed to by LANL and LASO.
- For the purposes of Measure 3.4 an event is defined by utilization of funds designated for event response as provided by NA-20 and as defined by NNSA at the time of occurrence.
- The upper boundary expected for purposes of contractor staffing for Measure 3.2.5 is expected to be the average of the number of reviews completed during the previous two fiscal years. If work is expected significantly in excess of this workload and associated staffing, the measure will be negotiated.
- Plan provided in Measure 3.1 is expected to be used for FY 2008 activities.

FY2007 PERFORMANCE BASED INCENTIVE

SECTION 1 GENERAL INFORMATION

PBI No. 4

Title: Nuclear and High Hazard Operations

Revision Number and Date: Revision No.: 0 Date: October 23, 2006
Maximum Available Incentive Fee: **\$6,000,000**
Duration: Annual Multi-year
Fee Payment Type: Completion Progress Provisional
LANL Owner: R. McQuinn COR: J. Vozella

SECTION 2 PERFORMANCE OBJECTIVES

Check Appropriate Box:

- Objective #1: Mission Success
- Objective #2: Science and Technology Excellence
- Objective #3: Multi-Site Integration
- Objective #4: Operational Effectiveness and Efficiency
- Objective #5: Overall Management Effectiveness

SECTION 3 PERFORMANCE MEASURES AND EXPECTATION (S)

List associated performance measures and associated performance expectations for FY07.

Measure 4.1. Successfully develop and implement formality of Nuclear Safety

Conduct of Operations is improved at LANL through implementation of the Conduct of Operations, Maintenance, and Engineering Manuals, as measured by Conduct of Operations Performance Index.

Expectation Statement: Complete the Conduct of Operations, Maintenance and Engineering Manuals. Complete and Implement Facility specific implementation plans. Develop and implement a Conduct of Operations Performance Index, reporting on specific indices on a regular basis, implementing improvement strategies.

Measure 4.2. Improve Safety Basis and Criticality Safety Performance

LANL will develop and implement a safety basis management system through a Laboratory wide Safety Basis Improvement Project. LANL will also re-baseline and implement the Criticality Safety Improvement Plan.

Expectation Statement: Develop a Safety Basis Improvement Project to improve safety basis performance. Develop and implement institutional safety basis procedures. Develop compliant DSAs for nuclear facilities and projects at Los Alamos. Maintain Authorization Agreements under a formal configuration management system. Implement an electronic repository for unclassified safety basis documentation.

Measure 4.3. Improve Laboratory Readiness Review Performance

LANL will formally baseline Laboratory Readiness Reviews, improving schedules. LANL will improve the execution of Laboratory Readiness Reviews.

Expectation Statement: Develop a Laboratory Readiness Review Baseline Improvement Project to improve schedule and scope performance.

**SECTION 4
FEE ALLOCATION AND SCHEDULE**

Identify fee payment schedule for the PBI and the type of payments to be made (e.g., provisional, progress, final) and the basis of the payment (e.g., per canister completed, per assembly, earned value, etc.)

Measure 4.1:

\$2,100,000 (35% of the fee allocated to this PBI)

- 4.1.1 10%
- 4.1.2 10 FOD PMPs 5%; Quarterly Reviews 5%
- 4.1.3 5%
- 4.1.4 40% maximum
- 4.1.5 20% maximum
- 4.1.6 15% maximum

Measure 4.2:

\$3,000,000 (50% of the fee allocated to this PBI)

- 4.2.1 SBIP 2%; Quarterly Reviews 8%
- 4.2.2 3%
- 4.2.3 25% maximum
- 4.2.4 30% maximum
- 4.2.5 (a) 2%; (b) 8%
- 4.2.6 2% maximum
- 4.2.7 10%
- 4.2.8 BIP 2%, Quarterly Reviews 8%

Measure 4.3

\$900,000 (15% of the fee allocated to the PBI)

- 4.3.1 PMP 10%, Quarterly Reviews 30%
- 4.3.2 25% maximum
- 4.3.3 35%

**SECTION 5
PERFORMANCE REQUIREMENTS**

PREVIOUS YEAR'S GATEWAY: *(Describe previous year's gateway (if applicable) that must be completed before fee can be paid under this performance measure. The requirements listed below are the only gateway requirements for this Performance Measure.)*

GENERAL REQUIREMENTS: *(Describe other performance required beyond those stated in measure or expectation such as cost constraints or requirements contained in the approved project plan.)*

Note: If no specific due date is referenced with any of the completion elements (below), the due date of that element is to be September 28, 2007.

DEFINE COMPLETION: *(Specify performance elements and describe indicators of success [quality/progress]. Include baseline documentation/data against which completion documentation should be compared.)*

Measure 4.1. (40 %)

This Measure has been achieved when the contractor has:

- 4.1.1 Completed and LANL has approved the Conduct of Operations Program (includes Conduct of Operations Manual, Conduct of Maintenance Manual, and Conduct of Engineering Manual) on October 31, 2006. (10%)

- 4.1.2 Completed and LANL has approved 10 individual FOD Formal Project Management Plans on January 15, 2007. Quarterly project reviews will take place with LASO in April, July, and September 2007 to report on project milestones and progress. (Completion of all 10 PMPs = 5%, Completion of Quarterly Reviews = 5%)
- 4.1.3 Populated the Conduct of Operations Performance Index with 2006 baseline data by October 31, 2006. (5%)
- 4.1.4 Measured and reported to LASO on performance indices quarterly (February, May, and August 2007). Has shown that the Conduct of Operations Index has improved; by 30% in FY 2007 over 2006 baseline data = 40% fee; by 20% in FY 2007 over 2006 baseline data = 30% of fee; by 10% in FY 2007 over 2006 baseline data = 20% of fee
- 4.1.5 Completed annual verification and validation of 100% SDDs for safety class SSCs by Cognizant System Engineers, with discrepancies and deficiencies identified. (100% completion = 20%) (75% completion = 15%) (50% completion = 10%)
- 4.1.6 Completed annual verification and validation of 100% SDDs for safety class SSCs by Cognizant System Engineers, with discrepancies and deficiencies corrected. (100% completion = 15%) (50% completion = 10%) (25% completion = 5%)

Measure 4.2. (40%)

This Measure has been achieved when the contractor has:

- 4.2.1 Completed and the LASO COR for NHHO has approved the baseline of Safety Basis Improvement Project (SBIP) by December 15, 2006. Quarterly projects reviews with LASO will take place in December 2006, February 2007, May 2007, and August 2007 to report on project milestones and progress. (Completion of SBIP = 2%, Completion of 4 Quarterly Reviews = 8% {2% per review})
- 4.2.2 Completed and LANL has approved Safety Basis Procedures per the baselined Safety Basis Improvement Project Baseline. (100% completion = 3%)
- 4.2.3 DSA Quality: Individual 3009 compliant DSAs will be submitted to LASO for approval, per a LASO LANL agreed upon prioritized list. Within the rating period, each DSA (weighted equally) being:
 - approved by LASO with minimum rework by LANL (takes LANL less than 30 working days to make changes and resubmit) (25%)
 - approved by LASO with minimum rework by LANL (takes LANL less than 45 working days to make changes and resubmit) (20%)
 - approved by LASO with minimum rework by LANL (takes LANL less than 60 working days to make changes and resubmit) (15%)
- 4.2.4 DSA Schedule: Delivered ALL FY 2007 and FY 2008 compliant DSAs (per LASO-LANL agreed upon list) during FY 2007 will earn full fee of 30%. Delivery of all of the FY 2007 LANL-LASO deliverable listing will earn 25% of fee. Delivery of 75% DSAs (per approved priority list) during FY 2007 will earn 20% of fee. Delivery of 66% of the DSAs (per approved priority list), during FY 2007 will earn 15% of fee. Delivery of 50% of the DSAs (per approved priority list), during FY 2007 will earn 10% of fee. Delivery of less than 50% of list will earn no fee.
- 4.2.5 Authorization Agreements are updated:
 - (a) Developed and submitted a new Authorization Agreement Procedure by January 30, 2007, to include establishment of a new configuration control Safety Basis List for each facility (2%)
 - (b) Updated (if required) and submitted to NNSA prior to declaration of startup/operation of new missions/projects/processes (weighted equally per submittal): (8%)
- 4.2.6 An electronic repository of unclassified current Safety Basis documents, under change control, accessible by LASO, is operational by:
 - (a) 05/31/07 (2%)
 - (b) 09/30/07 (1%)
- 4.2.7 Implementation of the Criticality Safety Program Manual by November 30, 2006. (10%)
- 4.2.8 Completed and the LASO COR for Safety Operations has approved the rebaseline of the Criticality Safety Improvement Plan by December 22, 2006. Quarterly project reviews with LASO will take place in December 2006, February 2007, May 2007, and August 2007 to report on milestones and progress. (Completion of baseline improvement plan=2%, completion of quarterly reviews =8% {2% per review})

Measure 4.3. (20%)

This Measure has been achieved when the contractor has:

- 4.3.1 Completed and the Associate Director for Nuclear and High Hazard Operations has approved the LANL Readiness Review Baseline Improvement Project Management Plan on November 15, 2006. Quarterly project reviews with LASO will take place in December 2006, February 2007, May 2007, and August 2007 to report on project milestones and progress. (Completion of PMP = 10%, Completion of Quarterly Reviews = 30%)
- 4.3.2 Completed and submitted to LASO Readiness Review Startup Notification Reports (SNR) dates for Readiness Reviews that are performed by DOE/NNSA are baselined 120 days prior to the required date and are (1) met 100% time during the quarterly rating period – 25% fee, (2) met 75% time – 15% fee
- 4.3.3 Operational Readiness Reviews and/or Readiness Assessments completed by DOE/NNSA during the rating period identify 3 or fewer pre-start findings per Review. (weighted equally per review) (35%)

COMPLETE DOCUMENTS LIST: *(List document(s) that should be submitted, data that should be available, actions to be taken by evaluator to determine actual performance to the requirements stated above.)*

Measure 4.1.

Conduct of Operations Manual;
Conduct of Maintenance Manual;
Conduct of Engineering Manual;
Individual Facility Operations Director Implementation Plans for Operations, Maintenance, Engineering, and Training;
Project Management Plans;
Quarterly Project Management Plan Updates.

Measure 4.2.

Lab-Wide Safety Basis Procedures;
Safety Basis Improvement Project Management Plan;
Quarterly Project Management Plan Updates;
Criticality Safety Improvement Plan;
Criticality Safety Program Manual; Authorization Agreement Procedure.

Measure 4.3.

Readiness Review Baseline Improvement Project Management Plan;
Individual Readiness Review Baselines; Start up Notification Reports and Progress Reports.

ASSUMPTIONS/TECHNICAL BOUNDARY CONDITIONS AND REMEDY STATED: *(List foreseeable impacts to performance. If the assumption or condition proves false, the remedy shall be in effect. If remedy is not possible, the next step is renegotiation.)*

- In the event of continuing resolution, guidance will be provided to the contractor.
- The contractor will provide the impact resulting from an extended continuing resolution on the PBI within ten working days of receipt of guidance.
- The NNSA and LANS, LLC will verify agreement within 30 days of receipt of final appropriations that the funding is sufficient to accomplish these measures.
- For All Measures: Successful completion of all goals is contingent on LANL obtaining sufficient and timely budget to implement work described. Successful completion of all goals is also contingent on LASO meeting commitments as defined in mutually agreed project schedules.
- If pre-existing conditions affect the performance based incentive in a way that could not be anticipated, the change control procedure will be invoked as agreed between LASO and LANL.
- Remedies: Parties will negotiate mitigations and fee reallocation according to the change control procedures agreed between LASO and LANL.
- For All Measures: Successful completion of all goals is contingent on NNSA obtaining sufficient

and timely budget to implement work described. Successful completion of all goals is also contingent on LASO meeting commitments as defined in project schedules. NNSA approval of Safety Basis Improvement Plan within 30 days of receipt.

- Remedies: Parties will negotiate mitigations and fee reallocation according to the change control procedures agreed between LASO and LANL.
- The performance of quarterly reviews will be based on the on time completion of milestones, quality of deliverables and the implementation of corrective actions and appropriate formal change control of the individual baselines.
- The PDSA for CMRR is specifically excluded from this PBI and no fee is included herein for that effort. The CMRR PDSA is addressed in the Project Management PBI.

FY 2007 PERFORMANCE BASED INCENTIVE

SECTION 1 GENERAL INFORMATION

PBI No. 5

Title: **Safeguards and Security Execution**

Revision Number and Date: Revision No.: 0 Date: October 23, 2006
Maximum Available Incentive Fee: **\$3,077,760**
Duration: Annual Multi-year
Fee Payment Type: Completion Progress Provisional
LANL Owner: P. Sowa COR: R. Ferry

SECTION 2 PERFORMANCE OUTCOMES

Check Appropriate Box:

- Objective #1: Mission Success
- Objective #2: Science and Technology Excellence
- Objective #3: Multi-Site Integration
- Objective #4: Operational Effectiveness and Efficiency
- Objective #5: Overall Management Effectiveness

SECTION 3 PERFORMANCE MEASURES AND EXPECTATION (S)

List associated performance measures and associated performance expectations for FY 2007.

Measure 5.1. Completion of all milestones contained in the FY 2007 NNSA NA-70 Program Element Guidance (PEG) and associated FY 2007 LANL Safeguards & Security Annual Operating Plan (AOP).

Expectation Statement:

Completion of FY 2007 Safeguards & Security Annual Operating Plan (AOP) deliverables according to cost/scope/schedule.

Measure 5.2. No real loss or gain of special nuclear material, excluding legacy material.

Expectation Statement:

Material control indicators (shipper/receiver differences, inventory adjustments, inventory differences, physical and special inventories) will detect any apparent loss or gain of special nuclear materials, excluding legacy material

Measure 5.3. FY 2007 External Security and Safeguard Assessments
FY 2007 HQ DOE validation of LANL S&S program effectiveness.

Expectation Statement:

1. Achieve "effective performance" rating in at least 5 of 7 rated areas by HQ DOE SP-1.
2. FY07 LASO COR validation of LANL S&S program effectiveness.

Expectation Statement:

Achievement of an overall "satisfactory" S&S Survey rating by LASO COR.

Measure 5.4. Complete all Milestones contained in the FY 2007 CIO Cyber Security Annual Operating Plan (AOP).

Expectation Statement:

Completion of FY 2007 CIO Cyber AOP deliverables according to cost/scope/schedule.

**SECTION 4
FEE ALLOCATION AND SCHEDULE**

Identify fee payment schedule for the PBI and the type of payments to be made (e.g., provisional, progress, final) and the basis of the payment (e.g., per canister completed, per assembly, earned value, etc.)

Measure 5.1.

\$1,384,992 (45% of total fee allocated to this PBI):

Fee Schedule: Fee payable at the end of each fiscal quarter based on the number of deliverables provided, as a percentage of total deliverables identified for the fiscal year. LASO S&S COR will validate that the documentation (or other evidence stipulated in the Plan) substantiates completion of the deliverable prior to payment.

Measure 5.2.

\$769,440 (25% of total fee allocated to this PBI):

Fee Schedule: Fee payable at the end of the fiscal year based on performance defined in Section 5, Measure 5.2.

Measure 5.3.

\$615,552 (20% of total fee allocated to this PBI):

Fee Schedule: Fee payable upon achievement of "effective performance" rating in at least five of seven rated areas by HQ DOE SP-1; and fee payable upon achievement of an overall "satisfactory" S&S Survey rating by LASO S&S COR. Those fees are payable at the end of the fiscal quarter following receipt of the Inspection and Survey Reports.

Measure 5.4.

\$307,776 (10% of total fee allocated to this PBI):

Fee Schedule: Fee payable at the end of each fiscal quarter based on the number of deliverables provided, as a percentage of total deliverables identified for the fiscal year. LASO S&S COR will validate that the documentation (or other evidence stipulated in the Plan) substantiates completion of the deliverable prior to payment.

**SECTION 5
PERFORMANCE REQUIREMENTS**

PREVIOUS YEAR'S GATEWAY: *(Describe previous year's gateway (if applicable) that must be completed before fee can be paid under this performance measure. The requirements listed below are the only gateway requirements for this Performance Measure.)*

COR approval of the FY 2007 Annual Operating Plan submitted prior to September 30, 2006.
COR approval of the FY 2007 Material Control & Accountability Plan submitted prior to September 30, 2006.
FY 2006 MC&A Inventory Closure Report submitted by September 30, 2006.

GENERAL REQUIREMENTS:

DEFINE COMPLETION: *(Specify performance elements and describe indicators of success [quality/progress]. Include baseline documentation/data against which completion documentation should be compared.)*

Note: If no specific due date is referenced with any of the completion elements (below), the due date of that element is to be September 28, 2007.

Measure 5.1.

A. Meet all NA-70 PEG Level 1 Milestones.

The FY 2007 AOP will be provided to the COR prior to September 30, 2006 to validate that all five sub elements of the FY 2007 PEG are included prior to plan execution. Monthly updates through the Protection Program Management Team (PPMT) to the COR will include specific updates on implementation of each element, with related documentation provided.

Deliverable documentation will also be provided to the COR. This includes baseline cost/scope/schedule as of QTR1/FY 2007, change control documentation produced throughout FY 2007, and documentation of completed work packages prior to EOFY. Earned value management system documents will be provided to the COR on a quarterly basis to indicate project progress, and budget/work variances against the baseline. The EOFY Program-level cost variance shall be within 5% of the baseline budget as adjusted through the change control process.

Measure 5.2.

A. No real loss or gain of Special Nuclear Material.

B. Implementation of the MC&A and Production Integration Plan.

The FY 2007 MC&A Plan will be provided to the COR prior to September 30, 2006 to validate that deliverables are included prior to plan execution. Quarterly updates to the COR will include specific updates on Plan implementation, with related documentation provided. The FY 2006 Inventory Closeout Report will establish the inventory baseline against which the FY 2007 inventories are measured.

Measure 5.3.

A. Achievement of "effective performance" rating in at least five of seven rated areas by HQ SP-1.

1. Classified Matter Protection and Control
2. Personnel Security
3. Physical Security Systems
4. Material Control and Accountability
5. Protective Force
6. Protection Program Management
7. Classification and Information Control

B. Achievement of an overall "satisfactory" S&S Survey rating by LASO S&S COR.

Measure 5.4.

A. Meet all CIO PEG Level 1 Milestones.

The FY 2007 CIO Cyber Security AOP will be provided to the LASO S&S COR prior to September 30, 2006 for validation and approval. Quarterly updates through the Cyber PPMT to the LASO S&S COR will include specific updates on implementation of each element with related information provided.

Deliverable documentation will be provided to the LASO S&S COR. This includes baseline cost/scope/schedule as of QTR1/FY 2007, change control documentation produced throughout FY 2007, and documentation of completed work prior to EOFY.

COMPLETE DOCUMENTS LIST: *(List document(s) that should be submitted, data that should be available, actions to be taken by evaluator to determine actual performance to the requirements stated*

above.)

Measures 5.1.

- FY 2007 NNSA Program Execution Guidance, August 15, 2006
- FY 2007 ADSS Annual Operating Plan
- FY 2007 AOP Deliverables
- FY 2007 AOP Protection Program Management Team meeting minutes
- FY 2007 AOP Change control documents
- FY 2007 AOP EVMS quarterly update documents
- FY 2007 AOP End of Year Report, with support documentation validating completion of PEG direction.

Measure 5.2.

- FY 2006 MC&A Inventory Closeout Report
- FY 2007 MC&A Plan
- FY 2007 MC&A Plan Deliverables
- FY 2007 MC&A Reports of inventory adjustments, shipper/receiver differences, physical and special inventory differences and defects

Measure 5.3.

- Final Report of FY 2007 SP-1 Inspection
- Final Report of FY 2007 LASO Survey

Measures 5.4.

- FY 2007 CIO Cyber Security Annual Operating Plan
- FY 2007 CIO Cyber Security AOP Deliverables
- FY 2007 AOP Cyber Protection Program Management Team meeting minutes
- FY 2007 AOP Cyber change control process and documents
- FY 2007 AOP Cyber Security End of Year Report

ASSUMPTIONS/TECHNICAL BOUNDARY CONDITIONS AND REMEDY STATED: *(List foreseeable impacts to performance. If the assumption or condition proves false, the remedy shall be in effect. If remedy is not possible, the next step is renegotiation.)*

- In the event of continuing resolution, guidance will be provided to the contractor.
- The contractor will provide the impact resulting from an extended continuing resolution on the PBI within ten working days of receipt of guidance.
- The NNSA and LANS, LLC will agree within 30 days of receipt of final appropriations that the funding is sufficient to accomplish these measures.
- Successful execution of the Annual Operating Plan (Measures 5.1 and 5.4), the Material Control & Accountability Plan (Measure 5.2) and program effectiveness (Measure 5.3) will be constrained by NNSA fund allocation.
- The LASO S&S COR and the LANL ADSS will negotiate and document modifications to program execution for Safeguards and Security.
- The LASO S&S COR and the LANL CIO will negotiate and document modifications to program execution for Cyber Security.
- Expectations and deliverables that result from conditions outside the contractor's ability to control will be addressed by the formal change control process for the PEP.
- Assumptions/Technical Boundary Conditions:
 1. National and local security threat conditions are not elevated
 2. FY 2007 NNSA PEG will remain constant throughout the year

FY2007 PERFORMANCE BASED INCENTIVE

**SECTION 1
GENERAL INFORMATION**

PBI No. 6

Title: Ensure Science, Technology and Engineering Excellence

Revision Number and Date: Revision No.: 0 Date: October 23, 2006
Maximum Available Incentive Fee: **\$5,129,600**
Duration: Annual Multi-year
Fee Payment Type: Completion Progress Provisional
LANS Owner: T. Wallace, PADST&E COR: R. Snyder

**SECTION 2
PERFORMANCE OUTCOMES**

- Check Appropriate Box:
- Objective #1: Mission Success
 - Objective #2: Science and Technology Excellence
 - Objective #3: Multi-Site Integration
 - Objective #4: Operational Effectiveness and Efficiency
 - Objective #5: Overall Management Effectiveness

**SECTION 3
PERFORMANCE MEASURES AND EXPECTATION (S)**

List associated performance measures and associated performance expectations for FY07.

Measure 6.1. Maintain the Laboratory's science, technology and engineering workforce excellence

Expectation Statement:

The contractor will maintain the quality of the science, technology and engineering workforce that is essential for LANL to respond to national and mission related issues. The contractor will evaluate metrics on the Laboratory's science, technical and engineering productivity including number of peer-reviewed papers, classified papers and reports, intellectual property (inventions disclosures, patent applications, and patents), awards (including federal agency and industrial). Results of independent LANL science, technology and engineering reviews will be provided to NNSA and DOE.

Measure 6.2. Maintain the Laboratory's science, technology and engineering critical skills to meet current and future NNSA and DOE missions

Expectation Statement:

The contractor will maintain those science, technology and engineering critical skills required for NNSA and DOE missions. The contractor will provide metric(s) on LANL science, technology and engineering critical skills for Technical Staff Members (TSMs).

Measure 6.3. Engage in collaborative research with the broad science, technology and engineering communities.

Expectation Statement: The contractor will develop, maintain and enhance collaborations with the science, technology and engineering communities, including universities, industry and other national laboratories to bring the best available science, technology and engineering to solve the Nation's and

NNSA's mission related problems. The contractor will evaluate its collaborations using the following metrics: the number of collaborations with industry, academia, and other national laboratories; evidence of the benefit from collaborations through Laboratory review process, capacity of LANL scientific user facilities to support interactions. Results of independent LANL science, technology and engineering reviews will be provided to NNSA and DOE.

Measure 6.4. Support the development and implementation of the Global Nuclear Energy Partnership.

Expectation Statement: The contractor will work with the DOE and other national laboratories to develop and implement the Global Nuclear Energy Partnership (GNEP) Program strategy. The contractor will evaluate its effectiveness in the GNEP Program in two areas: (1) international GNEP cooperation, and (2) structural materials performance.

**SECTION 4
FEE ALLOCATION AND SCHEDULE**

Identify fee payment schedule for the PBI and the type of payments to be made (e.g., provisional, progress, final) and the basis of the payment (e.g., per canister completed, per assembly, earned value, etc.)

Measure 6.1

\$3,847,200 (75% of total fee allocated for PBI 6):

Fee Schedule: Fee will be awarded upon completion based on evaluation of the criteria defined in Section 5, Measure 6.1.

Measure 6.2

\$666,848 (13% of total fee allocated):

Fee Schedule: Fee will be awarded upon completion based on evaluation of the criteria defined in Section 5, Measure 6.2.

Measure 6.3

\$512,960 (10% of total fee allocated):

Fee Schedule: Fee will be awarded upon completion based on evaluation of the criteria defined in Section 5, Measure 6.3.

Measure 6.4

\$102,592 (2% of total fee allocated):

Fee Schedule: Fee will be awarded upon completion based on evaluation of the criteria defined in Section 5, Measure 6.4.

**SECTION 5
PERFORMANCE REQUIREMENTS**

PREVIOUS YEAR'S GATEWAY: *(Describe previous year's gateway (if applicable) that must be completed before fee can be paid under this performance measure. The requirements listed below are the only gateway requirements for this Performance Measure.)*

The contractor will have a documented quality peer review program.

GENERAL REQUIREMENTS:

DEFINE COMPLETION: *(Specify performance elements and describe indicators of success [quality/progress]. Include baseline documentation/data against which completion documentation should be compared.)*

Note: If no specific due date is referenced with any of the completion elements (below), the due date of that element is to be September 28, 2007.

Measure 6.1. An aggregate 10% increase in the following measures:

- Number of peer-reviewed papers published between October 1, 2006 – September 30, 2007 (baseline is 500 publications for the assessment period),
- Classified papers and reports published between October 1, 2006 – September 30, 2007 (baseline is 50 reports for the assessment period),
- Intellectual property (inventions disclosures, patent applications, and patents) for the period October 1, 2006 – September 30, 2007 (baseline is 10 patents granted for the assessment period),
- Awards (including federal agency and industrial) made during the period October 1, 2006 – September 30, 2007

Measure 6.2.

- The contractor will provide the critical skills metric to the NNSA and DOE by November 30, 2006. This metric will use the September 29, 2006 critical skills list, and for each critical skill, the proposed number of employees listed as a TSM. The critical skills metric will compare at the Laboratory level the actual number of TSMs in critical skills category to the proposed number and sum over all categories. The Laboratory's goal is to demonstrate $\geq 80\%$ value for the critical skills metric.

Measure 6.3.

- A 10% increase (when compared to FY 2005) in the total number of collaborations between LANL and industry academia, other national laboratories for FY 2007 that are defined through subcontracts, memoranda of agreements, and collaborative proposals.
- LANL scientific user facilities (Lujan and NHMFL) operate at 75% of capacity to support scientific interactions. Capacity is defined for each of these facilities based on facility readiness and availability, operational basis, funding, and staff requirements.

Measure 6.4.

- LANL will conduct post irradiation examination of the HT-9 burner reactor structural material (these materials were previously irradiated in the Fast Flux Test Facility at Hanford) and generate a report.
- LANL will support development of approaches for international nuclear fuel cycle scientific collaborations; in FY 2007 a framework for establishing and sustaining meaningful cooperation with Russian scientists will be developed.

COMPLETE DOCUMENTS LIST: *(List document(s) that should be submitted, data that should be available, actions to be taken by evaluator to determine actual performance to the requirements stated above.)*

1. Schedule of LANL ST&E independent assessments
2. Copies of LANL ST&E independent assessment reports will be supplied for quality of science, technology and engineering assessment.
3. Letter report on FY 2007 operation statistics for Lujan Center and NHMFL.
4. Summary report for ST&E metrics for 2007, which includes number of peer reviewed publications, number of classified papers and reports, type and number of awards received, and intellectual property data.
5. Summary report for irradiation examination of material from HT-9 reactor.
6. Report for GNEP international collaboration with Russian scientists.

ASSUMPTIONS/TECHNICAL BOUNDARY CONDITIONS AND REMEDY STATED: *(List foreseeable impacts to performance. If the assumption or condition proves false, the remedy shall be in effect. If remedy is not possible, the next step is renegotiation.)*

- In the event of continuing resolution, guidance will be provided to the contractor.
- The contractor will provide the impact resulting from an extended continuing resolution on the PBI within ten working days of receipt of guidance.

- The NNSA and LANS, LLC will verify agreement within 30 days of receipt of final appropriations that the funding is sufficient to accomplish these measures.
- Measure 6.2 – The transfer or elimination of projects or programs will change the critical skills categories. The contractor will update the list within 60 days of the program/project change to reflect the change in the ST&E workforce.
- Measure 6.2 – Allowance for recruiting and hiring must be made for the calculation. Completed hiring actions where a report date has been set will be included as an actual in the calculation of the critical skills metric.
- Measure 6.4 – The completion assumes that GNEP is funded in the federal budget and that the tasks listed have been assigned to the contractor. The deliverables and completion metrics will be redefined within 30-days of receipt of the contractor's guidance for GNEP if the assigned tasks are not the same.

FY2007 PERFORMANCE BASED INCENTIVE

**SECTION 1
GENERAL INFORMATION**

PBI No. 7

Title: **Multi-Site Performance**

Revision Number and Date: Revision No.: 0 Date: October 23, 2006

Maximum Available Incentive Fee: **\$5,129,600**

Duration: Annual Multi-year

Fee Payment Type: Completion Progress Provisional

LANS Owner: G. Mara COR: R. Snyder

**SECTION 2
PERFORMANCE OUTCOMES**

Check Appropriate Box:

- Objective #1: Mission Success
- Objective #2: Science and Technology Excellence
- Objective #3: Multi-Site Integration
- Objective #4: Operational Effectiveness and Efficiency
- Objective #5: Overall Management Effectiveness

**SECTION 3
PERFORMANCE MEASURES AND EXPECTATION (S)**

List associated performance measures and associated performance expectations for FY07.

LANL has both direct production and support to complex missions. PBI 1 addresses activities at LANL whereas PBI 7 addresses LANL's support to the weapons complex.

Measure 7.1. Defense Programs "Getting the Job Done" Top 10 priorities.

Expectation Statement: LANL will support the efforts of others in the weapons complex achieve NNSA's direction to:

1. Continue to deliver our products for the DoD (i.e. Limited life components, reliability assessments, etc.).
2. Eliminate the backlog of surveillance units by September 2007 consistent with the enhanced evaluation strategy (except the W84 and W88).
3. Accelerate the dismantlement of retired weapons, 49% increase from FY 2006 to FY 2007.
4. Deliver the B61-11 FPU by January 2007..
5. Deliver the W76-1 FPU by September 2007.
6. Certify the W88 with a new pit and manufacture 10 W88 pits
7. Extract Tritium for use in the stockpile by September 2007.
8. Support the science basis for warhead design, assessment and certification by completing and applying MESA, DARHT, and NIF Ignition within their respective FY2007 deliverables.
9. Transform from a Life Extension Program to a RRW stockpile strategy (RRW to the Nuclear Weapons Council by Nov 2006).
10. Transform the nuclear weapons infrastructure to take Responsive Infrastructure from concept to reality (Implement actions identified in the Complex 2030 Preferred Infrastructure Planning Scenario and the Transformation Strategy Implementation Plan).

Measure 7.2. Complete Transformation activities within the NWC.

Expectation Statement: NWC Integration – LANL will establish, lead and execute an overall NWC complex integration plan. Initiatives will be completed within budget, schedule and scope for the LANL site as defined in initiative subproject plans. LANL will lead the “NWC Integration Steering Committee” to assist sharing of best practices ensuring selected initiatives have defined NWC benefits, and participating on all appropriate initiatives, while leading at least two multi-site initiatives. These will be managed as projects with clearly defined metrics resulting in significant measurable NWC improvements.

Measure 7.3. Nuclear Materials Consolidation

Expectation Statement: Consolidate SNM within the nuclear weapons complex. Complete all scheduled shipments consistent with the LANL TA-18 accelerated closure plan. Complete initial shipment of SNM from LLNL. Complete removal of all Category I/II material from SNL except form Sandia Pulsed Reactor.

Measure 7.4. Information Resource Management

Expectation Statement: The Nuclear Weapons Complex will establish an M&O multi-site, inter-disciplinary integrated project team (IPT) to rationalize, coordinate, and consolidate site information technology infrastructure across the nuclear weapons complex to accomplish cost savings and cost avoidances.

Measure 7.5. Supply Chain Management

Expectation Statement: NNSA sites shall work together to establish a Supply Chain Management Center (SCMC) and take other actions to act as a NWC-wide purchasing enterprise. NNSA will measure the amount of cost savings generated by the strategic sourcing process and the effectiveness of the cooperation and coordination among the NWC sites. Expectations include:

- Implement NNSA-wide eSourcing
- Implement NNSA eStore of contract catalogs
- Implement eProcurement
- Partially staff Strategic Sourcing organization.

Measure 7.6. Support for the Production Complex Delivery of Stockpile Components and other Stockpile Activities

LANL will support Pantex in implementing SETLT, PTIP, YTIP and the SMT process efficiencies to reduce cost and increase throughput

Expectation Statement:

LANL will complete deliverables in accordance with direction from SETLT, PTIP, YTIP, and the SMT.

**SECTION 4
FEE ALLOCATION AND SCHEDULE**

Identify fee payment schedule for the PBI and the type of payments to be made (e.g., provisional, progress, final) and the basis of the payment (e.g., per canister completed, per assembly, earned value, etc.)

Measure 7.1.

\$3,334,240 (65% of total PBI Fee)

Fee Schedule: Fee will be paid based on the schedule below for each of the elements in Measure 7.1 on an all or nothing basis by element upon completion of performance requirements by all sites for that element.

Element 1: Team Success: 10%: LANL direct production addressed under PBI 1

Element 2: Team Success: 5%

Element 3: Team Success: 15%

- Element 4: Team Success: 15%: LANL direct production addressed under PBI 1
- Element 5: Team Success: 15%: LANL direct production addressed under PBI 1
- Element 6: Team Success: 5%: LANL direct production addressed under PBI 1
- Element 7: Team Success: 2.5%
- Element 8: Team Success: 2.5% LANL DARHT efforts addressed under PBI 1
- Element 9: Team Success: 15%
- Element 10: Team Success: 15%

Measure 7.2.

\$256,480 (5% of total PBI fee.)

Fee Schedule: Fee will be paid proportionally for each of the 5 elements in Measure 7.2 on an all or nothing basis upon completion of performance requirements by all sites.

Measure 7.3

\$512, 960 (10% of total PBI fee)

Fee Schedule: Fee will be paid for Measure 7.3 on an all or nothing basis upon completion of performance requirements by all sites.

Measure 7.4

\$256,480 (5% of total PBI fee)

Fee Schedule:
 Elements A, B: 66% Fee will be paid for these combined elements of Measure 7.4 on all or nothing basis upon completion of performance requirements by all sites.
 Elements C: 34% Fee will be paid for this site-specific target upon completion.

Measure 7.5

\$256, 480 (5% of total PBI fee)

Fee Schedule: Fee will be paid for Measure 7.5 on an all or nothing basis upon completion of performance requirements by all sites.

Measure 7.6

\$512,960 (10% of total PBI fee)

Fee Schedule: Fee will be paid for Measure 7.6 on an all or nothing basis upon completion of performance requirements by all sites.

**SECTION 5
 PERFORMANCE REQUIREMENTS**

PREVIOUS YEAR'S GATEWAY: *(Describe previous year's gateway (if applicable) that must be completed before fee can be paid under this performance measure. The requirements listed below are the only gateway requirements for this Performance Measure.)*

GENERAL REQUIREMENTS:

DEFINE COMPLETION: *(Specify performance elements and describe indicators of success [quality/progress]. Include baseline documentation/data against which completion documentation should be compared.)*

Note: If no specific due date is referenced with any of the completion elements (below), the due date of that element is to be September 28, 2007.

Measure 7.1.

The complex shall:

Element 1: Meet all scheduled ship dates and quantities for deliveries to DoD.
Element 2: Disassembly and inspection (D&I) of full up weapons (except W84 & W88) is complete at Pantex. Completed by the end of September 2007.
Element 3: Dismantlement is separating the high explosives from the nuclear material at Pantex. A retired weapon is any unit with retirement status (could be B61 or B83, even though program is not retired).
Element 4: B61-11 ALT 357 FPU completed by the end of January 2007. FPU is defined as one Diamond Stamped bomb. Formal acceptance by the DoD will occur after completion of the certification and the DRAAG.
Element 5: W76-1 FPU completed by the end of September 2007. FPU is defined as one Diamond Stamped W76-1 warhead. Formal acceptance by the DoD will occur after completion of the W76-1 certification and the DRAAG (FY 2008).
Element 6: Issue a Major Assembly Release (MAR) for the W88 system with a LANL manufactured pit type 126 by September 30, 2007. Issuance of the MAR for the W88 system with a LANL manufactured pit indicates that the system is certified for use in the stockpile and accepted by NNSA. The weapon will contain a pit manufactured at Los Alamos. The unit will be located at Pantex approved for shipment to the Military. 10 W88 WR Quality Pits will be manufactured and accepted. Pits will be in stored at LANL with all approvals for use in stockpile and shipment to Pantex when needed.
Element 7: Tritium is extracted from TPBAR and added to existing reserve by the end of September 2007.
Element 8: Progress toward the 2010 first ignition experiment milestone will be confirmed in FY 2007 by SPI and CPI metrics of the National Ignition Campaign (NIC) greater than 0.9 and by completion of a multi-lab confirmation of ablator parameters. Pit lifetime studies completed by the end of FY 2006. A report containing results and lifetime estimates is complete by the end of CY 2006.
Element 9: RRW recommendation from POG is submitted to the Nuclear Weapons Council by the end of November 2006.
Element 10: System Integration Technical Support organization will be fully functional utilizing the tools and capabilities from throughout the nuclear weapons sites. Safety Authorization Basis Academy established to facilitate uniformity across the weapons complex.

In all elements LANL is expected to issue engineering releases, provide engineering advice, and support site issue resolution in a timely and responsive manner such as not to impact milestones at other sites.

Measure 7.2.

- A. Two non-LANL lead NWC-ISC projects will complete on time within budget FY 2007 deliverables per their respective Subproject Plan.
- B. Three additional "Initiatives" (beyond current NWC-ISC list effective 10/1) for transformation will be started in FY 2007.
- C. Drive the Transformation with active participation by LANL with NWC-ISC, with NWC-ISC being viewed as a driver for transformation and integration of NWC by holding at least quarterly meetings, publishing minutes and delivering on project plans by multiple sites.
- D. Three NWC applicable LANL best practices provided to NWC-ISC to share with complex in formal reports.
- E. Integration of LANL & LLNL will measurably improve per the project plans for NTS consolidation, and Firing site consolidation.

Measure 7.3.

Consolidate SNM within the nuclear weapons complex. Complete all scheduled shipments consistent with the LANL TA-18 accelerated closure plan. Complete initial shipment of SNM from LLNL. Complete removal of all Category I/II material from SNL except form Sandia Pulsed Reactor

Measure 7.4

- A. At the end of FY 2007 the IPT will provide a strategic plan for implementing appropriate coordination and consolidation activities. This plan must be signed by all 8 M&Os.
- B. The IPT will obtain a decision from the NNSA CIO on the statement of mission need and the acquisition strategy plan for consolidation efforts of 2 of 6 IT infrastructure sub-categories or other

agreed to automated data processing baseline costs. The six sub-categories are: Application Data Hosting/Housing; Cyber Security; Enterprise Collaboration Services; Office Automation; Telecommunications Networks; and Telephony. At a minimum, the IPT will provide a written progress report to NA-13 / NA-65 on a quarterly basis. In future years, beginning in FY 2008, it is expected that the Nuclear Weapons Complex through standardization and other means will demonstrate cost savings or cost avoidances in expenses below FY 2006 end of year actuals for each of the six sub-categories of site information technology infrastructure as reported per OMB exhibit 53 or other agreed to automated data processing baseline costs.

- C. LANS will demonstrate cost savings or cost avoidances in FY 2007 expenses 5% below FY 2006 end of year actuals for one of the six sub-categories of site information technology infrastructure as reported per OMB exhibit 53 or other agreed to automated data processing baseline costs. The six sub-categories are: Application Data Hosting/Housing; Cyber Security; Enterprise Collaboration Services; Office Automation; Telecommunications Networks; and Telephony. However, to avoid wasteful spending, any actions taken at a site to support this common target should not be taken unless LANS is confident the action taken will not preclude or conflict with options for enterprise wide savings options.

Measure 7.5.

Upon establishment and implementation of the SCMC, the sites shall actively support and participate in the SCMC to identify cost-avoidance targets and actuals through the utilization of strategic contracts on procurements in FY 2007, increasing dollars spent utilizing strategic sourcing commodity programs.

Measure 7.6.

Attend and participate in Pantex process efficiency initiatives as requested by NNSA. Provide timely responses to special requests from NNSA as negotiated. Deliver Engineering Authorizations, Engineering Evaluations, and Engineering Releases in accordance with negotiated schedules.

COMPLETE DOCUMENTS LIST: *(List document(s) that should be submitted, data that should be available, actions to be taken by evaluator to determine actual performance to the requirements stated above.)*

LANL to submit assessment and year end results relative to elements of this PBI.

ASSUMPTIONS/TECHNICAL BOUNDARY CONDITIONS AND REMEDY STATED: *(List foreseeable impacts to performance. If the assumption or condition proves false, the remedy shall be in effect. If remedy is not possible, the next step is renegotiation.)*

- In the event of continuing resolution, guidance will be provided to the contractor.
- The contractor will provide the impact resulting from an extended continuing resolution on the PBI within ten working days of receipt of guidance.
- The NNSA and LANS, LLC will agree within 30 days of receipt of final appropriations that the funding is sufficient to accomplish these measures.
- Funding received is in accordance with FYSNP profile. Funding below that level will require modifications to these measures through formal change control, renegotiation of the measures and/or reallocation of the associated fee.
- RRW deliverables are dependent on selection of the New Mexico design. Non-selection or joint assignment will require renegotiation of the measures and/or reallocation of the associated fee.
- NNSA approval of the baseline that LANL has proposed for TA-18 Accelerated Closure.
- This is a Multi-Site PBI, as mandated by NNSA. The intention of this PBI is to measure cooperation between sites in the Nuclear Weapons Complex to accomplish NNSA's goals, rather than to measure individual performance. LANL-specific performance may be measured elsewhere. (i.e. Level 1 and Level 2 Milestones) Safety Basis Academy.
- For LANL this should mean "deliver 10 W88 pits that are suitable for diamond stamping"- per NNSA Program Director 10.03.06.

FY2007 PERFORMANCE BASED INCENTIVE

SECTION 1 GENERAL INFORMATION

PBI No. 8

Title: Environmental Projects and Operations

Revision Number and Date: Revision No.: 0 Date: October 23, 2006

Maximum Available Incentive Fee: **\$4,616,640**

Duration: Annual Multi-year

Fee Payment Type: Completion Progress Provisional

LANS Owner: A. Phelps, D. Watkins COR: G. Rael

SECTION 2 PERFORMANCE OUTCOMES

Check Appropriate Box:

- Objective #1: Mission Success
- Objective #2: Science and Technology Excellence
- Objective #3: Multi-Site Integration
- Objective #4: Operational Effectiveness and Efficiency
- Objective #5: Overall Management Effectiveness

SECTION 3 PERFORMANCE MEASURES AND EXPECTATION (S)

List associated performance measures and associated performance expectations for FY07.

Measure 8.1. Comply with environmental remediation regulatory commitments.

Expectation Statement:

Complete the FY 2007 New Mexico Environment Department (NMED) Consent Order deliverables listed in the table provided in Section 5, on schedule. Content must meet deliverable requirements of Consent Order except where negotiated differently with NMED.

Measure 8.2. Decommission and Demolish (D&D) process contaminated facilities.

Expectation Statement:

D&D Facility approximately 5,147 cubic yards-in-place of facility systems, components, structures, and/or associated contaminated soil with a Schedule Performance Index (SPI) and CPI between .90 and 1.15.

Measure 8.3. Reduce legacy TRU waste at TA-54.

Expectation Statement:

Disposition (i.e., ship to WIPP or dispose as LLW) 44,658 PE-Ci of dispersible, contact-handled TRU waste (this quantity includes 12,062 PE-Ci previously dispositioned and 32,596 PE-Ci to be dispositioned during this performance period), ship 16 remote-handled legacy TRU waste canisters to WIPP, and achieve SPI and CPI between 0.90 and 1.15 as measured cumulative for FY 2007.

Measure 8.4. Improve the LANL EM performance baseline.

Expectation Statement:

Deliver the LANS baseline change proposals (BCPs) that accelerate remediation by two years to the life cycle integrated EM baseline on or before January 31, 2007. The BCPs must be of high quality to pass

an Internal Independent Review and be approved by DOE. The BCPs will demonstrate optimization in schedule and cost by year and serve as the management tool for project management. (NOTE: This will be used as a multi-year PBI in FY 2008.)

Measure 8.5. Maintain compliance with laws for protection of the public and environment in support of continued LANL operations and maintain ISO 14001 certification.

Expectation Statement:

For compliance with Environmental Regulatory Requirements (see Assumptions), the Laboratory will meet all regulatory non Consent Order (see Measure 8.1) compliance submittals on-time, will formalize an objective of zero environmental regulatory compliance violations, and will seek to continuously improve compliance performance as measured by self assessment and self correction processes and the regulatory performance record. In addition, they will continue to demonstrate ISO 14001 certification through third party verification by September 29, 2006.

**SECTION 4
FEE ALLOCATION AND SCHEDULE**

Identify fee payment schedule for the PBI and the type of payments to be made (e.g., provisional, progress, final) and the basis of the payment (e.g., per canister completed, per assembly, earned value, etc.)

Use this area to define prerequisites for payment of any measure – i.e. completion of other specific measures, etc. Allocate specific dollar amounts to all areas defined in Section 5 – completion description, i.e. if Base is designated as a type of fee, insert a dollar amount.

Measure 8.1.

Fee Allocation:

\$1,615,824 (35% of total fee allocated to this PBI):

Fee Payment Type: Completion

3 missed = No Fee for this Measure

2 missed = 50% of Fee allocation

1 missed = 70% of Fee allocation

0 missed = 100% of Fee allocation

Measure 8.2.

\$461,664 (10% of total fee allocated to this PBI):

SPI/CPI at either completion of the measure or the end of FY 2007, whichever comes first, will have the following effect: If PARS is yellow, available fee will be reduced by 1/2, if PARS is red, no fee will be paid for this measure.

Measure 8.3.

\$1,615,824 (35% of total fee allocated to this PBI):

Element A=80% of Fee allocated to this measure

Element B=20% of Fee allocated to this measure

SPI/CPI at either completion of the measure or the end of FY 2007, whichever comes first, will have the following effect: If PARS is yellow, available fee will be reduced by 1/3, if PARS is red, available fee will be reduced by 1/2.

Measure 8.4.

\$461,664 (10% of total fee allocated to this PBI):

SPI/CPI at either completion of the measure or the end of FY 2007, whichever comes first, will have the

following effect: If PARS is yellow, available fee will be reduced by 1/2, if PARS is red, no fee will be paid for this measure.

Measure 8.5.

\$461,664 (10% of total fee allocated to this PBI):

Element 1=25% of Fee allocated to this measure

Element 2=25% of Fee allocated to this measure

Element 3=25% of Fee allocated to this measure

Element 4=25% of Fee allocated to this measure

**SECTION 5
PERFORMANCE REQUIREMENTS**

PREVIOUS YEAR'S GATEWAY: *(Describe previous year's gateway (if applicable) that must be completed before fee can be paid under this performance measure. The requirements listed below are the only gateway requirements for this Performance Measure.)*

GENERAL REQUIREMENTS:

DEFINE COMPLETION: *(Specify performance elements and describe indicators of success [quality/progress]. Include baseline documentation/data against which completion documentation should be compared.)*

Note: If no specific due date is referenced with any of the completion elements (below), the due date of that element is to be September 28, 2007.

Measure 8.1.

Comply with environmental remediation regulatory commitments:

- The Consent Order deliverables specified on the table below delivered on time to NMED, specified CPI level achieved with no associated NOV's received from NMED. Any NOV received will not be considered for purposes of fee until it is adjudicated and LANL is found to be at fault.
- Consent Order Deliverables for Federal FY 2007 are found in the formal Consent Order schedule or formal communications from NMED. Deadline dates indicated below may be modified by joint agreement with NMED. The specific Deliverables are:

Deliverable	Deadline
Mortandad Canyon Investigation Report	10/28/2006
SWMU 21-014 (MDA A) Investigation Report	11/9/2006
Chromium Contamination in Regional Well R-28 Groundwater Interim Measures	11/30/2006
SWMU 50-009 (MDA C) Investigation Report	12/6/2006
Chromium Contamination in Regional Well R-28 Groundwater Phase II Work Plan	1/30/2007
SWMU 16-021(c) CME Report for Intermediate and Regional Groundwater	5/31/2007
SWMU 16-008(a) Investigation Report	6/21/2007
Guaje/Barrancas/Rendija Canyons Aggregate Area Investigation Report	8/31/2007
S-Site Aggregate Area Investigation Work Plan	9/30/2007
North Ancho Canyon Aggregate Area Investigation Work Plan	9/30/2007
Well Completion Report - First Regional Aquifer Well Completion Report Due in FY 07	Within 120 days after well installation is complete

Well Completion Report - Second Regional Aquifer Well Completion Report Due in FY 07	Within 120 days after well installation is complete
First Periodic Monitoring Report	Due date dependent on sampling schedule in approved IGMP
Second Periodic Monitoring Report	Due date dependent on sampling schedule in approved IGMP
*MDA V Investigation Report	10/31/2006
*General Facility Information 2007	3/31/2007
*MDA L CME Report	7/31/2007
*MDA G CME Report	8/5/2007

* Milestones not in Stipulated Penalties List for FY 2007 but are milestones due in FY 2007(not all inclusive in this table)

Measure 8.2.

- A. Complete approximately 5,147 cubic meters of D&D as required in baseline.
- B. Achieve an aggregate cost and schedule performance index equal to or greater than 0.90 but less than 1.15 as measured cumulative for FY 2007, and associated milestones in the baseline.

Measure 8.3.

- A. During the performance period eliminate 32,596 PE-Ci of dispersible, contact handled TRU waste from Area G, within the constraints described in 8.3C below.
- B. Ship 16 Remote Handled waste canisters to WIPP, within the constraints described in 8.3C below.
- C. Achieve an aggregate cost and schedule performance index equal to or greater than 0.90 but less than 1.15 as measured cumulative for FY 2007, and associated milestones in the baseline.

Measure 8.4.

- A. Deliver three LANS baseline change proposals (BCPs) that define the LANS strategy for a two-year acceleration of the EM-funded Legacy Environmental Cleanup Projects at LANL: (Legacy Waste, Environmental Restoration, and D&D) on or before January 31, 2007.
- B. Achieve an aggregate cost and schedule performance index of equal to or greater than 0.90 but less than 1.15 as measured cumulative for FY 2007, and associated milestones in the baseline.

Measure 8.5.

1. 25 % of fee will be paid for regulatory compliance performance as defined by submittal of all required deliverables (as established in the "Complete Documents List" below) on time and meeting of groundwater and drinking water monitoring agreement commitments with Los Alamos County and San Ildefonso Pueblo.
2. 25% of fee will be paid for continual improvement in compliance performance trends (current year performance compared to the average of the past 3 years performance) For RCRA self- assessments a success rate of 96.5% or greater. For CWA storm water self-assessments a success rate of 95% or greater. For NPDES external assessments a rating of reliable self-monitoring (Section 70, EPA NPDES Compliance Inspection Report, OMB No. 2040-003) or greater. For CAA external

- assessments, zero exceedances of the EPA 10mRem standard.
3. 25% of fee will be paid for Pollution Prevention. A composite score in waste minimization of 1.5 or below will be attained.
 4. 25% of fee will be paid for maintaining ISO 14001 certification (with third party verification).

COMPLETE DOCUMENTS LIST: *(List document(s) that should be submitted, data that should be available, actions to be taken by evaluator to determine actual performance to the requirements stated above.)*

1. Consent Order with NMED
2. FY 2007 annual workplans for LANL EM and RTBF programs
3. NMED submissions and subsequent correspondence related to Consent Order deliverables
4. LANL EM program monthly earned value, performance metrics, project status, and variance reports
5. LASO Quarterly Progress Reviews of EM Legacy Environmental Cleanup projects for FY 2007
6. LANS Baseline Change Proposals to the EM programs performance baseline

Measure 8.5 Documents List

7. All submittals required to support RCRA, CWA, TSCA, and CAA permit and FFCA requirements.
8. Agreements with Los Alamos County and San Ildefonso Pueblo to support groundwater and drinking water monitoring.
9. ISO 14001 registration certificate and third party reports.

ASSUMPTIONS/TECHNICAL BOUNDARY CONDITIONS AND REMEDY STATED: *(List foreseeable impacts to performance. If the assumption or condition proves false, the remedy shall be in effect. If remedy is not possible, the next step is renegotiation.)*

- In the event of continuing resolution, guidance will be provided to the contractor.
- The contractor will provide the impact resulting from an extended continuing resolution on the PBI within ten working days of receipt of guidance.
- The NNSA and LANS, LLC will agree within 30 days of receipt of final appropriations that the funding is sufficient to accomplish these measures.

Measure 8.5

1. Environmental Regulatory Requirements are defined as the Resource Conservation and Recovery Act (RCRA), the Clean Air Act (CAA), the Clean Water Act (CWA), the National Environmental Policy Act (NEPA), the Toxic Substances Control Act (TSCA), the Pollution Prevention Act of 1990, Biological and Cultural Resource regulations and DOE Orders 5400.5 and 450.1 for regulation and control of radionuclide exposures to the public and environment., DOE Orders 450.1 and 5400.5.
2. RCRA self assessment rate = Number of self-assessment findings divided by the number of inspections. Three-year average includes FY 2004-FY 2006. Special consideration will be given for institutional efforts to reduce the number of regulated RCRA units.
3. Stormwater Construction (CWA) self-inspection rate = number of compliant inspections divided by the number of site inspections. Three-year average includes FY 2004-FY 2006.
4. NPDES external assessment rate = Number of sample NPDES exceedances. Three-year average includes FY 2004-FY 2006.
5. Pollution Prevention score is a composite reduction for eight waste streams based on FY 2006 baseline performance measure.
6. Measures are dependent on sufficient funding. Changes to program effort must be reflected by corresponding changes in performance indicators.
7. Timely delivery of regulatory deliverables is understood to allow for, and include the ability to request extensions to deadlines. "On-time" is defined as any agreed-upon due date including revised dates that are documented as a result of extension requests or other negotiations with regulatory agencies.

FY2007 PERFORMANCE BASED INCENTIVE

**SECTION 1
GENERAL INFORMATION**

PBI No. 9

Title: **Safety and Health Performance**

Revision Number and Date: Revision No.: 0 Date: October 23, 2006
Maximum Available Incentive Fee: **\$2,051,840**
Duration: Annual Multi-year
Fee Payment Type: Completion Progress Provisional
LANS Owner: R. Watkins, ESH&Q COR: J. Vozella

**SECTION 2
PERFORMANCE OUTCOMES**

- Check Appropriate Box:
- Objective #1: Mission Success
 - Objective #2: Science and Technology Excellence
 - Objective #3: Multi-Site Integration
 - Objective #4: Operational Effectiveness and Efficiency
 - Objective #5: Overall Management Effectiveness

**SECTION 3
PERFORMANCE MEASURES AND EXPECTATION (S)**

List associated performance measures and associated performance expectations for FY07.

Establish a positive Environment, Safety, Health, and Quality (ESH&Q) posture that reflects a proactive approach, employee involvement and willingness to change.

Measure 9.1. 10 CFR 851 Worker Safety and Health Plan and Department of Energy (DOE)-Voluntary Protection Program (VPP) Implementation.

Expectation Statement:

1. Develop a project plan for the VPP 3-year implementation and meet the measurable milestones within the performance period.
2. Train management in Human Performance Fundamentals
3. Establish an employee-led safety committee structure and implement such that worker involvement implementing VPP principles and Integrated Safety Management is maximized.

Measure 9.2. Injury Reduction

Expectation Statement:

LANS will achieve, by September 30, 2007, improvements in a LANL "Combined" Total Recordable Case Rate (TRC) and a LANL "Combined" Days Away, Restricted, or Transferred (DART) Rate that is 20% lower than the May 31, 2006, baseline. LANS will ensure accurate and timely reporting of TRC/DART information through CAIRS in accordance with DOE M 231.1-1A Change 1.

Measure 9.3. Fire Protection and Life Safety.

Expectation Statement:

Formalize the LANS Fire Marshal Function such that:

- 9.3.1. New projects including facility modification projects, hazardous operations and experiments which

impact fire protection and life safety are independently reviewed, are overseen from initial design to completion and approved by the LANS Fire Marshal Function for compliance with applicable DOE Orders and NFPA codes and standards.

9.3.2. Fire protection engineering evaluations are reviewed for completeness, validity and compliance with applicable laws, rules, DOE Orders, and mandatory codes and standards.

9.3.3. Fire hazard analysis, facility fire protection assessments and similar documents are reviewed and approved by the LANL Fire Marshal Function, and the developing or updating of these documents is monitored to assure that these assessments/analysis are conducted and reported on an established schedule based on facility hazard categorization.

9.3.4. The Fire Marshal Function participates in Operational Readiness Reviews and Readiness Assessments with substantial fire protection issues.

Measure 9.4. Chemical and hazardous material management.

Expectation Statement:

LANS will achieve performance improvements in chemical and hazardous materials management, including but not limited to the areas of: chemical inventories, exposure assessments, biological safety, life-cycle management (shelf-life/aging chemicals, excess materials, and disposition), and emergency response. Successful performance improvement will be based upon independent verification.

Measure 9.5. Electrical Safety Program Improvements

Expectation Statement:

1. Electrical safety performance as measured by a reduction in the number of electrical safety incidents (including, but not limited to LockOut/TagOut (LOTO) and excavation/penetration incidents involving energized circuits) in ORPS and sub-ORPS (except management concerns) from the average of FY 2005 and FY 2006 over the course of FY 2007.
2. Develop a formal (approved by AD/ESH&Q and issued under change control) corrective action plan based on the recommendations from the October 14, 2005, report titled "Assessment of Los Alamos Electrical Safety Incidents from July 1, 2003, to July 24, 2005", and other electrical safety assessments over the last few years that demonstrates the use of a recognized root cause analysis methodology to link corrective actions to identified root causes.
3. Implement the action plan referenced in item (2) above completing all FY 2007 actions.
4. Develop a plan to monitor the expected outcome of implementation, based on the "Lean Six Sigma Process."
5. Implementation of the corrective action plan in item (2) above will be independently verified with the resulting report formally transmitted to NNSA LASO by 9/15/2007.

SECTION 4 FEE ALLOCATION AND SCHEDULE

Identify fee payment schedule for the PBI and the type of payments to be made (e.g., provisional, progress, final) and the basis of the payment (e.g., per canister completed, per assembly, earned value, etc.)

Use this area to define prerequisites for payment of any measure – i.e. completion of other specific measures, etc. Allocate specific dollar amounts to all areas defined in Section 5 – completion description, i.e. if Base is designated as a type of fee, insert a dollar amount.

Measure 9.1.

\$205,184 (10% of the fee allocated to this PBI)

9.1.1 40% of Measure 9.1 fee will be paid upon successful completion of FY 2007 milestones in the 3-year VPP implementation plan. This portion of the fee will be equally pro-rated among all the

milestones.

- 9.1.2 15% of Measure 9.1 fee will be paid for completion of management training in Human Performance Fundamentals.
- 9.1.3 15% of Measure 9.1 fee will be paid for completing the establishment of an employee-led safety committee structure.
- 9.1.4 30% of Measure 9.1 fee will be paid upon completion of the FY 2007 milestones which support DOE verification of VPP merit (or better) status.

Measure 9.2.

\$615,552 (30% of the fee allocated to this PBI)

No fee designated for TRC performance will be paid under this Measure if the FY 2007 TRC rate exceeds 2.93.

No fee designated for DART will be paid under this Measure if the FY 2007 DART rate exceeds 1.23.

No fee will be paid for Measure 9.2 if timely and accurate reporting is not demonstrated consistent with DOE M 231.1-1A Change 1.

- 9.2.1 30% of Measure 9.2 fee will be paid upon achievement of the 20% reduction target for TRC.
- 9.2.2 30% of Measure 9.2 fee will be paid upon achievement of the 20% reduction target for DART.
- 9.2.3 An additional 20% of Measure 9.2 fee will be paid, if at the end of a fiscal year, LANL has a TRC and DART rate 25% better (i.e., lower) than the May 31, 2006, baseline.
- 9.2.4 An additional 20% of Measure 9.2 fee will be paid, if at the end of a fiscal year, LANL has a TRC and DART rate 30% better (i.e., lower) than the May 31, 2006, baseline.
TRC designated fee will not be paid if the FY 2007 TRC rate exceeds 2.93.
DART designated fee will not be paid if the FY 2007 DART rate exceeds 1.23.

Measure 9.3.

\$307,776 (15% of the fee allocated to this PBI)

No fee will be paid for this measure if stipulations in Section 5, 9.3.0 are not met.

- 9.3.1. 50% of fee for Measure 9.3 will be paid for the review and oversight of new projects from initial design to completion including facility modification projects, hazardous operations and experiments which impact fire protection and life safety are independently reviewed and approved by the LANS Fire Marshal for compliance with applicable DOE Orders and NFPA codes and standards. See Section 5 for required details of performance.
- 9.3.2. 20% of fee for Measure 9.3 will be paid for review of fire protection engineering evaluations completeness, validity and compliance with applicable laws, rules, DOE Orders, and mandatory codes and standards by the LANL Fire Marshal Function. See Section 5 for required details of performance.
- 9.3.3. 20% of fee for Measure 9.3 will be paid for the review and approval of fire hazard analysis, facility fire protection assessments and similar documents by the LANL Fire Marshal Function, and the developing or updating of these documents is monitored to assure that these assessments/analysis are conducted and reported on an established schedule based on facility hazard categorization. See Section 5 for required details of performance.
- 9.3.4 10% of fee for Measure 9.3 will be paid for the participation of the Fire Marshal Function in 100% of Operational Readiness Reviews and Readiness Assessments conducted during FY 2007, See Section 5 for required details of performance.

Measure 9.4.

\$307,776 (15% of the fee allocated to this PBI)

No fee will be paid under this Measure if the chemical inventory system is less than 90% accurate at 95%

of facilities containing hazardous chemicals. (This is not the average inventory, but each facility must maintain 90%).

- 9.4.1 40% of fee will be paid for maintaining a chemical inventory such that 97% of all hazardous chemicals are accurately identified in an established inventory system on a facility by facility basis (not an average). (Fee earned for inventory accuracy between 90%-97% will be earned on a linear scale)
- 9.4.2 30% of fee will be paid for achievement in qualitative assessments of chemical exposure and quantitative assessments with 29 CFR 1910 exposure monitoring requirements, consistent with requirements of 10 CFR 851 for 95% of facilities with chemical inventory.
- 9.4.3 15% will be paid for achievement in hazardous chemical life-cycle management demonstrated by automated linking of chemical inventory with chemical disposal. Eighty percent of identified chemicals due for disposal (e.g. expired reactives, excess materials, shelf-life/aging chemicals) are managed (recycled, reused, disposed of, or a regulatory compliant disposal pathway identified) through this system by May 31, 2007.
- 9.4.4 10% will be paid for demonstrating Biological Select Agent inventories are managed such that the registration list is accurate and periodically verified accurate.
- 9.4.5 5% will be paid for achievement in emergency response as follows: (1) Building Run Sheets (BRS) are maintained up-to-date (updated when scope changes affecting inventory significantly based on threshold quantities identified in the LANL EPHA) for each nuclear facility, high and moderate hazard facility at LANL; (2) Based on the After Action Reports of Comprehensive Exercise Program Plan (ISD-1201-1) the accuracy of the hazardous materials inventory identified on the BRS for the facility(ies) is verified on the schedule identified. For each area, payment of fee is dependent upon independent verification of completion by the CAO or QA Assessment Group.

Measure 9.5.

\$615,552 (30% of the fee allocated to this PBI)

No fee will be paid under this Measure unless there is at least a 10% reduction in [both] the number LOTO and penetration/excavation electrical incidents, as measured in the expectation statement.

- 9.5.1 40% of Measure 9.5 fee will be paid upon reduction of LOTO incidents involving electrical hazards, as follows: 20% reduction = 100% of fee portion; 15% reduction = 75% of fee portion; 10% reduction = 50% of fee portion, less than 10% no fee earned.
- 9.5.2 20% of Measure 9.5 fee will be paid for reduction in the number of electrical utility strikes due to penetrations and excavations (live or not), as follows: 20% reduction = 100% of fee portion; 15% reduction = 75% of fee portion; 10% reduction = 50% of fee portion, less than 10% no fee earned. These percentages will be based on the same data referenced in item (1) of the expectation statement.
- 9.5.3 40% of Measure 9.5 fee will be paid upon independently verified implementation of Electrical Safety Program improvements as outlined in the expectation statement, including the demonstrated use of Lean Six Sigma to monitor and ensure lasting results. This fee portion will be paid as follows: Completion of all items in the expectation statement = 100% of fee portion; Issuance, completion and independent validation of the corrective action plan = 75%; Issuance of the plan and completion of at least 75% of the actions = 50%.

**SECTION 5
PERFORMANCE REQUIREMENTS**

PREVIOUS YEAR'S GATEWAY: *(Describe previous year's gateway (if applicable) that must be completed before fee can be paid under this performance measure. The requirements listed below are the only gateway requirements for this Performance Measure.)*

Measure 9.2. The LANL "Combined" TRC rate as of the end of May 2006 was 2.93. This is the baseline rate for LANL. [Note: With the LANS takeover on June 1, 2006, LANS required LANL to include all construction contractors in the former "UC Combined Rate". Therefore, the May 2006 Combined Rate

for TRC was 2.93.]

Measure 9.2. The LANL "Combined" DART rate as of the end of May 2006 was 1.23. This is the baseline rate for LANL. [Note: With the LANS takeover on June 1, 2006, LANS required LANL to include all construction contractors in the former "UC Combined Rate". Therefore, the May 2006 Combined Rate for DART was 1.23.]

Measure 9.4. The LANL Chemical Management system as of May 2006 was unable to maintain accurate inventories in all facilities. This was a baseline standard first established in 2001 by agreement with the Laboratory. This is the baseline rate for LANS.

GENERAL REQUIREMENTS:

DEFINE COMPLETION: *(Specify performance elements and describe indicators of success [quality/progress]. Include baseline documentation/data against which completion documentation should be compared.)*

Note: If no specific due date is referenced with any of the completion elements (below), the due date of that element is to be September 28, 2007.

Measure 9.1.

Obtain Director's approval of VPP Project Management Plan (PMP). Employee Safety & Security Teams will be functioning evidenced by charters, minutes, and training records.

Measure 9.2.

- Achievement of 20% reduction target of TRC.
- Achievement of 20% reduction target of DART.
- For additional fee, a TRC and DART rate 25% better (i.e., lower) than the May 31, 2006, baseline.
- For additional fee, a TRC and DART rate 30% better (i.e., lower) than the May 31, 2006, baseline.
- Injury and illness reporting through CAIRS.

Measure 9.3.

No fee will be paid under this Measure if the LANL Fire Marshal Function does not include or address the following:

- Proof exists that a LANL Fire Marshal procedure or charter has been established, approved by upper LANL management and implemented.
- A qualified fire protection engineer is selected to lead the Fire Marshal group.
- Team members (Fire Marshal and Fire Protection Engineering Group) will include degreed Fire Protection Engineers (FPE), licensed FPEs, or certified FP design professionals
- The Fire Marshal will function in the role of oversight and not in the design, engineering or implementation related activities.

9.3.1 All new projects which impact fire and life safety are reviewed and approved by the LANL Fire Marshal Function or designee to ensure compliance with applicable laws, rules, DOE Orders, and mandatory codes and standards using a graded approach which includes following new projects from initial design to completion. (50% of measure 9.3)

- Proof exists that the LANL Fire Marshal Function has developed, obtained LANL management approval, and implemented a risk based program for the review and approval of all facility construction, facility modification and fire protection system or feature designs.
- All new facility projects, all facility modification projects and new or modified production processes, experiments or research activities are reviewed.
- Documentation exists of the total number of projects submitted for review versus the number of review actually performed.
- The LANL Fire Marshal is given independence in making decisions regarding fire protection and

compliance with the Life Safety Code.

- A method is in place to raise unresolved issues to upper management whenever concurrence can not be reached between the Fire Marshal and an affected facility or project.
- Documentation indicates suitable oversight of facilities from conceptual to completion. This must include documented reviews at the conceptual, code requirements, 30%, 60%, and final design stages.
- Documentation must address resolution of code compliance and design issues.

9.3.2 Fire protection engineering evaluations are reviewed and approved for completeness, validity and compliance with applicable laws and rules, DOE Orders, and mandatory codes and standards. (10% of Measure 9.3)

- 100 % of all fire protection engineering evaluations are reviewed and either approved or returned to the originator for additional action.
- A review of final approved evaluation documents finds no significant error or omission, and not more than 10% of the documents reviewed contain minor non-compliance with applicable codes or standards.

9.3.3 Fire hazard analysis, facility fire protection assessments and similar documents are reviewed and approved by the LANL Fire Marshal Function, and the development or updating of these documents is monitored to assure that these assessments/analysis are conducted and reported on an established schedule based on facility hazard categorization. (15% of Measure 9.3)

- 100% of all fire hazard analysis, facility fire protection assessments and similar documents issued are reviewed and approved, or returned for rework as may be appropriate within a timely manner following receipt by the LANL Fire Marshal.
- A review of approved FHA and fire protection assessment documents by LASO finds no significant errors or omissions as defined in contractual requirements.
- An FY 2007 schedule exists for the development of FHAs and facility fire protection appraisals, including the revision of such documents. The developed schedule is in compliance with DOE Order 420.1 (version in contract), The schedule is commensurate with the yearly ongoing program as defined in the oversight program, with oversight of nuclear and high hazard facilities occurring once every three years.
- 100% of all documents for fire hazard analysis and facility fire protection assessment activities conducted in FY 2007 have been developed, approved and distributed for all nuclear and high hazard facilities.

9.3.4 The LANL Fire Marshal Function participates in Operational Readiness Reviews and Readiness Assessments. (10% of Measure 9.3)

- The LANL ORR and RA procedure calls for the inclusion of the LANL Fire Marshal or their appropriate designated representative in the performance of ORRs or RAs when appropriate.
- The LANL Fire Marshal or their appropriate designated representative participated in the ORR or RA process for 100% of all new facilities, major facility renovation, and process or experiment startup where fire protection represented a concern.
- Documentation exists to document the Fire Marshal Function's participation in ORR and RA activities.

Measure 9.4.

- No fee will be paid under this Measure if the chemical inventory system is less than 90% accurate at 95% of facilities containing hazardous chemicals. (This is not the average inventory, but each facility must maintain at least 90%).

Measure 9.5.

- The action plan is issued as outlined above as a controlled document, documenting the use of a recognized root cause analysis methodology and at least 75% of the actions are independently verified as complete.

- A formal approach is implemented per the Lean Six Sigma process to monitor results.

COMPLETE DOCUMENTS LIST: *(List document(s) that should be submitted, data that should be available, actions to be taken by evaluator to determine actual performance to the requirements stated above.)*

Measure 9.1.

LANS Director approved VPP PMP. Training Plan report showing 90% of line managers (Group Leaders and above.) trained by September 29, 2007. By October 31, 2009, OSHA verification of achievement of OSHA VPP Merit (or better) status.

Measure 9.2.

- A. Report and independent verification by the CAO or QA Assessment Group demonstrating reduction in TRC rate at the end of the time period.
- B. Report and independent verification by the CAO or QA Assessment Group demonstrating reduction in DART rate at the end of the time period.
- C. Report and independent verification by the CAO or QA Assessment Group of TRC/DART reporting accuracy and timeliness as specified by DOE M 231.1-1A Change 1.

Measure 9.3. LANL Fire Marshal

Measure 9.3 (Base):

- A. Team charter or procedure
- B. Proof of team lead qualifications
- C. Proof of team member qualifications
- D. Examples of work performed to prove capability
- E. Proof of peer review of designs and specifications, including comment resolution.

Measure 9.3.1:

- A. Approved procedure for new project, facility modification, and process hazard and experiment review and approval and approved procedure for ongoing review of construction projects.
- B. Proof that new projects are being reviewed and approved at 5 stages or more
- C. Documentation of total number of projects, modifications, process hazard and experiments submitted for review versus total number reviewed.
- D. Proof of qualifications for person performing selected project review
- E. Documentation of review findings and their resolution for each activity reviewed.

Measure 9.3.2:

- A. Approved procedure for review of fire protection engineering evaluations, etc.
- B. A list of engineering evaluations reviewed, including name of evaluation, risk ranking, name of person(s) assigned responsibility for review and time spent in review.
- C. Documentation of review findings and their resolution for each document reviewed.

Measure 9.3.3:

- A. Approved procedure which addresses the review and approval of fire hazard analysis, fire protection appraisals, fire protection audits and similar documents, and the monitoring process which ensures that such documents are undertaken and developed within the prescribed time period.
- B. List of the above referenced documents which have been submitted for review and approval.
- C. Copies of above referenced documents are available for review.
- D. Documentation of review findings and their resolution for each document reviewed.

Measure 9.3.4:

- A. Procedure which governs LANL Fire Marshal participation in Operational Readiness Reviews and Readiness Assessments as a team member or senior advisor.
- B. Proof of participation in Operational Readiness or Readiness Assessment Reviews (list of ORRs and RAs which LANL Fire Marshal participated in).
- C. Copies of ORRs and/or RAs that LANL Fire Marshal participated in as a team member.
- D. Documentation of ORR and RA review findings and their resolution for each review participated in.

Measure 9.4.

- A. Chemical Inventory list by facility with documentation of independent verification of accuracy by the CAO or QA Assessment Group.
- B. The report of materials dispositioned with disposition method identified.
- C. ESH&Q Division report evaluating adequacy of chemical exposure assessments and monitoring.
- D. Select Agent registration list and results of verification of accuracy reviews.
- E. Verification of accuracy of Building Run Sheets.

Measure 9.5.

- A. Report of the summary of electrical safety incidents from FY 2005, FY 2006 and FY 2007 by year, incident type, facility/LANS AD and reportability level.
- B. Verification document from independent party demonstrating percent completion of the actions in the official action plan.
- C. Monitoring methodology for continued improvement per the Lean Six Sigma process.

ASSUMPTIONS/TECHNICAL BOUNDARY CONDITIONS AND REMEDY STATED: *(List foreseeable impacts to performance. If the assumption or condition proves false, the remedy shall be in effect. If remedy is not possible, the next step is renegotiation.)*

- In the event of continuing resolution, guidance will be provided to the contractor by the end of the first week in October.
- The contractor will provide the impact resulting from an extended continuing resolution on the PBI within 2 weeks of receipt of guidance.
- The NNSA and LANS, LLC will verify agreement within 30 days of receipt of final appropriations that the funding is sufficient to accomplish these measures.

Measure 9.2. The LANL "Combined" Rate is defined as the TRC rate and the DART rate for all employees associated with LANL. This includes LANS employees and all subcontractors and all construction contractors.

Measure 9.3. The "Fire Marshal Function" is defined as the functions and responsibilities of the Fire Marshal's office, which will be carried out by the Fire Marshal or his designee.

Measure 9.4. Chemicals are excluded that are brought in by active construction subcontractors while working on site.

Measure 9.5. – ORPS reporting criteria remains the same. If not, baseline numbers would need to be revisited against the new criteria.

FY 2007 PERFORMANCE BASED INCENTIVE

**SECTION 1
GENERAL INFORMATION**

PBI No. 10

Title: **Facilities Management**

Revision Number and Date: Revision No.: 0 Date: October 23, 2006
Maximum Available Incentive Fee: **\$1,025,920**
Duration: Annual Multi-year
Fee Payment Type: Completion Progress Provisional
LANS Owner: J. Ethridge, ADISS COR: R. Snyder

**SECTION 2
PERFORMANCE OUTCOMES**

Check Appropriate Box:

- Objective #1: Mission Success
- Objective #2: Science and Technology Excellence
- Objective #3: Multi-Site Integration
- Objective #4: Operational Effectiveness and Efficiency
- Objective #5: Overall Management Effectiveness

**SECTION 3
PERFORMANCE MEASURES AND EXPECTATION (S)**

List associated performance measures and associated performance expectations for FY 2007.

Measure 10.1. Improved LANL Facilities Stewardship

Expectation Statement: Ensure adequately maintained facilities, high facility availability to perform mission operations, and safe and efficient operations while demonstrating facilities and infrastructure stewardship. The metrics established in FY 2007 form the baseline for improvement PBIs in later years.

Measure 10.2. Reduce LANL Footprint

Expectation Statement: Achieve footprint reduction goal of 2 million square feet of substandard space by the end of FY 2008 while maintaining full compliance with DOE project and accounting requirements within existing site funding. FY 2007 footprint reduction goal is 400,000 square feet. The goal of this measure is to reduce annual operating expenses.

Measure 10.3. Improvement in the LANL Fire Protection Program

Expectation Statement:

Implement improvements in the inspection, testing, and maintenance processes associated with the fire protection assets across the Laboratory.

**SECTION 4
FEE ALLOCATION AND SCHEDULE**

Identify fee payment schedule for the PBI and the type of payments to be made (e.g., provisional, progress, final) and the basis of the payment (e.g., per canister completed, per assembly, earned value, etc.)

Measure 10.1.

\$666,848 (65% of total fee allocated):

Fee Schedule: Annual

Achievement of 60% of the elements results in payment of 20% of fee

Achievement of 80% of the elements results in payment of an additional 40% (60% in total) of fee

Achievement of 100% of the elements results in payment of 100% of fee

Measure 10.2.

\$256,480 (25% of total fee allocated):

Fee Schedule:

Achievement of 60% of goal results in payment of 20% of fee

Achievement of 80% of goal results in payment of an additional 30% (50% in total) of fee

Achievement of 100% of goal results in payment of 100% of fee

Measure 10.3.

\$102,592 (10% of total fee allocated):

Fee Schedule: Annual

**SECTION 5
PERFORMANCE REQUIREMENTS**

PREVIOUS YEAR'S GATEWAY: *(Describe previous year's gateway (if applicable) that must be completed before fee can be paid under this performance measure. The requirements listed below are the only gateway requirements for this Performance Measure.)*

GENERAL REQUIREMENTS:

DEFINE COMPLETION: *(Specify performance elements and describe indicators of success [quality/progress]. Include baseline documentation/data against which completion documentation should be compared.)*

Note: If no specific due date is referenced with any of the completion elements (below), the due date of that element is to be September 28, 2007.

Measure 10.1.

- A. Demonstrate that the end of FY 2007 Annual aggregate facility condition index (FCI) (measured as deferred maintenance costs per replacement plant value) for mission critical and mission dependent facilities have improved (in each category) by 10% over the end of FY 2006 values.
- B. Demonstrate that the end of FY 2007 ratio of the earned value from the actual direct and indirect dollars spent per the planned (budgeted) dollars for mission critical and mission dependent facility maintenance is greater than 1.05. This combined ratio is defined as (estimated cost for work performed/actual cost for work performed) x (estimated cost for work performed/Budgeted FY dollars.)
- C. Demonstrate that the percentage of scheduled days mission critical and mission dependent facilities as defined in the "NNSA Ten Year Site Plan (TYSP) Guidance" document, dated February 2006 are available and fully able to safely conduct all assigned missions is greater than 95% for the last half of FY 2007 and enables achievement of programmatic milestones. The first half of FY 2007 will be used to define a consistent method for measuring facility availability.
- D. Implement the planned steam plant turbine replacement within cost and schedule baselines in FY 2007.
- E. Submit a revised Maintenance Implementation Plan (MIP), in compliance with DOE Order 433.1 requirements the first of March 2007
- F. Compliance with MIP and achievement of FY 2007 MIP metrics and objectives

- G. Validate the site FCI data via a third party review and establish an Asset Utilization Index (AUI) baseline.
- H. Develop a top ten infrastructure priorities list and devise an implementation plan to address; issue a compliant Ten Year Site Plan to LASO 15 days prior to HQ submission.
- I. Establish a site-wide D&D plan for all current excess facilities as well as those expected to be excised within the next 10 years.
- J. Develop an Energy Management Performance Agreement: M&O contractors with site offices develop and approve an Energy Management Performance Agreement as required by Energy Deputy Secretary Guidance

Measure 10.2.

- A. Reduce gross square footage of LANL facilities by 400,000 square feet by September 30, 2007 (from that existing October 1, 2006 without consideration of new facilities constructed in FY 2006)
 - 1. Square footage will be measured by:
 - The official DOE (FIMS) database if the asset is listed in FIMS
 - LANL's FATMAN database for types of square footage not tracked by FIMS
 - 2. Credit for footprint reduction is to be counted in the following manner, i.e. square footage is "reduced" when:
 - Facility leases are terminated
 - Facilities are transferred to other (non-LANL) entities
 - Facilities are removed from operation and receive a "historical" designation from the State Historical Preservation Office (SHPO)
 - Sheds and transportainers are removed from the site
 - Facilities or substantial discreet portions of facilities (e.g. Building wings or floors) are formally transferred from operational status to an excess status with a documented Form 2064 in accordance with LANL LIR 230-01-03.1.
 - Square footage is D&D; Space that has already been transferred by programs to excess must be dismantled and demolished to receive credit (noting that facilities can only receive credit once)

Measure 10.3.

- A. Demonstrate that the average quarterly mean time for repair of impaired fire protection systems has been lowered to a value that is 50% or less than the FY 2006 quarterly average value (the average of the 4 quarterly values reported in FY 2006).
- B. Demonstrate that the total number of site fire protection system impairments has been lowered and sustained to less than 15 per month for the last quarter of FY 2007.

COMPLETE DOCUMENTS LIST : *(List document(s) that should be submitted, data that should be available, actions to be taken by evaluator to determine actual performance to the requirements stated above.)*

Measure 10.1.

1. Facility Condition Index report (quarterly and year-end)
2. Earned Maintenance Value report (quarterly and year-end)
3. Facility Availability report (quarterly and year-end)
4. Steam Plant Turbine Replacement project closeout report
5. Maintenance Implementation Plan and quarterly status reports
6. FCI Validation report
7. Top Ten Infrastructure Priorities Implementation Plan
8. Site-wide D&D plan
9. Energy Management Performance Agreement and quarterly status reports
10. Ten Year Site Plan

Measure 10.2.

1. The following documents will be used as the source information for the square footage:
FIMS report, FATMAN reports, and Form 2064 submissions
2. Operating expenses avoided as a result of the footprint reduction effort summary.
3. Footprint Reduction Plan and quarterly status reports

Measure 10.3.

1. Quarterly Mean Time To Repair Impairment reports
2. Weekly Fire System Impairment reports

ASSUMPTIONS/TECHNICAL BOUNDARY CONDITIONS AND REMEDY STATED: *(List foreseeable impacts to performance. If the assumption or condition proves false, the remedy shall be in effect. If remedy is not possible, the next step is renegotiation.)*

- In the event of continuing resolution, guidance will be provided to the contractor.
- The contractor will provide the impact resulting from an extended continuing resolution on the PBI within ten working days of receipt of guidance.
- The NNSA and LANS, LLC will verify agreement within 30 days of receipt of final appropriations that the funding is sufficient to accomplish these measures.
- No pre-existing conditions or unknown site conditions cause significant work stoppages or delays due to factors beyond the control of the contractor.
- Deferred maintenance figures are projected based on the assumption that the validated data base that establishes the Laboratory's baseline is not significantly different (< or >10% in dollar value) than the current data base.

FY2007 PERFORMANCE BASED INCENTIVE

**SECTION 1
GENERAL INFORMATION**

PBI No. 11 Title: **Project Management**

Revision Number and Date: Revision No.: 0 Date: October 23, 2006
Maximum Available Incentive Fee: **\$3,077,760**
Duration: Annual Multi-year
Fee Payment Type: Completion Progress Provisional
LANL Owner: A. Kelley COR: R. Snyder

**SECTION 2
PERFORMANCE OUTCOMES**

- Check Appropriate Box:
- Objective #1: Mission Success
 - Objective #2: Science and Technology Excellence
 - Objective #3: Multi-Site Integration
 - Objective #4: Operational Effectiveness and Efficiency
 - Objective #5: Overall Management Effectiveness

**SECTION 3
PERFORMANCE MEASURES AND EXPECTATION (S)**

List associated performance measures and associated performance expectations for FY07.

Measure 11.1. Demonstrate a sound Project Management System by meeting project commitments and integrate all necessary functional elements to fully support project planning, development and execution of projects on agreed-upon project list and associated milestones.

Expectation Statement:

- A. Complete 90% of all FY 2007 forecast project milestones (for agreed to projects) measured quarterly.
- B. Cost at least 60% of total available FIRP funding while meeting Deferred Maintenance and planning targets.
- C. Measured on a quarterly basis, achieve an aggregate cost performance index (CPI) equal to or greater than 0.9 for an agreed-to (by LASO and LANL) set of projects.

Measure 11.2. Execute projects in a manner that supports the Laboratory and its mission requirements, with special attention to nuclear and high-hazard projects.

Expectation Statement:

- A. In FY 2007 transition to operations the following projects, allowing mission operation:
 - *Caustic Tank Replacement (FIRP GPP)*
 - *TA-50 Retaining Wall (FIRP GPP)*
- B. In FY 2007 achieve substantial construction completion for the following projects:
 - *TA-55 Interim Radiography (GPP)*
 - *Waste Management Risk Mitigation*
 - *TA-50 Room 60 Project, Sequence 1 (FIRP GPP)*
- C. Submit to LASO in a phased manner LANL-approved CD-2 packages for the following projects in order to support the FY 2008 budget cycle:
 - *Radioactive Liquid Waste Treatment Facility Replacement*

- TA-55 Reinvestment, Phase 1
- NMSSUP Phase 2

Measure 11.3. Execution of the CMRR Project

- Radiological Laboratory Utility Office Building (RLUOB)
- Special Facility Equipment (SFE)
- Nuclear Facility (NF)

Expectation Statement:

Schedule performance based on completion of major milestones. Budget performance as measured by CPI to include revisions to cost estimates, dollars spent vs. budgeted and acquisition cost control.

**SECTION 4
FEE ALLOCATION AND SCHEDULE**

Identify fee payment schedule for the PBI and the type of payments to be made (e.g., provisional, progress, final) and the basis of the payment (e.g., per canister completed, per assembly, earned value, etc.)

Measure 11.1.

\$769,440 (25% of total fee allocated):

Fee Schedule: Progress

Fee Plan:

- Element A: 50% allocated to satisfaction of this element evaluated and paid quarterly
- Element B: 25% allocated to satisfaction of this element evaluated and paid at the end of the fiscal year
- Element C: 25% allocated to satisfaction of this element evaluated and paid quarterly

Measure 11.2.

\$923,328 (30% of total fee allocated):

Fee Schedule: Completion

Fee Plan:

- Element A: 33% allocated to satisfaction of this element
- Element B: 33% allocated to satisfaction of this element
- Element C: 34% allocated to satisfaction of this element

Measure 11.3.

\$1,384,992 (45% of total fee allocated):

Fee Schedule: Quarterly

Fee Plan:

- Element A: 25% allocated to satisfaction of this element evaluated and paid quarterly
- Element B: 25% allocated to satisfaction of this element evaluated and paid quarterly
- Element C: 25% allocated to satisfaction of this element evaluated and paid at the end of the fiscal year
- Element D: 25% allocated to satisfaction of this element evaluated and paid upon completion

**SECTION 5
PERFORMANCE REQUIREMENTS**

PREVIOUS YEAR'S GATEWAY: *(Describe previous year's gateway (if applicable) that must be completed before fee can be paid under this performance measure. The requirements listed below are the only gateway requirements for this Performance Measure.)*

GENERAL REQUIREMENTS:

DEFINE COMPLETION: *(Specify performance elements and describe indicators of success [quality/progress]. Include baseline documentation/data against which completion documentation should be compared.)*

Note: If no specific due date is referenced with any of the completion elements (below), the due date of that element is to be September 28, 2007.

Measure 11.1.

- A. Complete 90% of all FY 2007 forecast project milestones, as measured on a quarterly basis, for projects and associated milestones on the agreed-upon list.
- B. Achieve costing for at least 60% of total available FIRP funding by the end of FY 2007 while meeting Deferred Maintenance target of \$8.5M of deferred maintenance reduction.
- C. Achieve an aggregate (portfolio) CPI equal to or greater than 0.9 for projects and associated milestones on the agreed-upon list, measured quarterly.

Measure 11.2.

- A. Complete readiness assessment and transitioned to operations the work for
 - *Caustic Tank Replacement (FIRP GPP)*
 - *TA-50 Retaining Wall (FIRP GPP)*
- B. Formally accept the facility from the subcontractor (excluding punch list items) as defined by the contract administrator/procurement specialist for
 - *Waste Management Risk Mitigation*
 - *TA-50 Room 60 Project, Sequence 1 (FIRP GPP)*
 - *TA-55 Interim Radiography (GPP)*
- C. Submit to LASO complete LANL-approved critical decision packages for
 - *Radioactive Liquid Waste Treatment Facility Replacement*
 - *CD-2A by October 30, 2006*
 - *TA-55 Reinvestment, Phase 1*
 - *CD-2A by October 30, 2006*
 - *NMSSUP II TBD*
 - *CD-2/3 by November 20, 2006*

Measure 11.3.

- A. Phase A/B/C RLUOB, SFE, NF: 100% major milestones achieved as scheduled.
- B. Phase A: Quarterly reported cumulative CPI ≥ 0.95 for each Quarter in FY 2007.
- C. All changes to preliminary design and performance baselines must be addressed through the CMRR change control process.
- D. Preliminary Documented Safety Analysis, PDSA, completed by LANL as scheduled supporting the Performance Specification and acquisition of Phases B and C, and request for Critical Decisions 2/3.
 - PHA-SER COAs are fully addressed and/or incorporated in PDSA
 - Selected Safety SSCs applied in the PDSA development are cross-walked in the Phase B and Phase C performance specification package, with specific attention to calculations, drawings, SDDs, ICDs, and FDDs.
 - PDSA is consistent with established PHA and Nuclear Safety Strategy for CMRR
 - PDSA completeness certification by the Associate Director for Nuclear and High Hazards Operations.
 - Approved PDSA is held in formal change control

COMPLETE DOCUMENTS LIST: *(List document(s) that should be submitted, data that should be available, actions to be taken by evaluator to determine actual performance to the requirements stated above.)*

Measure 11.1

- A. LANL will submit to LASO a quarterly report on the status of project milestones for projects and

- associated milestones on the agreed-upon list.
- B. LANL will submit to LASO a quarterly costing report for FIRP performance.
 - C. LANL will submit to LASO a quarterly CPI report for projects and associated milestones on the agreed-upon list and will also provide a year-end report.

Measure 11.2.

- A. LANL will submit to LASO copies of completed readiness assessments and formal documentation accepting completed work (excluding punch list items) from subcontractors for
 - *Caustic Tank Replacement (FIRP GPP)*
 - *TA-50 Retaining Wall (FIRP GPP)*
- B. LANL will submit to LASO documentation from the contract administrator/procurement specialist formally accepting the facility from the subcontractor (excluding punchlist items) if performed by a contractor and work orders set to complete for internal LANL activities (including KSL) for
 - *Waste Management Risk Mitigation*
 - *TA-50 Room 60 Project, Sequence 1 (FIRP GPP)*
 - *TA-55 Interim Radiography (GPP)*
- C. LANL will provide to LASO complete LANL-approved critical decision packages for
 - *Radioactive Liquid Waste Treatment Facility Replacement*
 - *TA-55 Reinvestment, Phase 1*
 - *NMSSUP II*

Measure 11.3.

- A. LANL will submit to LASO a quarterly report on the status of CMRR project milestones.
- B. LANL will submit a quarterly CPI report or utilize the monthly reported cumulative at end of each quarter, to report cost performance on Phase A-RLUOB.
- C. LANL will document all change control actions for work activities identified in the preliminary design baselines for Phase B-SFE, Phase C-NF, and for the performance baseline established for Phase A-RLUOB. NNSA members of the CCB are expected to be notified and provided copies of all change control actions and decisions.
- D. LANL will provide evidence that the PDSA can be cross-walked to design products, through reports or design review documentation. LANL will submit a certification of PDSA completeness to LASO in order for LASO to review and approve the PDSA.

ASSUMPTIONS/TECHNICAL BOUNDARY CONDITIONS AND REMEDY STATED: *(List foreseeable impacts to performance. If the assumption or condition proves false, the remedy shall be in effect. If remedy is not possible, the next step is renegotiation.)*

- In the event of continuing resolution, guidance will be provided to the contractor.
- The contractor will provide the impact resulting from an extended continuing resolution on the PBI within ten working days of receipt of guidance.
- The NNSA and LANS, LLC will verify agreement within 30 days of receipt of final appropriations that the funding is sufficient to accomplish these measures.
- Milestone lists for Measure 11.1, 11.2 and 11.3 shall be documented and approved by LANS and LASO. Changes to the milestone lists will be mutually agreed upon between LANS and LASO.
- If LASO schedules are delayed or if outside intervention delays goal achievement, LASO and LANS will renegotiate incentives and fee allocation.
- Project milestones included in 11.1 do not include milestones addressed under 11.2 and 11.3.

FY 2007 PERFORMANCE BASED INCENTIVE

**SECTION 1
GENERAL INFORMATION**

PBI No. 12

Title: Implement Contractor Assurance System

Revision Number and Date: Revision No.: 0 Date: October 23, 2006
Maximum Available Incentive Fee: **\$3,847,200**
Duration: Annual Multi-year
Fee Payment Type: Completion Progress Provisional
LANS Owner: R. Knapp COR: M. Gallen

**SECTION 2
PERFORMANCE OUTCOMES**

Check Appropriate Box:

- Objective #1: Mission Success
- Objective #2: Science and Technology Excellence
- Objective #3: Multi-Site Integration
- Objective #4: Operational Effectiveness and Efficiency
- Objective #5: Overall Management Effectiveness

**SECTION 3
PERFORMANCE MEASURES AND EXPECTATION (S)**

List associated performance measures and associated performance expectations for FY 2007.

Measure 12.1. Implement an Issues Corrective Action Management System

Expectation Statement:

The final phase of the new LANS Issues Management Tracking System (LIMTS) requires the transition of issues from I-track, LANS transition related activities, and shadow systems to LIMTS. LANS implements LIMTS to enhance LANS management's ability to identify, set priorities, track, improve and close conditions or events that could affect the LAN's ability to safely and securely perform its missions.

Measure 12.2. Implement an Integrated Assessment Program

Expectation Statement:

The Integrated Assessments Program will:

- Utilize self assessments, and independent (internal or external) assessments with subject matter experts to assess the Laboratory's compliance with contract requirements, programs, facilities, functions and processes
- Self identify issues before DOE or other federal or state oversight or regulatory agency finds the issues
- Validate and Verify (V&V) implementation of corrective actions.

Measure 12.3. Implement a Performance Measurement Program

Expectation Statement:

The Performance Measurement Program will provide management with critical data to understand performance of the laboratory and to identify areas where process improvement and/or management attention is required for the achievement of mission success. A measurement system is in place with drill down metric capability at the Director, Associate Director and Division levels within LANS.

**SECTION 4
FEE ALLOCATION AND SCHEDULE**

Identify fee payment schedule for the PBI and the type of payments to be made (e.g., provisional, progress, final) and the basis of the payment (e.g., per canister completed, per assembly, earned value, etc.)

Measure 12.1.

\$1,154,160 (30% of total fee allocated to PBI 12):

Element A: 5%

(Note that Measure 12.1.A is a THRESHOLD and no other fee will be earned in this PBI until this Success Indicator is achieved)

Element B: 20%

If indicator B is 90% to 100% accomplished: 100%

If indicator B is 80 to 89% accomplished: 40%

Element C: 75%

If indicator C is 90% to 100% accomplished: 100%

If indicator C is 80 to 89% accomplished: 40%

Measure 12.2.

\$1,154,160 (30% of total fee allocated to PBI 12):

Element A: 50%

LANS self identifies 95% of the Cat 1 and 2 issues identified: 100%

LANS self identifies 90% of the Cat 1 and 2 issues identified: 50%

Element B: 50%

At least 95% of the Validation and Verification are found to be satisfactory: 100%

At least 90% of the Validation and Verification are found to be satisfactory: 50%

Measure 12.3.

\$1,538,880 (40% of total fee allocated to PBI 12):

LANS identifies actions to address at least 95% of the negative trends.

**SECTION 5
PERFORMANCE REQUIREMENTS**

PREVIOUS YEAR'S GATEWAY: *(Describe previous year's gateway (if applicable) that must be completed before fee can be paid under this performance measure. The requirements listed below are the only gateway requirements for this Performance Measure.)*

LIMTS will be operational and accessible for both LANL and LASO to accept new issues on the effective date of the PBI.

GENERAL REQUIREMENTS:

DEFINE COMPLETION: *(Specify performance elements and describe indicators of success [quality/progress]. Include baseline documentation/data against which completion documentation should be compared.)*

Note: If no specific due date is referenced with any of the completion elements (below), the due date of that element is to be September 28, 2007.

Measure 12.1.

A) All I-Track and shadow issue tracking systems are closed out and all issues/items are screened and entered into LIMTS by the end of January 2007

B) Corrective actions for Cat 1 and 2 are completed on time or within dates approved through the formal change control process identified in LANL Issues Management ISD 322-4; all slippages are communicated formally to LASO.

C) Corrective actions for Cat 3 are completed on time or within dates approved through the formal change control process identified in the Issues Management System Supporting Process Document and Cat 4 items are tracked, trended, reviewed, and acted on, on a quarterly basis by management and briefed to LASO management.

Cat 1: An issue that is determined to be significant based on adverse impact on personnel safety, regulatory/enforcement actions, or configuration control. A stop work condition determined to be of sufficient importance to warrant an in-depth analysis in order to develop corrective action to prevent recurrence.

Cat 2: An issue involving a failure, deficiency, defective equipment, or non-conformance that notably diminishes the original capability and/or intent of program/procedure. Includes issues that do not fit in any other category.

Cat 3: An event or condition that requires an action to resolve (e.g., editorial procedure revisions, equipment repair, sign posting, etc.) but does not require a causal analysis, extent of condition review or additional corrective action to be developed.

Cat 4: An issue which individually is of minor consequence. Monitoring and trending of these conditions is necessary to ensure additional similar events are detected and addressed before they escalate into more significant issues.

Measure 12.2.

A Cat 1 and Cat 2 issues are identified by the LANS Parent Oversight, independent assessment, self assessment, etc., before DOE or other federal or state oversight or regulatory agency identifies the issue. The LANL Issues Management System will be the source of data.

B. Upon completion of Cat 1 issues, the corrective actions are verified to ensure corrective action completion and validated to ensure corrective actions were effective in resolving issues. Upon completion of Cat 2 issues, the corrective actions are verified to ensure completion of the corrective actions.

Measure 12.3.

Analysis of the Director level metrics is conducted on monthly basis, and actions will be assigned, documented and taken to address negative trends/performance, at the rollup level as well as at the sub-element levels.

COMPLETE DOCUMENTS LIST: *(List document(s) that should be submitted, data that should be available, actions to be taken by evaluator to determine actual performance to the requirements stated above.)*

- Data from LIMTS
- Parent Oversight and independent assessment reports
- V&V Assessment Reports
- PB View data and analyses transparent and available to DOE with the LANS monthly update
- Integrated Assessment Schedule and changes

ASSUMPTIONS/TECHNICAL BOUNDARY CONDITIONS AND REMEDY STATED: *(List foreseeable impacts to performance. If the assumption or condition proves false, the remedy shall be in effect. If remedy is not possible, the next step is renegotiation.)*

- In the event of continuing resolution, guidance will be provided to the contractor.
- The contractor will provide the impact resulting from an extended continuing resolution on the PBI within ten working days of receipt of guidance.
- The NNSA and LANS, LLC will verify agreement within 30 days of receipt of final appropriations that the funding is sufficient to accomplish these measures.
- A baseline of the shadow systems is completed and in place by the effective date of the PBI.
- Measure 12.2, Success Indicator B: If corrective actions are not scheduled to be completed in time for V&V activities to take place within the rating period, affected V&V activities will be identified and deferred to FY 2008.
- Parent Oversight assessments may be rescheduled within the reporting period (FY 2007). Assessments may only be canceled with LASO approval.

Measure 13.6: A. and B. paid per prototype class delivered at \$45,892 per course. C. paid at \$25,000. **\$346,248** (9% of the fee allocated to this PBI)

SECTION 5 PERFORMANCE REQUIREMENTS

PREVIOUS YEAR'S GATEWAY: *(Describe previous year's gateway (if applicable) that must be completed before fee can be paid under this performance measure. The requirements listed below are the only gateway requirements for this Performance Measure.)*

Contractor Data Requirements Listing CDRL approved by October 30, 2006.

GENERAL REQUIREMENTS:

DEFINE COMPLETION: *(Specify performance elements and describe indicators of success [quality/progress]. Include baseline documentation/data against which completion documentation should be compared.)*

Measure 13.1.

Ensure highly effective leadership, integration, and excellence in management of programs.

- A. LANS will develop criteria that it will use to assess its performance in the areas of leadership, integration and management of programs.
- B. LANS will provide a self-assessment against these criteria. This assessment will include feedback on performance provided by stakeholders.
- C. NNSA will perform a subjective evaluation of LANS performance in these areas. This evaluation will consider the LANS self-assessment and factors such as testimony, public statements, and participation in major scientific society meetings, as well as what is said by outside review panels and senior leaders.

Measure 13.2.

Ensure high quality performance in areas subject to NNSA's systems based oversight program.

- A. LANS will develop criteria that it will use to assess its performance in areas subject to NNSA's system based oversight program. These criteria will include:
 - Assessment results of programs based on parent oversight, contractor assurance outputs, and self assessments programs (business, non nuclear safety and health, etc.) show positive improvements, with no major failures.
 - Community Commitment, quality of financial statements, management of Work for Others projects.
 - CDRL deliverables quality and timeliness
- B. LANS will provide a self-assessment against these criteria. This assessment will include feedback on performance provided by stakeholders.
- C. NNSA will perform a subjective evaluation of LANS performance in these areas. This evaluation will consider the LANS self-assessment

Measure 13.3.

- A. Convert all nine existing Local Vendor Agreement (LVA) contracts to the new BPA module and add four new agreements by March 31, 2007.
- B. Convert four legacy Just-in-Time (JIT) contracts to the new system by May 31, 2007.
- C. Have a cycle time baseline for subcontracts established and documented by October 30, 2006, to include date of request submitted by customer to the procurement organization, issuance date of RFP, RFQ, to date of receipt of offers and actual award date.
- D. Reduce cycle time of above established baseline by 20% by September 30, 2007.
- E. Meet all small business goals and exceed two or more socio economic program goals by 2%. (Current goals are: small business 50%, SDB 11%, WOB 11%, HUBZONE 3%, Veteran Owned SB 3%, and service disabled veteran owned SB 3%)

Measure 13.4.

- A. LANL financial books opened on Oracle Financials in October 2006, indicating successful deployment of Release 4, which is the last phase of the EP project.
- B. The Enterprise project will be formally closed by December 22, 2006, using LANL Project Closure requirements and submitted to LASO in concurrence with CPIC closure requirements.

Measure 13.5.

- A. Reduce indirect costs by 5% as compared to FY 2005 budgeted indirect costs, excluding New Mexico's Gross Receipts tax, fee, TCP 2 Contributions, and Unemployment Taxes.
- B. Using Six Sigma and other continuous improvement processes provide and document an additional \$2.5 M aggregate cost savings in 5 areas with FY 2005 costs of \$10 million or more per area. (e.g., utilities, site-specific IT, travel, etc.) These savings may be reinvested but must be fully documented and must be accomplished in accordance with Clause H.11.

Measure 13.6

- A. Establish a comprehensive "Safety Basis Academy Plan." Submit plan to NNSA for approval by 12/24/06, or within 60 days of receipt of funding. Submittal of the plan is the gateway to earning fee under B.
- B. Develop and deliver prototype of seven classes by September 30, 2007.
- C. Provide training in ALOHA and EPI code courses adequate for Safety Analyst certification

COMPLETE DOCUMENTS LIST: *(List document(s) that should be submitted, data that should be available, actions to be taken by evaluator to determine actual performance to the requirements stated above.)*

- 1. LANS Parent Oversight Plan
- 2. LANS Community Involvement Plan
- 3. Contractor Assurance Plan and Metrics

ASSUMPTIONS/TECHNICAL BOUNDARY CONDITIONS AND REMEDY STATED: *(List foreseeable impacts to performance. If the assumption or condition proves false, the remedy shall be in effect. If remedy is not possible, the next step is renegotiation.)*

- In the event of continuing resolution, guidance will be provided to the contractor.
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