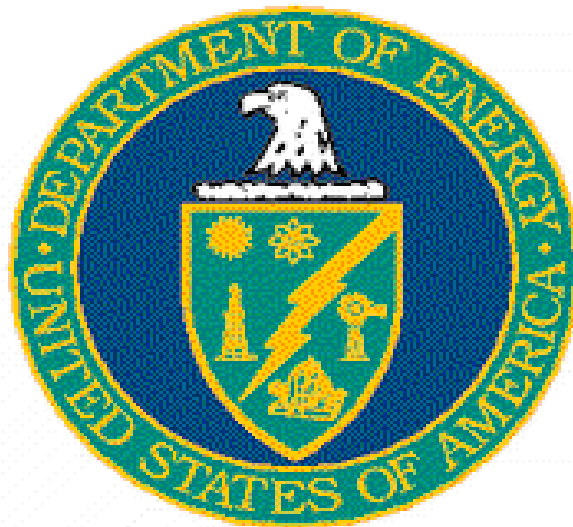


U.S. Department of Energy FY 2006

Support Cost By Functional Activity Report



**This report and additional functional support cost details from
the 29 contributing Major Site Facility Contractor sites
are available online at:**

<http://www.cfo.doe.gov/cf1-2/scfa.htm>

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This report and additional functional support cost details from the 29 contributing sites are available online at: <http://www.cfo.doe.gov/cf1-2/scfa.htm>

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INTRODUCTION

PURPOSE OF THE REPORT

The purpose of this report is to highlight the amounts of and trends in support costs incurred by 29 of the Department's largest contractors, classified by functional activity. These represent the majority of contractor support costs for the Department's sites. This report is issued in response to the House Report, 105-581, accompanying the Energy and Water Development Appropriations Act for fiscal year (FY) 1999, which commended the Department on the development of the Support Cost by Functional Activity (SCFA) System and the annual SCFA Report. Support activities are functions that are necessary to be performed to enable Department of Energy (DOE) sites to accomplish their direct mission activities. Accounting, procurement, human resources, safety and health, and maintenance are examples of support cost. An example of a direct mission activity (not included in support) could be a scientist directly involved in performing research. Support costs do not include the costs of capital equipment or construction.

While support costs represent a substantial amount of money, management of these costs is the responsibility of the predominant program at each site. DOE corporate budget and accounting systems do not provide visibility for these costs. This report provides the relevant insights into support costs for the Department.

WHY CAPTURE SCFA?

The functional cost concept recognizes that the classification of costs as being charged in a direct or indirect manner is not relevant to measuring the activity required to support direct mission programs in the Department. Therefore, instead of classifying costs as direct or indirect, they are classified as either mission direct, construction or support costs. These components together represent total program costs. By eliminating the focus on how costs are distributed, a better picture may be obtained as to how much is being expended to support our critical missions and whether those amounts appear reasonable.

BACKGROUND

The SCFA Report began as a way to identify the cost of the Department's support programs and the trends in those costs. The managing and reporting of support costs was initiated as a cooperative effort between the Office of the Chief Financial Officer, the Department's program offices and the Financial Management Systems Improvement Council (FMSIC). This relationship is based on a belief that the appropriate amount of support cost was best determined at the levels closest to the activities, that is by the cognizant Departmental field offices and the contractors.

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Prior to FY 1997, Department-wide support cost data showing the nature of, amount of and trends in these costs was not available. For example, the Office of Environmental Management could not determine how much of its funding for environmental cleanup at DOE sites was being expended on actual “hands on” cleanup versus support-related activities. Recognizing the importance of managing these costs, and in response to requests from Congress and the Government Accountability Office (GAO), the Department’s Chief Financial Officer implemented the SCFA System. Site contractors provide cost data to DOE Field Chief Financial Officers (CFO). This data is reviewed, input into the SCFA System and certified as accurate. In implementing SCFA to track support-related costs, consistent definitions for 22 specific cost categories—such as facility management, utilities and site maintenance—that contractors use in reporting their support-related costs were developed. These 22 specific categories fall into three broad categories: general support, mission support and site specific support. The remaining cost incurred by the Department represents direct mission activity, as well as capital equipment and construction costs. Definitions of support cost categories were developed jointly by the Department’s program offices, the Office of the Chief Financial Officer and FMSIC to ensure that contractors conform to uniform reporting standards.

The SCFA Report is only one of several tools to help improve support cost management. We also recognize the other roles/tools of site offices, including institutional planning, performance appraisals and broad sharing of lessons learned and best practices among laboratories/contractors who regularly update their progress.

FMSIC

FMSIC is a Departmental financial management idea-sharing forum comprised of DOE CFO staff and contractors. FMSIC provides a forum for contractors to share successful approaches (best practices), which could provide gains in budget and accounting economy and efficiency. FMSIC also established the SCFA Peer Reviews Program designed to ensure consistency and data integrity in support cost reporting. The Council meets periodically to discuss contractor financial management issues, including support costs and the results of peer reviews. In addition, the FMSIC web page (<http://info.inel.gov/fmsic/index.html>) contains a new Frequently Asked Questions section to share common questions and answers across the DOE complex regarding definitions, classification of costs or other relevant issues to support cost reporting.

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EXTERNAL AUDITS AND REVIEWS

GAO recommended in its September 2002 report, “*DOE Contractor Management: Opportunities to Promote Initiatives That Could Reduce Support-Related Costs*” (GAO-02-1000) (<http://www.gao.gov/new.items/d021000.pdf>), that the Department “...develop a system to analyze the merits of cost-saving initiatives implemented at contractor sites, identify those that have broader applicability in DOE and work with program offices to promote those most likely to reduce support-related costs.” In response, the Department collected, reviewed and highlighted cost-saving initiatives with broad applicability beginning with the FY 2002 annual report. It is the Department’s intent to promote those initiatives that may provide opportunities for other contractors across the complex. The annual report is provided to all headquarters program offices, field locations and individual contractors.

In September 2005, the GAO issued its report, “*Department of Energy: Additional Opportunities Exist for Reducing Laboratory Contractors' Support Costs*,” (GAO-05-897) (<http://www.gao.gov/new.items/d05897.pdf>). In the report, GAO concurs with the Department that indirect cost rates cannot be compared across sites and that support costs provide a valid basis for assessing internal cost management. The report identified five recommendations to further improve the Department’s management of support costs. The Department concurred and is taking steps to address all the recommendations presented by GAO.

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LIMITATIONS OF SUPPORT COST DATA

This report is a cost management tool and cannot be used for making site-to-site comparisons due to the numerous site specific factors that influence support costs. In addition, support cost alone should not be used to make broad program funding decisions. The report may be used in conjunction with other tools (e.g. budget reports, planning documents, etc.) to promote stronger program management and planning. By eliminating the focus on how costs are distributed, a better picture may be obtained as to how much is being expended for support activities and whether those amounts are reasonable.

Functional support cost is not determined based on fully allocated cost and cannot automatically be interpreted as indirect/overhead costs as this term is defined by the Cost Accounting Standards (CAS) included in the Federal Acquisition Regulations. The contractors are subject to CAS and do not budget, accumulate or distribute costs in their formal accounting systems in the manner reflected in this report. In the formal accounts, the amounts reported as functional cost are distributed, directly or indirectly, to program activities and lose their identity. Therefore, the functional support costs are reported on a prime cost basis (i.e., prior to any cost distribution) and, by definition, may include both direct and indirect costs.

The data reflected in the report was obtained by analyzing information contained in the contractors' financial management systems and apportioning costs into the SCFA categories. While the total cost for each contractor is accurate and a standard set of definitions was used, apportioning the costs to functional categories requires the exercise of management judgment. Numerous factors affect the mix and volume of expenditures at a given site. These factors vary from site-to-site in both applicability and relative magnitude. For example, cost differences across sites may result from variances in the type, size, nature, environment, etc., of actual work activities.

Field offices are responsible for the quality of the functional cost and cost savings initiative data. DOE Field CFOs review and certify each submission for accuracy. The goal for data accuracy is 100 percent, although it is recognized that it may not be possible to achieve an overall accuracy greater than 90 to 95 percent due to professional judgment involved in categorizing cost at each site. However, the current level of accuracy is sufficient for trending costs at a given site over time, but not necessarily for comparison across sites.

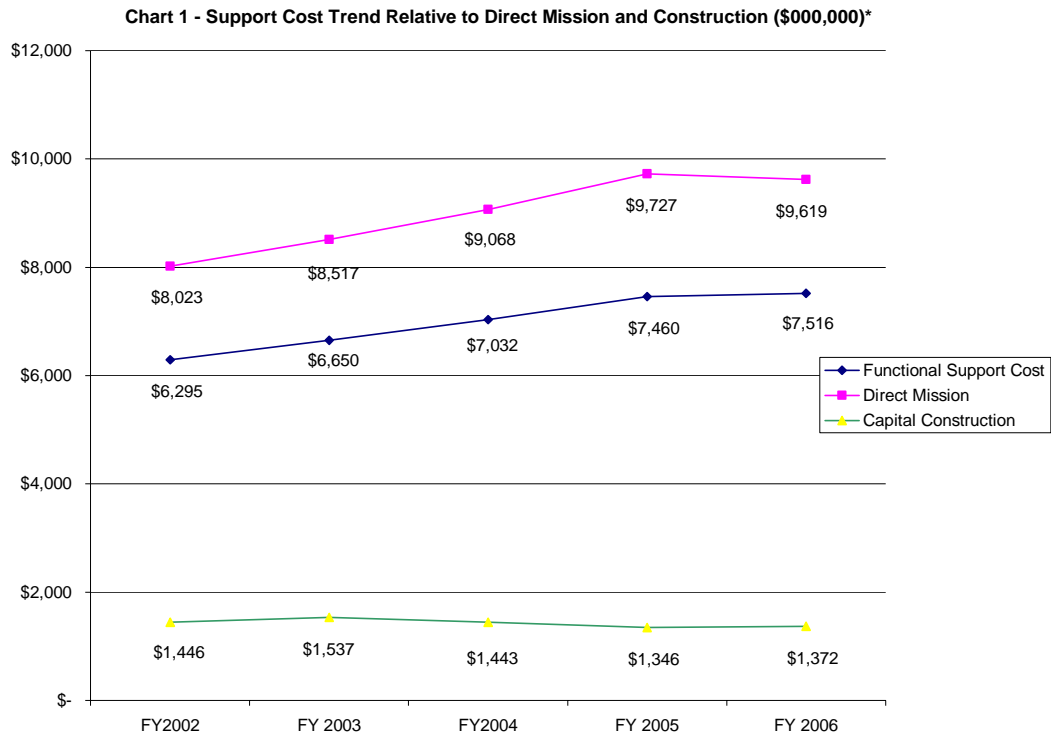
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DEPARTMENTAL RESULTS AND TRENDS

The Department's 29 largest contractors reported total costs of \$18.5 billion in FY 2006. This includes \$9.6 billion in mission direct, \$1.4 billion in capital/construction and \$7.5 billion in total support costs. All support cost terms are defined in Appendix A of this document.

Please note that the contributing sites for the FY 2006 Support Cost Report have changed. First, the Rocky Flats Site, which is now considered closed, is no longer reporting support cost data. All prior year support cost data has been restated to eliminate the Rocky Flats costs. In addition, Idaho National Laboratory is reporting support cost data in FY 2006 for three separate contractors versus one consolidated submission. This difference will only be identifiable in supporting information provided on the Department's website.

As Chart 1 shows, since FY 2002, the Department's direct mission has increased by \$1.6 billion, while functional support costs have increased by only \$1.2 billion and capital/construction has decreased by \$74 million.

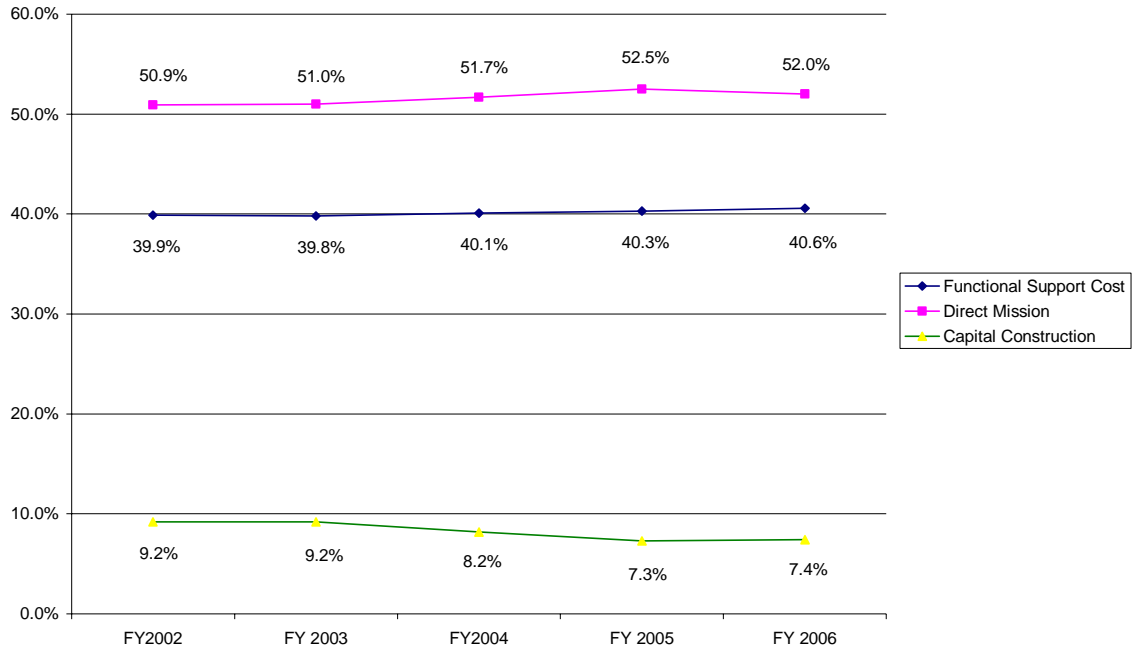


* FY 2002 - FY 2005 has been restated to reflect the closure of Rocky Flats.

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As Chart 2 displays, 52.0 percent of total costs were expended on mission direct activities, 40.6 percent on functional support costs and 7.4 percent on capital/construction in FY 2006. The trend over the past five years indicates that the percentage of total cost invested in mission direct activities has increased by 1.1 percent, while support costs have increased by only .7 percent.

Chart 2 - Percent Of Total Cost for Each Component of Cost*



* FY 2002 - FY 2005 has been restated to reflect the closure of Rocky Flats.

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Long-Term Analysis

The following table presents the annual change in actual support cost dollars vs. a FY 1995 baseline. This change represents amounts redirected to mission direct activities as a result of support cost management efficiencies.

Table 1 - Support Cost Analysis
(All dollars are in thousands)

Fiscal Year	(Mission Direct + Capital/Construction + Support Cost) = Total Cost	Support Cost As A Percentage of Total Cost	Percent Change From FY 1995 Baseline	Support Cost \$ Change From the FY 1995 Baseline
1995	\$13,992,966	43.6%		
1996	\$13,298,807	42.6%	1.0%	\$132,988
1997	\$12,771,135	42.8%	0.8%	\$102,169
1998	\$12,905,644	42.3%	1.3%	\$167,773
1999	\$13,312,461	41.7%	1.9%	\$252,937
2000	\$14,394,608	40.4%	3.2%	\$460,627
2001	\$15,252,034	39.8%	3.8%	\$579,577
2002	\$15,763,615	39.9%	3.7%	\$583,254
2003	\$16,703,028	39.8%	3.8%	\$634,715
2004	\$17,542,814	40.1%	3.5%	\$613,998
2005	\$18,532,967	40.3%	3.3%	\$611,588
2006	\$18,507,155	40.6%	3.0%	\$555,215
Total				\$4,694,842

Note – Prior year statistics have been restated to eliminate Rocky Flats data as the site has closed.

If you consider FY 1995 data as a baseline, we can estimate how many additional dollars would have been consumed as support cost from FY 1996 through FY 2006. If the FY 1995 support cost rate remained at 43.6 percent in the eleven subsequent years, mission direct funding would have decreased by almost \$4.7 billion. In FY 2006 alone, over \$555 million extra dollars would have been spent on support costs had we maintained the same rate as in FY 1995. The visibility afforded by the support cost data allows the Department to perform this type of baseline analysis which demonstrates that more dollars have been invested in mission direct activities and less in support cost.

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In FY 2006, the three largest functional support cost categories accounted for over 33 percent of the total functional support costs at the 29 contributing sites. The following is a brief description of each of the subcategories identified in Table 2 below.

Table 2 - Three Largest Functional Support Cost Categories of FY 2006			
SUBCATEGORY	FY 2006 (\$000,000)	FY 2006 Percent of Total Cost	FY 2006 Percent of Total Functional Support Cost
Maintenance	\$868.7	4.7%	11.6%
Safety and Health	\$811.4	4.4%	10.8%
Safeguards & Security	\$805.4	4.3%	10.7%
Total	\$2,485.5	13.4%	33.1%

- **Maintenance** - A significant number of the Department's facilities are aging and obsolete. The Department has begun to require contractors to address the backlog of maintenance projects while they also manage current maintenance needs. Although this effort will involve significant costs in the near term, it could reduce functional support costs in the long term.
- **Safety and Health** - These costs reflect a heightened emphasis on safety and are associated with safety and health programs, such as emergency preparedness, fire protection, industrial hygiene, industrial safety, occupational medical services, nuclear safety, work smart programs, radiation protection, transportation safety and management oversight.
- **Safeguards and Security** – The events of September 11, 2001, and the country's response to these events continue to drive safeguards and security costs higher. New requirements are consuming greater resources.

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Table 3 - Trends (All dollars are in thousands)

	FY 2006 Support Cost \$	FY 2006 As a Percent of Support Cost	FY 2002 Support Cost \$	FY 2002 As a Percent of Support Cost	Change As a Percent of Support Cost FY 2002 - FY 2006	\$ Change FY 2002 - FY 2006
Maintenance	\$868,747	11.56%	\$788,669	12.53%	-0.97%	\$80,078
Safety and Health	\$811,352	10.79%	\$686,931	10.91%	-0.12%	\$124,421
Safeguards and Security	\$805,369	10.72%	\$565,208	8.98%	1.74%	\$240,161
Information Services	\$782,690	10.41%	\$688,945	10.94%	-0.53%	\$93,745
Facilities Mgmt	\$532,177	7.08%	\$469,896	7.46%	-0.38%	\$62,281
Management Fee	\$523,104	6.96%	\$429,707	6.83%	0.13%	\$93,397
Utilities	\$471,418	6.27%	\$380,135	6.04%	0.23%	\$91,283
LDRD/PDRD/SDRD	\$338,884	4.51%	\$280,476	4.46%	0.05%	\$58,408
Program/Project Control	\$231,657	3.08%	\$214,988	3.42%	-0.33%	\$16,669
Human Resources	\$212,390	2.83%	\$183,867	2.92%	-0.10%	\$28,523
Environmental	\$203,040	2.70%	\$186,141	2.96%	-0.26%	\$16,899
Executive Direction	\$201,900	2.69%	\$172,082	2.73%	-0.05%	\$29,818
Information Outreach	\$191,290	2.55%	\$163,314	2.59%	-0.05%	\$27,976
Lab/Tech Support	\$189,980	2.53%	\$150,474	2.39%	0.14%	\$39,506
Central Admin Services	\$186,158	2.48%	\$193,487	3.07%	-0.60%	\$-7,329
Logistics Support	\$181,112	2.41%	\$160,588	2.55%	-0.14%	\$20,524
Quality Assurance	\$171,398	2.28%	\$123,914	1.97%	0.31%	\$47,484
CFO	\$162,273	2.16%	\$135,197	2.15%	0.01%	\$27,076
Procurement	\$150,923	2.01%	\$125,887	2.00%	0.01%	\$25,036
Taxes	\$128,922	1.72%	\$94,428	1.50%	0.22%	\$34,494
Other	\$110,798	1.47%	\$43,042	0.68%	0.79%	\$67,756
Legal	\$60,572	0.81%	\$57,698	0.92%	-0.11%	\$2,874
Total Support Cost	\$7,516,154	100.00%	\$6,295,074	100.00%	0.00%	\$1,221,080

The 22 support cost categories are listed according to total FY 2006 support cost dollars. Maintenance remains the largest dollar support cost category, totaling \$868 million in FY 2006. However, while maintenance required about 12.5 percent of total support cost in FY 2002, it declined to about 11.6 percent in FY 2006. As noted earlier, the Department's aging facilities are a major driver for cost in this category.

Safeguards and security had the largest increase from FY 2002, approximately \$240 million. While in FY 2002 this category accounted for roughly 9 percent of the total support expenditures, it now accounts for almost 11 percent. New security requirements and a heightened national security posture have been the drivers for this increase in recent years.

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COST SAVING INITIATIVES

Reporting contractors provided information related to initiatives implemented to manage and reduce functional support costs at their sites.

For example, many of the Department's locations utilize Six Sigma, which is a rigorous, statistically based, customer-focused business methodology to improve work processes. By applying the disciplined and rigorous Six Sigma methodology and performance-based leadership tools, sustainable solutions to business problems can be delivered. This approach focuses on identifying and eliminating the cost of poor quality embedded in current business and operational processes through the use of qualitative and advanced quantitative tools and techniques.

Below are several cost saving initiatives, identified by the Department's contractors. Several of the following initiatives have broad applicability and may provide opportunities that could be used by other contractors throughout the Department. Other initiatives are more unique to specific locations. These savings, reductions or cost avoidances have been realized and reinvested at each site.

Tooling Work Improvement Project **Reported by Pantex (\$8.2M)**

Based on FY2006 production forecasts, it was determined that the process throughput for fabrication, modification and repair of special tooling needed to double or triple to meet production requirements. The manufacturing Engineering Department along with the Production Tooling Support Department was tasked to evaluate the Tooling Factory's current processes to identify and implement improvements that would ensure that the increased demand for tooling be satisfied. Analysis results indicated that the lack of a work management system (Tooling Schedule and Qualification Process) was the key contributor to delays in processing tools through the Tooling Factory. The process improvement team developed a "Worksheet" that would schedule tools through the modification, fabrication and repair processes within the Tooling Factory. The Tooling Schedule provided a method for managing the Tooling Factory near-term workload to meet the increased customer demand.

Energy Savings **Reported by Brookhaven National Lab (\$8.0M)**

The DOE Site Office at Brookhaven National Laboratory (BNL) worked with New York State agencies to develop a contractual relationship with New York Power Authority (NYPA) to deliver electric power to the BNL site at well-below market rate. As a result of that effort, New York State has delivered electric power to BNL at a rate of

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approximately 6.6 cents per kilowatt, compared to a local industrial rate of approximately 14 cents per kilowatt. BNL expects to realize a savings of approximately \$8.0 million annually due to this arrangement. The contract with NYPA will expire in June 2008. We will be initiating discussions with NYPA shortly in hopes of continuing this arrangement.

Cleanup Process at the Tonopah Test Range **Reported by Nevada (\$7.9M)**

A Six Sigma team looked into various alternatives to reduce the cost pertaining to cleanup activities located at the Tonopah Test Range. It was determined that the only controllable cost factor was to reduce the size of the cleanup area. Existing information was not adequate to shrink the approximately sixteen square mile cleanup area. The team secured classified information that reduced the area for screening and cleanup to only three square miles.

Merger Organizations **Reported by Lawrence Livermore National Lab (\$1.2M)**

Lawrence Livermore National Laboratory established an initiative to streamline the directorate's management team and reduce overhead costs. The laboratory pursued a strategy to merge the utilities function into the Plant Engineering organization and the telecommunication function into Information and Communication Services. Reducing the number of organizations and leveraging staff skills resulted in a cost reduction through the elimination of duplicate overhead positions.

Space Utilization **Reported by Pacific Northwest National Lab (\$1.0M)**

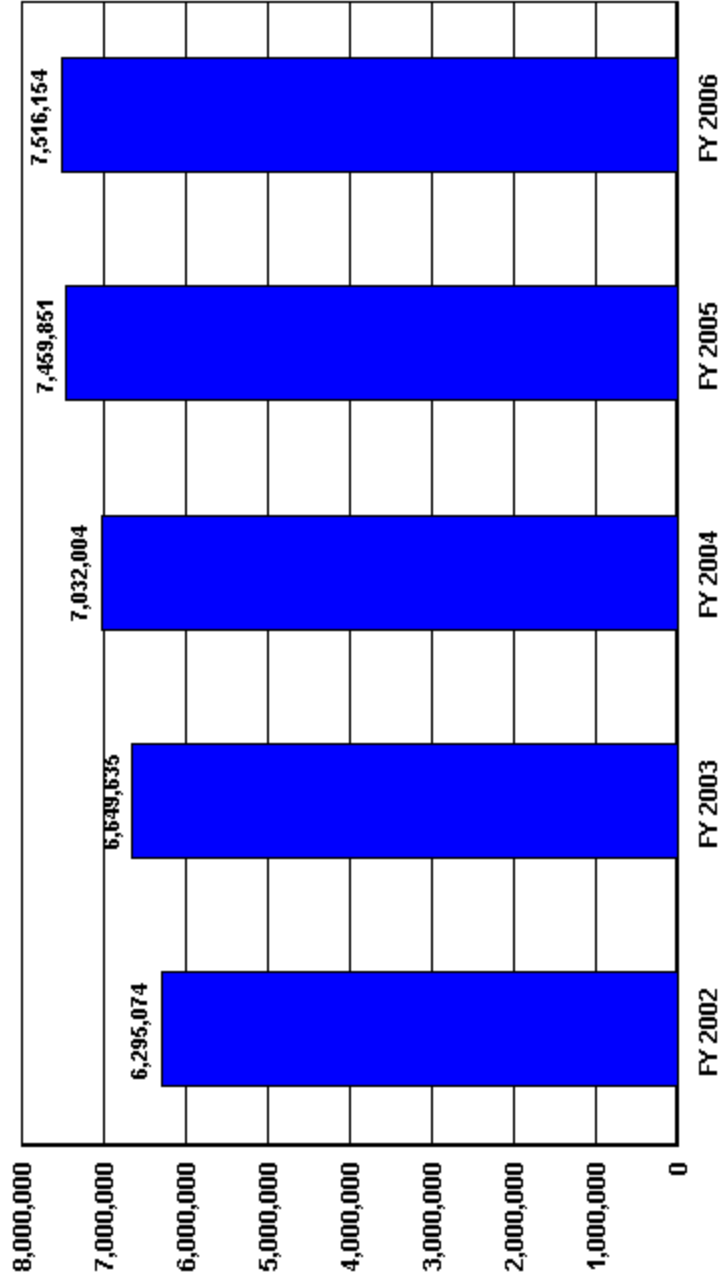
PNNL has initiated a series of projects to improve space utilization. Examples of these projects include removing out of date equipment from laboratory space, co-locating research equipment more efficiently, converting storage space/office space for use as lab space and upgrading lab interiors/infrastructure to better match current research requirements. This last fiscal year these activities provided approximately 18,000 net square feet of lab space and 80 office workstations to address incremental space needs – equivalent to a facility of approximately 50,000 gross square feet. If this incremental space had to be leased, annual total lease costs could exceed \$1M per year.

Specific details regarding any of the 29 contributing contractor sites is available on the CFO's Office of Internal Review Home Page at: <http://www.cfo.doe.gov/cf1-2/scfa.htm>

Trends in Total Support Cost by Functional Categories
TOTAL FOR ALL MAJOR SITE FACILITY CONTRACTORS (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	15,763,615	16,703,028	17,542,814	18,532,967	18,507,155	2,743,540	17.4%
Capital Construction	1,445,740	1,536,512	1,443,083	1,345,974	1,371,938	-73,802	-5.1%
Total Costs Less Construction	14,317,875	15,166,516	16,099,731	17,186,993	17,135,217	2,817,342	19.7%
Total Support Costs	6,295,074	6,649,635	7,032,004	7,459,851	7,516,154	1,221,080	19.4%
Mission Direct Operation	8,022,801	8,516,881	9,067,727	9,727,142	9,619,063	1,596,262	19.9%
Mission Direct Operation as % of Total Cost	50.9%	51.0%	51.7%	52.5%	52.0%		
Capital Construction as % of Total Cost	9.2%	9.2%	8.2%	7.3%	7.4%		
Total Support Cost as % of Total Cost	39.9%	39.8%	40.1%	40.3%	40.6%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	39.9%	39.8%	40.1%	40.3%	40.6%		
TOTAL SUPPORT COST	6,295,074	6,649,635	7,032,004	7,459,851	7,516,154	1,221,080	19.4%
TOTAL GENERAL SUPPORT as % of TOTAL	12.6%	12.7%	12.3%	12.5%	12.4%		
TOTAL GENERAL SUPPORT	1,978,507	2,116,777	2,166,067	2,313,586	2,290,651	312,144	15.8%
EXECUTIVE DIRECTION	172,082	186,081	189,952	195,196	201,900	29,818	17.3%
HUMAN RESOURCES	183,867	201,500	201,550	219,819	212,390	28,523	15.5%
CFO	135,197	141,988	149,907	159,040	162,273	27,076	20.0%
PROCUREMENT	125,887	142,338	151,790	162,377	150,923	25,036	19.9%
LEGAL	57,698	63,309	55,295	62,872	60,572	2,874	5.0%
CENTRAL ADMIN SERVICES	193,487	206,297	204,377	210,156	186,158	-7,329	-3.8%
PROGRAM/PROJECT CONTROL	214,988	217,892	219,344	240,465	231,657	16,669	7.8%
INFORMATION OUTREACH	163,314	166,956	169,264	174,392	191,290	27,976	17.1%
INFORMATION SERVICES	688,945	739,391	764,335	783,255	782,690	93,745	13.6%
OTHER	43,042	51,025	60,253	106,014	110,798	67,756	157.4%
TOTAL MISSION SUPPORT as % of TOTAL	22.3%	22.2%	22.5%	22.6%	22.9%		
TOTAL MISSION SUPPORT	3,511,956	3,714,966	3,952,748	4,180,264	4,234,593	722,637	20.6%
ENVIRONMENTAL	186,141	188,726	189,084	196,202	203,040	16,899	9.1%
SAFETY AND HEALTH	686,931	722,525	745,874	800,247	811,352	124,421	18.1%
FACILITIES MANAGEMENT	469,896	530,772	575,640	582,709	532,177	62,281	13.3%
MAINTENANCE	788,669	821,551	852,107	890,193	868,747	80,078	10.2%
UTILITIES	380,135	376,825	387,113	427,406	471,418	91,283	24.0%
SAFEGUARDS AND SECURITY	565,208	633,882	715,150	772,171	805,369	240,161	42.5%
LOGISTICS SUPPORT	160,588	162,160	163,869	171,958	181,112	20,524	12.8%
QUALITY ASSURANCE	123,914	129,547	147,133	146,398	171,398	47,484	38.3%
LABORATORY/TECHNICAL SUPPORT	150,474	148,978	176,778	192,980	189,980	39,506	26.3%
TOTAL SITE SPECIFIC as % of TOTAL	5.1%	4.9%	5.2%	5.2%	5.4%		
TOTAL SITE SPECIFIC	804,611	817,892	913,189	966,001	990,910	186,299	23.2%
MANAGEMENT/INCENTIVE FEE	429,707	418,405	494,067	516,853	523,104	93,397	21.7%
TAXES	94,428	89,948	101,311	111,238	128,922	34,494	36.5%
LDRD / PDRD / SDRD	280,476	309,539	317,811	337,910	338,884	58,408	20.8%

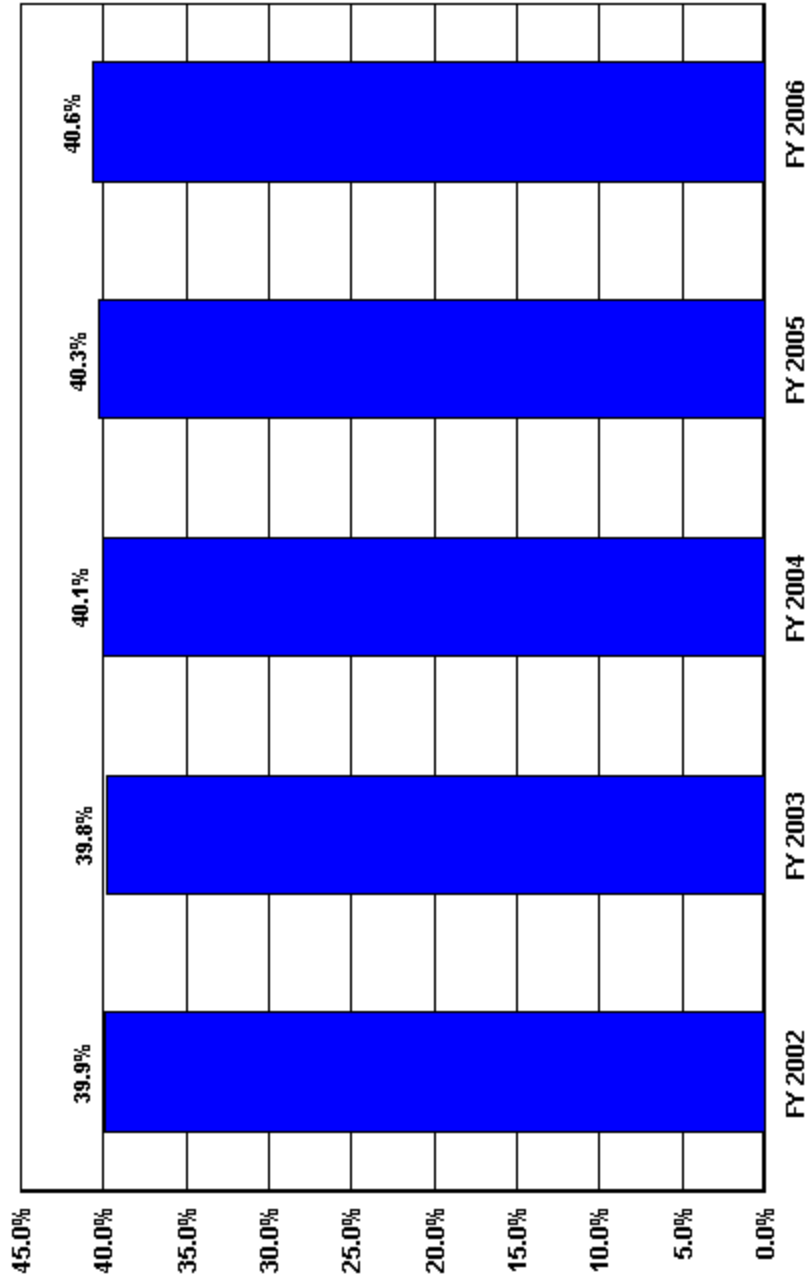
**US Department of Energy
Total Functional Support
TOTAL FOR ALL MAJOR SITE FACILITY CONTRACTORS**



■ Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	6,295,074	6,649,635	7,032,004	7,459,851	7,516,154

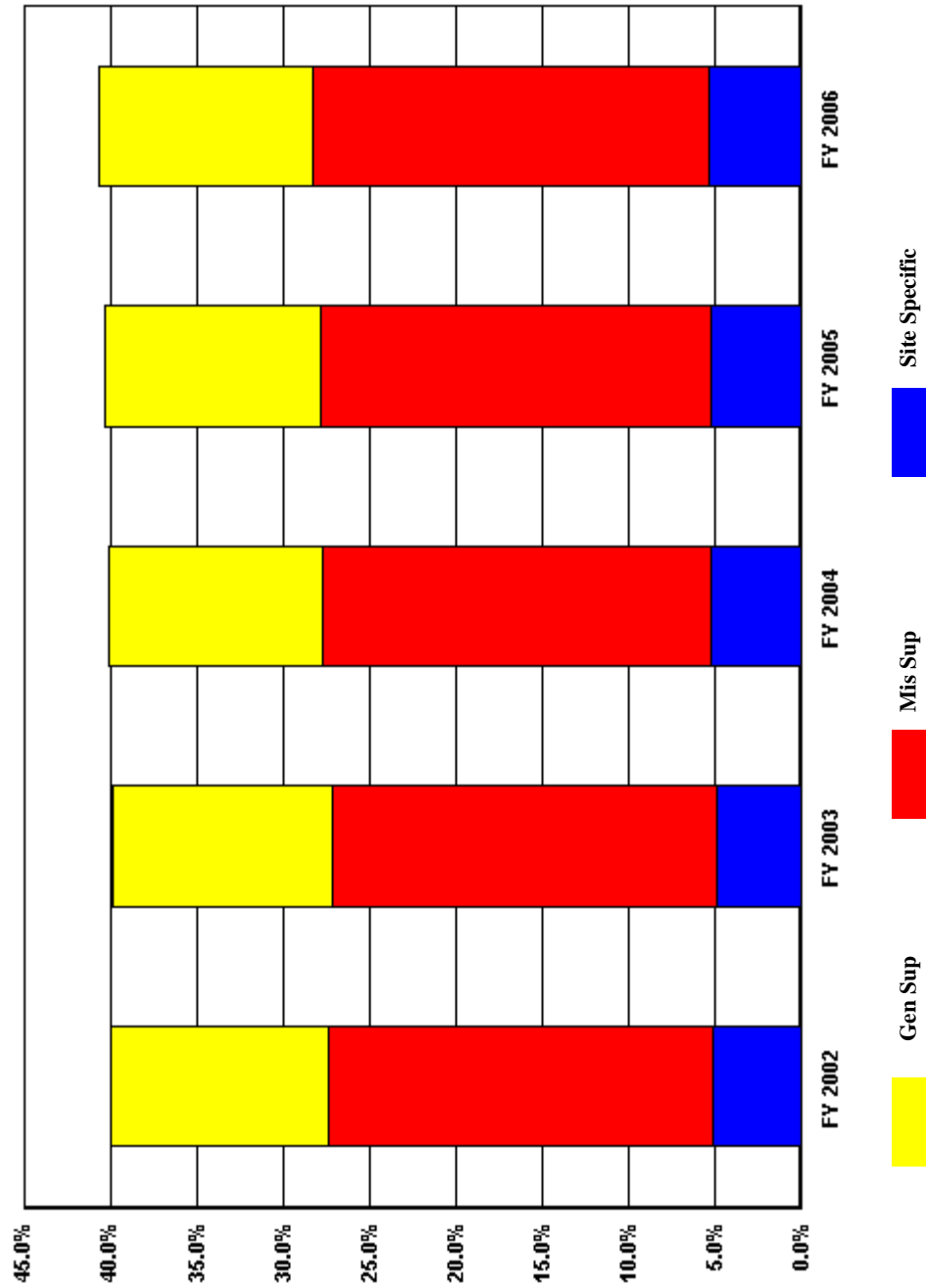
**US Department of Energy
Total Functional Support as a % of Total Costs
TOTAL FOR ALL MAJOR SITE FACILITY CONTRACTORS**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	39.9%	39.8%	40.1%	40.3%	40.6%

**US Department of Energy
Percent of Support Category to Total Costs
TOTAL FOR ALL MAJOR SITE FACILITY CONTRACTORS**

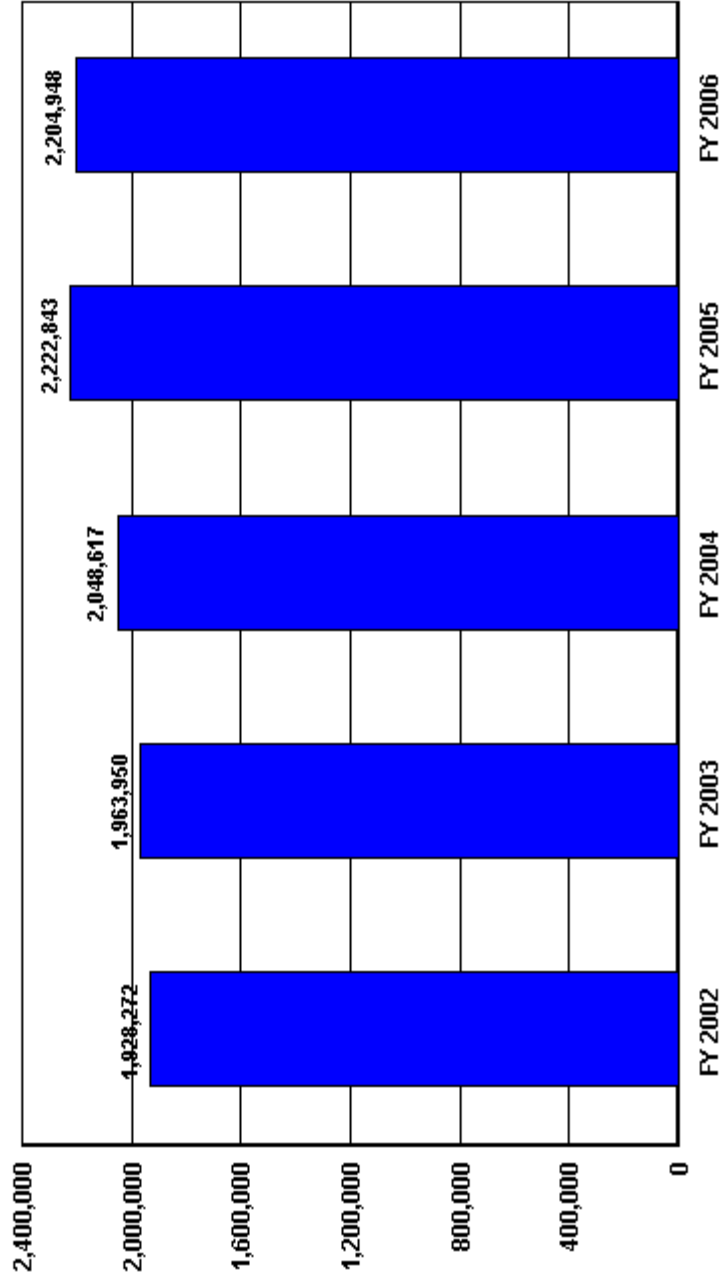


	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	12.6%	12.7%	12.3%	12.5%	12.4%
Mis Sup	22.3%	22.2%	22.5%	22.6%	22.9%
Site Specific	5.1%	4.9%	5.2%	5.2%	5.4%

Trends in Total Support Cost by Functional Categories
Total EM & NE Sites (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	3,977,520	4,146,317	4,372,411	4,768,782	4,761,026	783,506	19.7%
Capital Construction	305,771	245,417	213,373	171,092	174,592	-131,179	-42.9%
Total Costs Less Construction	3,671,749	3,900,900	4,159,038	4,597,690	4,586,434	914,685	24.9%
Total Support Costs	1,928,272	1,963,950	2,048,617	2,222,843	2,204,948	276,676	14.3%
Mission Direct Operation	1,743,477	1,936,950	2,110,421	2,374,847	2,381,486	638,009	36.6%
Mission Direct Operation as % of Total Cost	43.8%	46.7%	48.3%	49.8%	50.0%		
Capital Construction as % of Total Cost	7.7%	5.9%	4.9%	3.6%	3.7%		
Total Support Cost as % of Total Cost	48.5%	47.4%	46.9%	46.6%	46.3%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	48.5%	47.4%	46.9%	46.6%	46.3%		
TOTAL SUPPORT COST	1,928,272	1,963,950	2,048,617	2,222,843	2,204,948	276,676	14.3%
TOTAL GENERAL SUPPORT as % of TOTAL	13.0%	12.8%	11.5%	12.1%	12.1%		
TOTAL GENERAL SUPPORT	516,660	529,771	502,963	576,412	576,759	60,099	11.6%
EXECUTIVE DIRECTION	35,258	33,074	32,077	35,756	44,070	8,812	25.0%
HUMAN RESOURCES	52,579	54,389	52,638	55,649	56,738	4,159	7.9%
CFO	36,066	36,420	36,481	39,481	38,349	2,283	6.3%
PROCUREMENT	37,567	40,659	39,856	43,797	38,221	654	1.7%
LEGAL	20,877	23,437	15,622	15,875	15,229	-5,648	-27.1%
CENTRAL ADMIN SERVICES	54,892	62,041	55,930	60,332	49,657	-5,235	-9.5%
PROGRAM/PROJECT CONTROL	92,297	89,746	90,202	97,537	90,512	-1,785	-1.9%
INFORMATION OUTREACH	25,672	22,577	19,713	19,924	22,259	-3,413	-13.3%
INFORMATION SERVICES	152,407	159,913	147,181	154,447	156,540	4,133	2.7%
OTHER	9,045	7,515	13,263	53,614	65,184	56,139	620.7%
TOTAL MISSION SUPPORT as % of TOTAL	29.2%	29.0%	28.7%	28.2%	27.6%		
TOTAL MISSION SUPPORT	1,163,327	1,204,277	1,256,869	1,343,378	1,312,640	149,313	12.8%
ENVIRONMENTAL	69,717	69,149	63,713	62,937	64,442	-5,275	-7.6%
SAFETY AND HEALTH	303,068	300,981	316,543	352,742	343,599	40,531	13.4%
FACILITIES MANAGEMENT	101,502	123,110	112,797	117,923	108,958	7,456	7.3%
MAINTENANCE	276,084	282,376	281,932	300,993	268,245	-7,839	-2.8%
UTILITIES	84,120	90,635	91,148	101,100	108,978	24,858	29.6%
SAFEGUARDS AND SECURITY	147,719	164,879	200,032	204,405	210,717	62,998	42.6%
LOGISTICS SUPPORT	56,756	57,619	55,797	62,576	68,000	11,244	19.8%
QUALITY ASSURANCE	54,518	49,173	52,648	52,843	59,386	4,868	8.9%
LABORATORY/TECHNICAL SUPPORT	69,843	66,355	82,259	87,859	80,315	10,472	15.0%
TOTAL SITE SPECIFIC as % of TOTAL	6.2%	5.5%	6.6%	6.4%	6.6%		
TOTAL SITE SPECIFIC	248,285	229,902	288,785	303,053	315,549	67,264	27.1%
MANAGEMENT/INCENTIVE FEE	207,075	191,698	257,225	265,643	273,094	66,019	31.9%
TAXES	21,913	19,642	20,681	21,697	26,304	4,391	20.0%
LDRD / PDRD / SDRD	19,297	18,562	10,879	15,713	16,151	-3,146	-16.3%

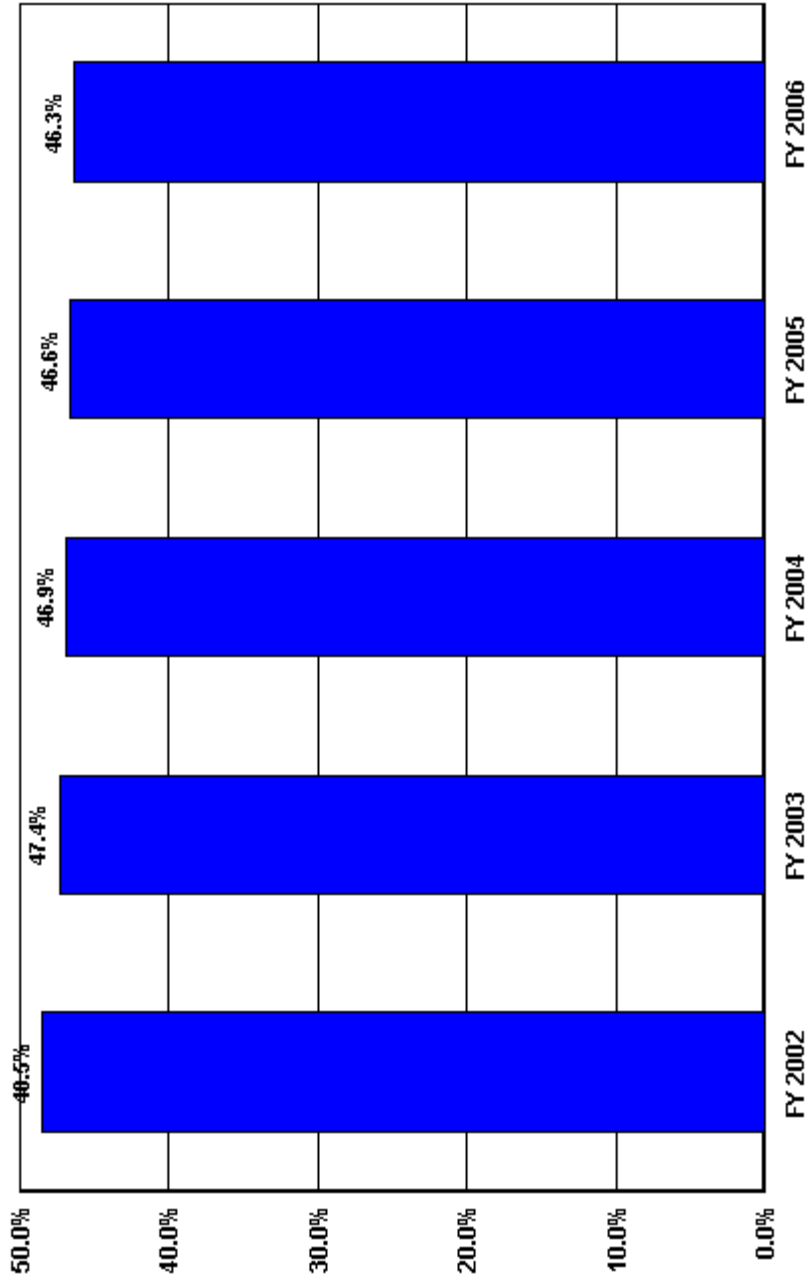
**US Department of Energy
Total Functional Support
Total EM & NE Sites**



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	1,928,272	1,963,950	2,048,617	2,222,843	2,204,948

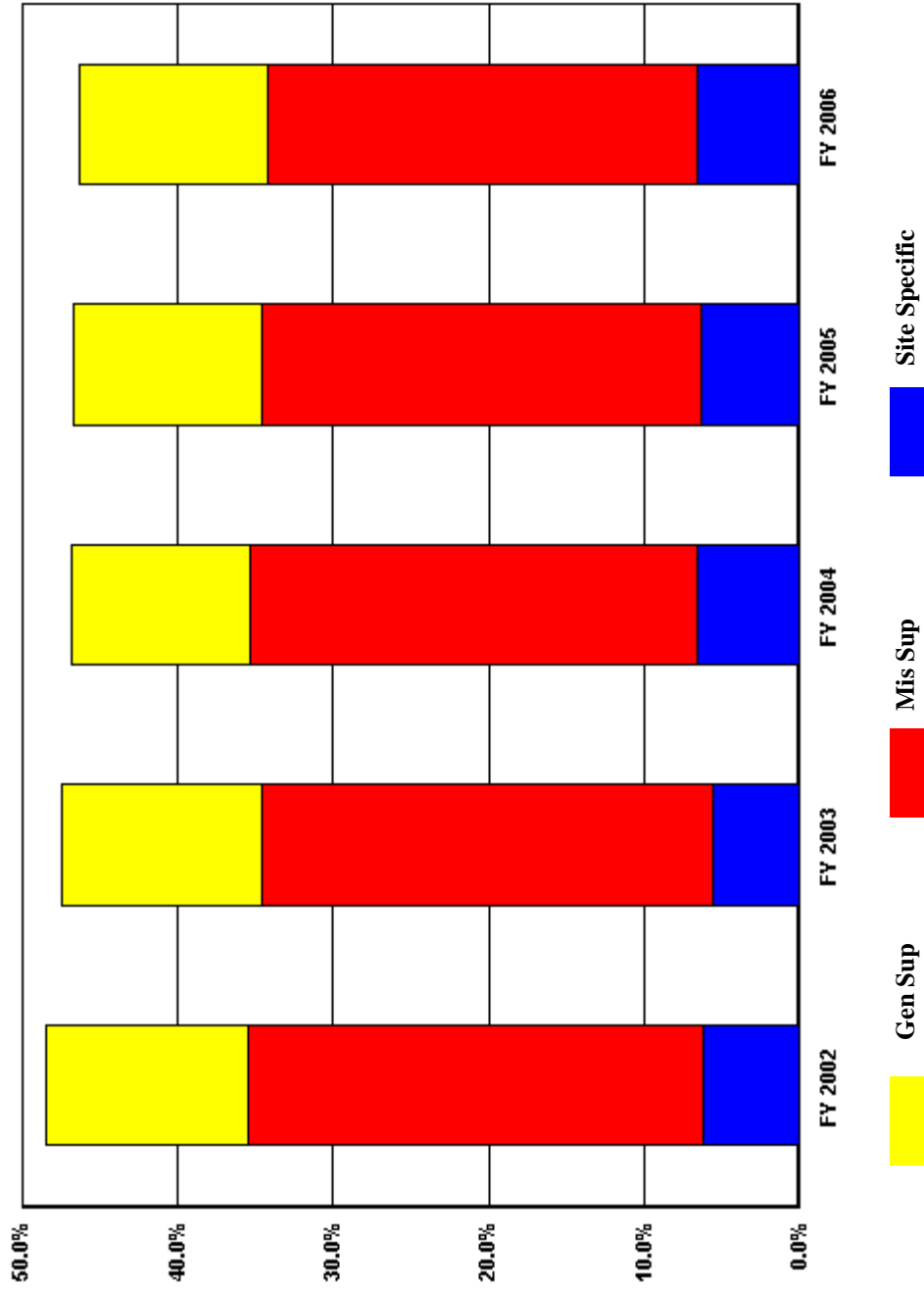
**US Department of Energy
Total Functional Support as a % of Total Costs
Total EM & NE Sites**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	48.5%	47.4%	46.9%	46.6%	46.3%

**US Department of Energy
Percent of Support Category to Total Costs
Total EM & NE Sites**

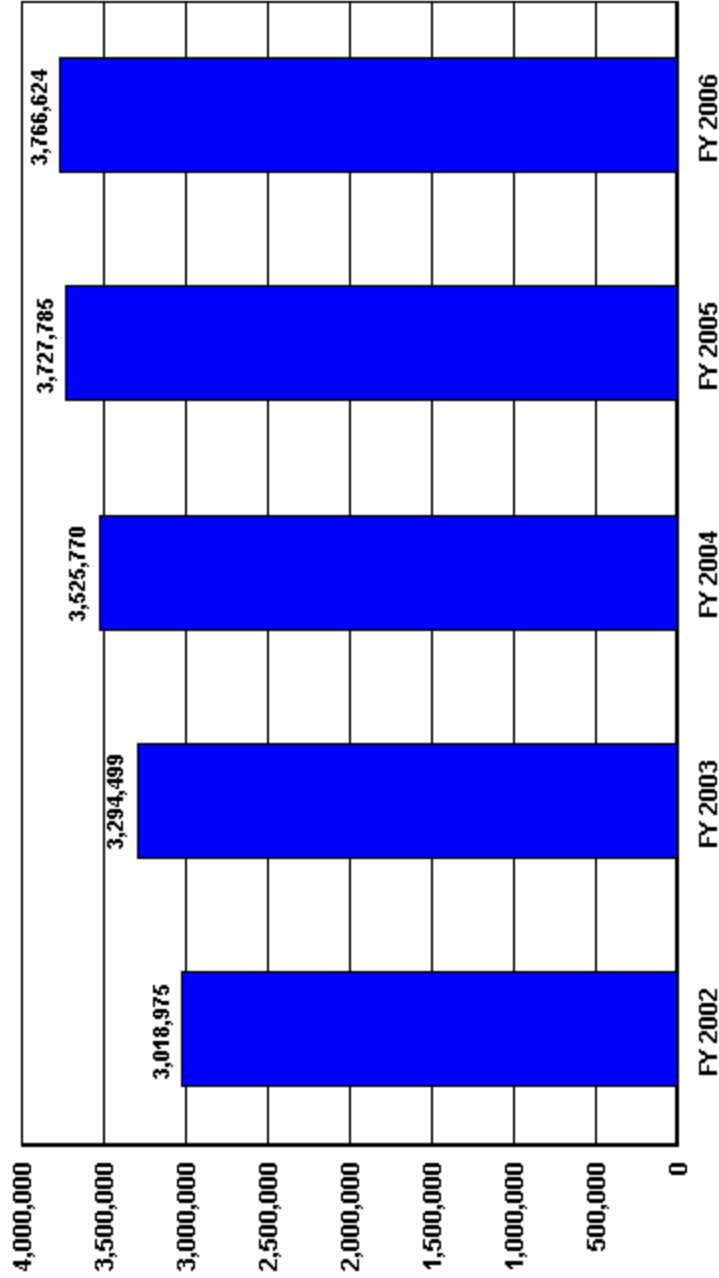


	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	13.0%	12.8%	11.5%	12.1%	12.1%
Mis Sup	29.2%	29.0%	28.7%	28.2%	27.6%
Site Specific	6.2%	5.5%	6.6%	6.4%	6.6%

Trends in Total Support Cost by Functional Categories
Total NNSA Sites (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	7,828,445	8,462,837	8,776,954	9,260,922	9,198,267	1,369,822	17.5%
Capital Construction	725,250	867,559	773,737	768,869	800,341	75,091	10.4%
Total Costs Less Construction	7,103,195	7,595,278	8,003,217	8,492,053	8,397,926	1,294,731	18.2%
Total Support Costs	3,018,975	3,294,499	3,525,770	3,727,785	3,766,624	747,649	24.8%
Mission Direct Operation	4,084,220	4,300,779	4,477,447	4,764,268	4,631,302	547,082	13.4%
Mission Direct Operation as % of Total Cost	52.2%	50.8%	51.0%	51.4%	50.3%		
Capital Construction as % of Total Cost	9.3%	10.3%	8.8%	8.3%	8.7%		
Total Support Cost as % of Total Cost	38.6%	38.9%	40.2%	40.3%	40.9%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	38.6%	38.9%	40.2%	40.3%	40.9%		
TOTAL SUPPORT COST	3,018,975	3,294,499	3,525,770	3,727,785	3,766,624	747,649	24.8%
TOTAL GENERAL SUPPORT as % of TOTAL	12.1%	12.3%	12.6%	12.7%	12.6%		
TOTAL GENERAL SUPPORT	946,673	1,041,699	1,108,136	1,176,929	1,156,245	209,572	22.1%
EXECUTIVE DIRECTION	87,114	91,919	90,692	86,869	89,485	2,371	2.7%
HUMAN RESOURCES	94,814	106,969	107,785	122,111	113,921	19,107	20.2%
CFO	55,212	56,317	61,594	64,510	64,418	9,206	16.7%
PROCUREMENT	58,320	69,829	76,261	82,231	75,528	17,208	29.5%
LEGAL	24,400	27,097	24,503	27,549	27,133	2,733	11.2%
CENTRAL ADMIN SERVICES	88,861	95,421	96,698	97,469	88,136	-725	-0.8%
PROGRAM/PROJECT CONTROL	82,035	86,190	105,388	121,639	121,895	39,860	48.6%
INFORMATION OUTREACH	60,209	63,009	64,036	64,621	79,052	18,843	31.3%
INFORMATION SERVICES	377,959	419,544	454,288	474,702	460,692	82,733	21.9%
OTHER	17,749	25,404	26,891	35,228	35,985	18,236	102.7%
TOTAL MISSION SUPPORT as % of TOTAL	21.1%	21.2%	22.1%	22.0%	22.5%		
TOTAL MISSION SUPPORT	1,652,048	1,791,833	1,935,399	2,041,715	2,072,805	420,757	25.5%
ENVIRONMENTAL	83,114	80,177	83,305	94,380	95,101	11,987	14.4%
SAFETY AND HEALTH	278,483	310,907	310,606	331,094	337,372	58,889	21.1%
FACILITIES MANAGEMENT	274,355	300,763	343,463	346,216	285,090	10,735	3.9%
MAINTENANCE	316,305	351,713	376,126	383,930	388,283	71,978	22.8%
UTILITIES	189,894	175,314	182,835	192,346	213,844	23,950	12.6%
SAFEGUARDS AND SECURITY	345,540	396,448	440,339	485,304	509,327	163,787	47.4%
LOGISTICS SUPPORT	70,003	70,500	72,398	74,845	77,111	7,108	10.2%
QUALITY ASSURANCE	51,093	58,954	72,482	71,759	89,685	38,592	75.5%
LABORATORY/TECHNICAL SUPPORT	43,261	47,057	53,845	61,841	76,992	33,731	78.0%
TOTAL SITE SPECIFIC as % of TOTAL	5.4%	5.4%	5.5%	5.5%	5.8%		
TOTAL SITE SPECIFIC	420,254	460,967	482,235	509,141	537,574	117,320	27.9%
MANAGEMENT/INCENTIVE FEE	143,976	157,538	163,930	168,268	188,642	44,666	31.0%
TAXES	68,537	68,278	73,725	84,165	96,987	28,450	41.5%
LDRD / PDRD / SDRD	207,741	235,151	244,580	256,708	251,945	44,204	21.3%

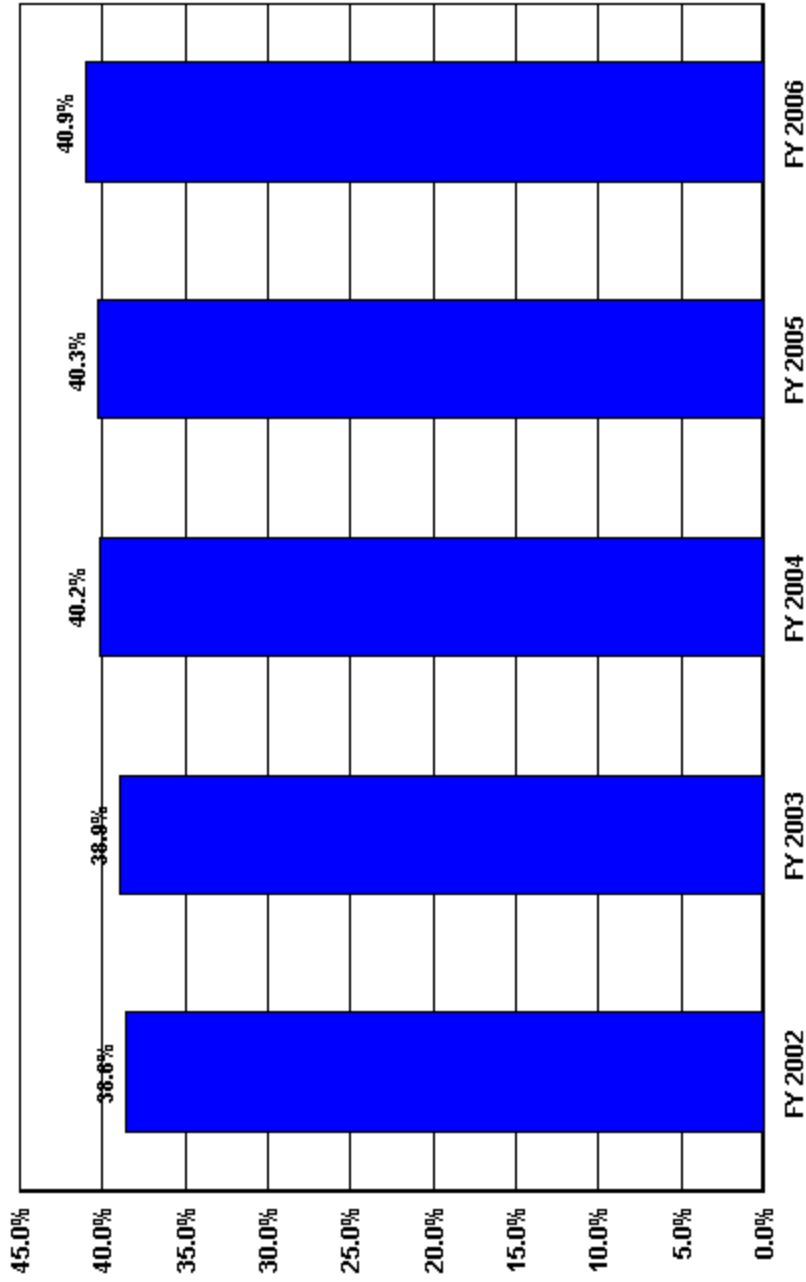
US Department of Energy
 Total Functional Support
 Total NNSA Sites



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	3,018,975	3,294,499	3,525,770	3,727,785	3,766,624

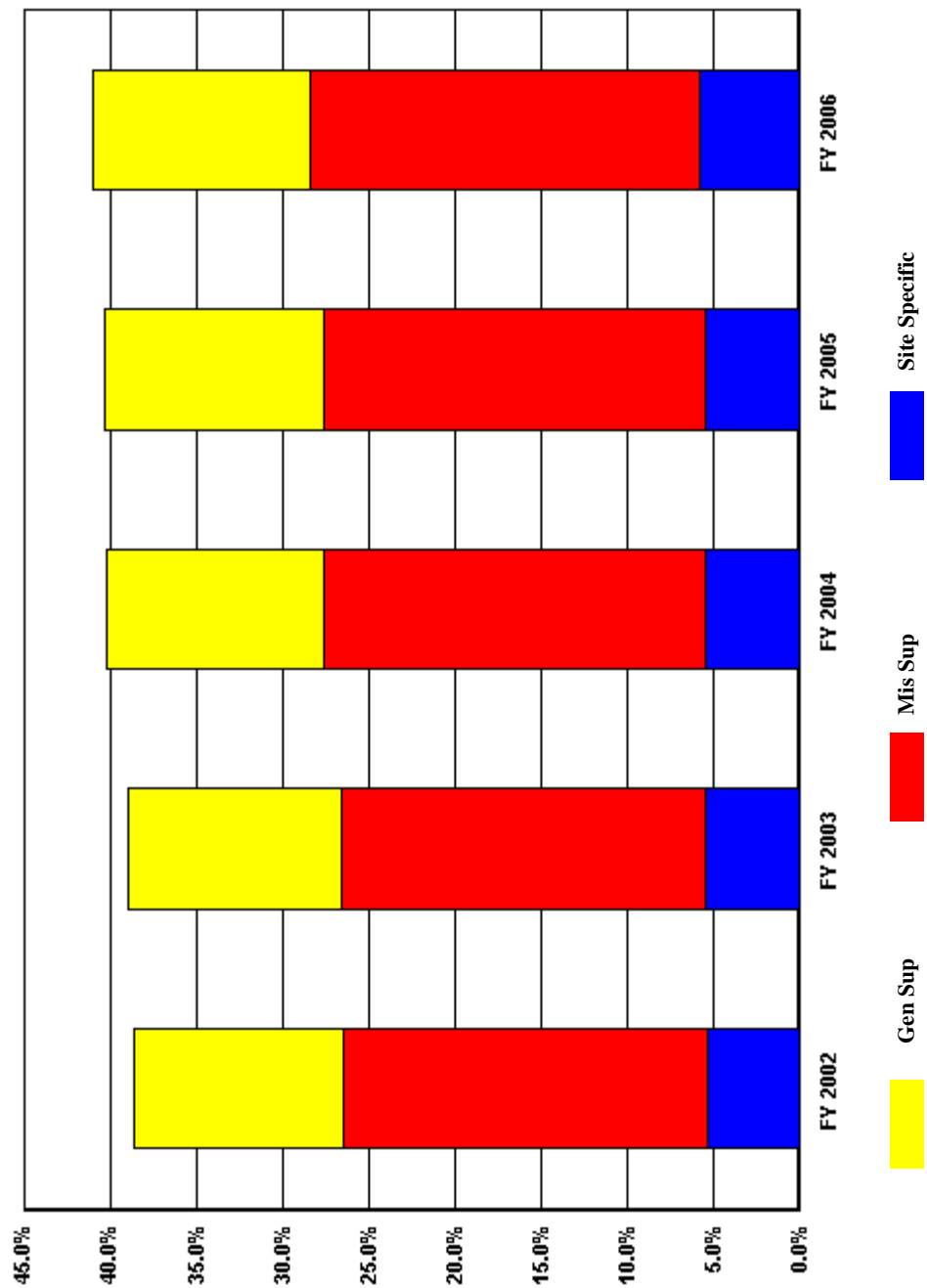
**US Department of Energy
Total Functional Support as a % of Total Costs
Total NNSA Sites**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	38.6%	38.9%	40.2%	40.3%	40.9%

**US Department of Energy
Percent of Support Category to Total Costs
Total NNSA Sites**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	12.1%	12.3%	12.6%	12.7%	12.6%
Mis Sup	21.1%	21.2%	22.1%	22.0%	22.5%
Site Specific	5.4%	5.4%	5.5%	5.5%	5.8%

Trends in Total Support Cost by Functional Categories

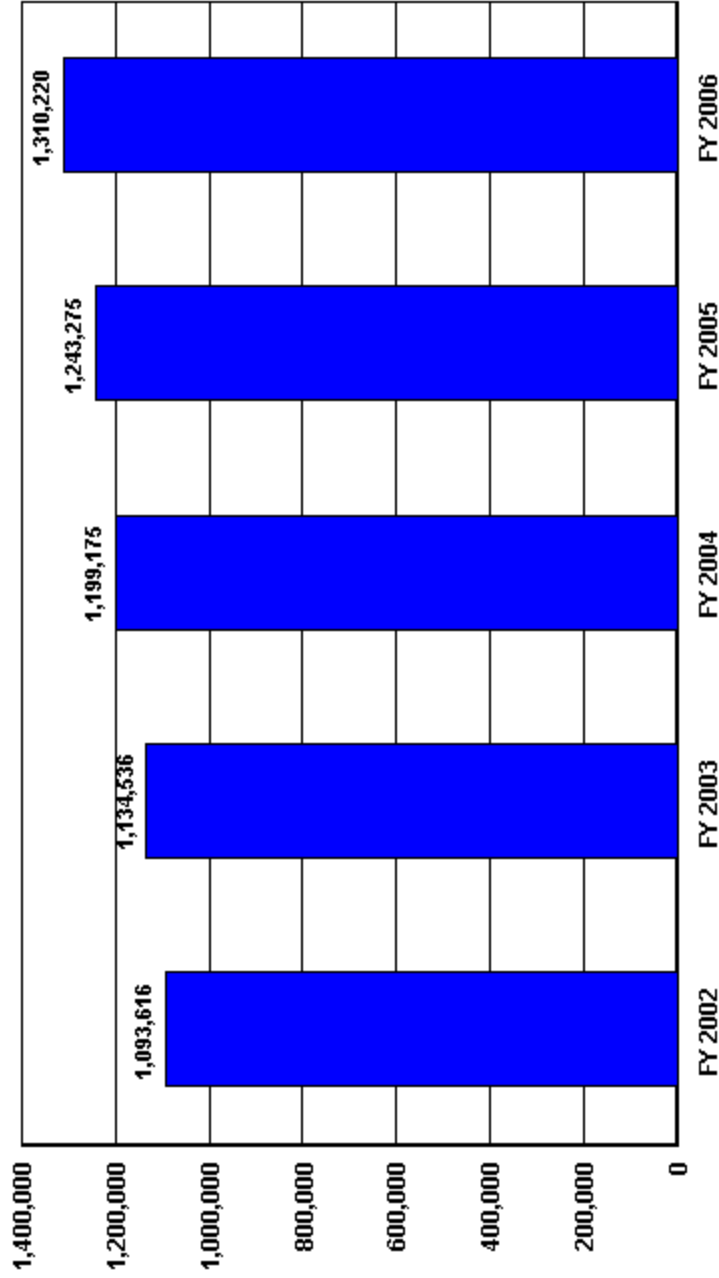
Total SC Sites (\$000)

FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	3,403,677	3,494,621	3,767,686	3,921,501	3,982,622	578,945	17.0%
Capital Construction	404,320	414,893	442,388	391,537	376,523	-27,797	-6.9%
Total Costs Less Construction	2,999,357	3,079,728	3,325,298	3,529,964	3,606,099	606,742	20.2%
Total Support Costs	1,093,616	1,134,536	1,199,175	1,243,275	1,310,220	216,604	19.8%
Mission Direct Operation	1,905,741	1,945,192	2,126,123	2,286,689	2,295,879	390,138	20.5%
Mission Direct Operation as % of Total Cost	56.0%	55.7%	56.4%	58.3%	57.6%		
Capital Construction as % of Total Cost	11.9%	11.9%	11.7%	10.0%	9.5%		
Total Support Cost as % of Total Cost	32.1%	32.5%	31.8%	31.7%	32.9%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		

TOTAL SUPPORT COST as % of TOTAL COST	32.1%	32.5%	31.8%	31.7%	32.9%		
TOTAL SUPPORT COST	1,093,616	1,134,536	1,199,175	1,243,275	1,310,220	216,604	19.8%
TOTAL GENERAL SUPPORT as % of TOTAL	11.8%	12.1%	11.4%	11.2%	11.1%		
TOTAL GENERAL SUPPORT	402,677	424,090	429,345	441,095	441,068	38,391	9.5%
EXECUTIVE DIRECTION	42,820	51,517	55,702	60,751	57,223	14,403	33.6%
HUMAN RESOURCES	28,459	30,851	32,289	33,059	33,552	5,093	17.9%
CFO	36,541	42,056	44,732	47,963	52,702	16,161	44.2%
PROCUREMENT	23,147	24,691	28,635	29,256	30,249	7,102	30.7%
LEGAL	9,725	10,361	11,486	11,106	10,155	430	4.4%
CENTRAL ADMIN SERVICES	34,617	34,730	36,095	39,306	37,086	2,469	7.1%
PROGRAM/PROJECT CONTROL	28,649	29,945	12,499	11,883	10,741	-17,908	-62.5%
INFORMATION OUTREACH	58,959	64,817	68,346	74,537	75,979	17,020	28.9%
INFORMATION SERVICES	125,258	121,072	122,758	120,543	128,043	2,785	2.2%
OTHER	14,502	14,050	16,803	12,691	5,338	-9,164	-63.2%
TOTAL MISSION SUPPORT as % of TOTAL	17.4%	17.5%	17.5%	17.5%	18.6%		
TOTAL MISSION SUPPORT	593,058	612,933	657,837	685,683	742,504	149,446	25.2%
ENVIRONMENTAL	26,191	33,293	35,963	33,146	37,273	11,082	42.3%
SAFETY AND HEALTH	99,691	102,366	110,166	106,956	118,772	19,081	19.1%
FACILITIES MANAGEMENT	76,991	88,843	99,914	101,529	122,225	45,234	58.8%
MAINTENANCE	163,537	154,139	165,324	173,482	187,177	23,640	14.5%
UTILITIES	102,147	107,163	108,243	126,323	139,037	36,890	36.1%
SAFEGUARDS AND SECURITY	50,075	51,543	56,017	61,116	62,540	12,465	24.9%
LOGISTICS SUPPORT	27,943	28,967	30,743	29,025	29,874	1,931	6.9%
QUALITY ASSURANCE	9,374	11,339	11,078	11,072	13,205	3,831	40.9%
LABORATORY/TECHNICAL SUPPORT	37,109	35,280	40,389	43,034	32,401	-4,708	-12.7%
TOTAL SITE SPECIFIC as % of TOTAL	2.9%	2.8%	3.0%	3.0%	3.2%		
TOTAL SITE SPECIFIC	97,881	97,513	111,993	116,497	126,648	28,767	29.4%
MANAGEMENT/INCENTIVE FEE	40,795	40,109	43,085	46,031	50,567	9,772	24.0%
TAXES	3,648	1,578	6,556	4,977	5,293	1,645	45.1%
LDRD / PDRD / SDRD	53,438	55,826	62,352	65,489	70,788	17,350	32.5%

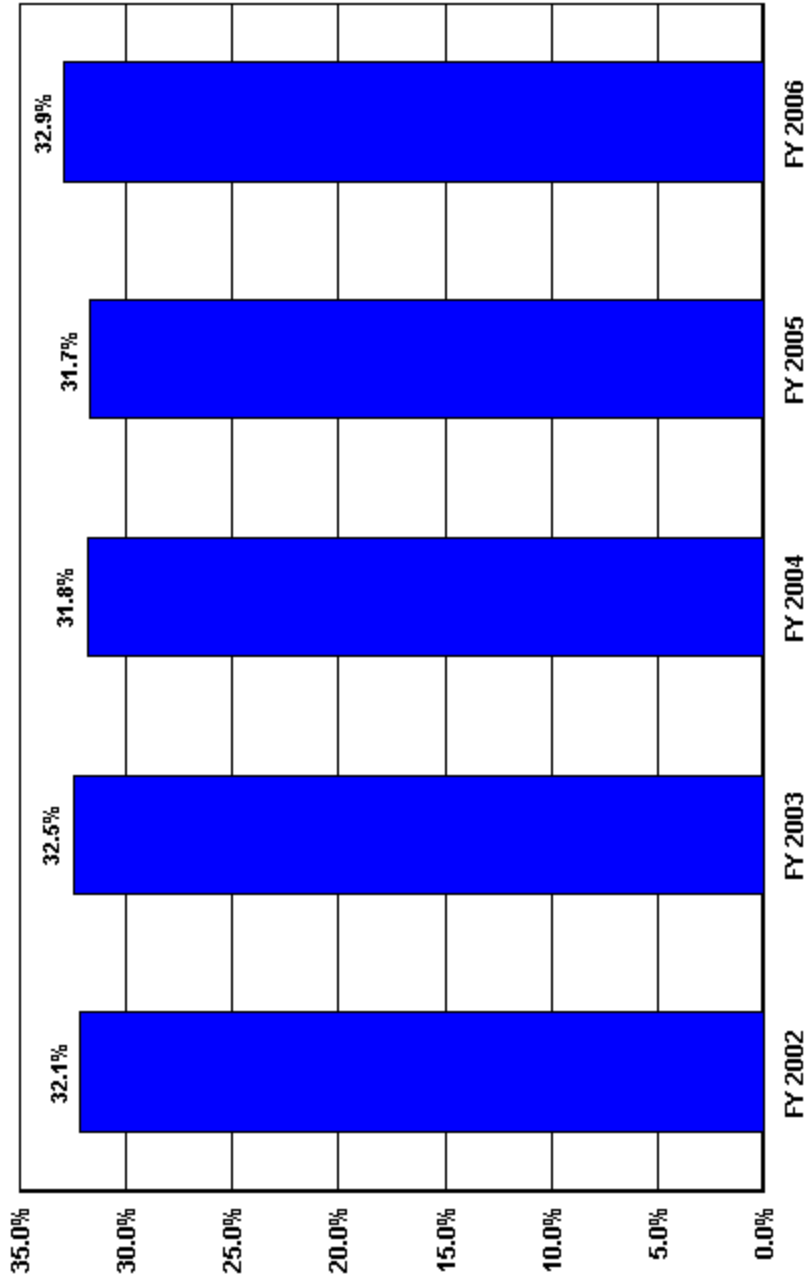
US Department of Energy
 Total Functional Support
 Total SC Sites



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	1,093,616	1,134,536	1,199,175	1,243,275	1,310,220

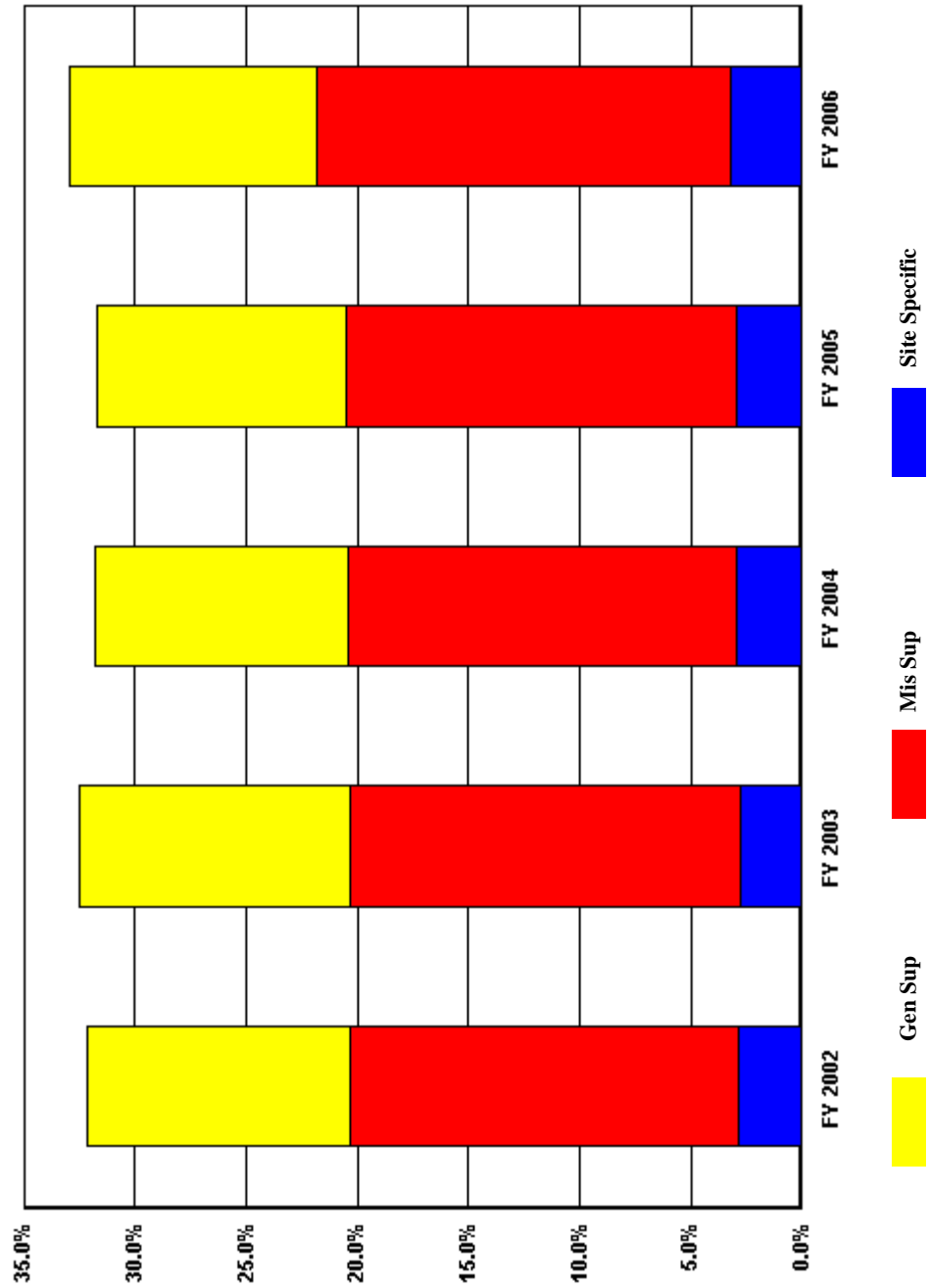
**US Department of Energy
Total Functional Support as a % of Total Costs
Total SC Sites**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	32.1%	32.5%	31.8%	31.7%	32.9%

**US Department of Energy
Percent of Support Category to Total Costs
Total SC Sites**

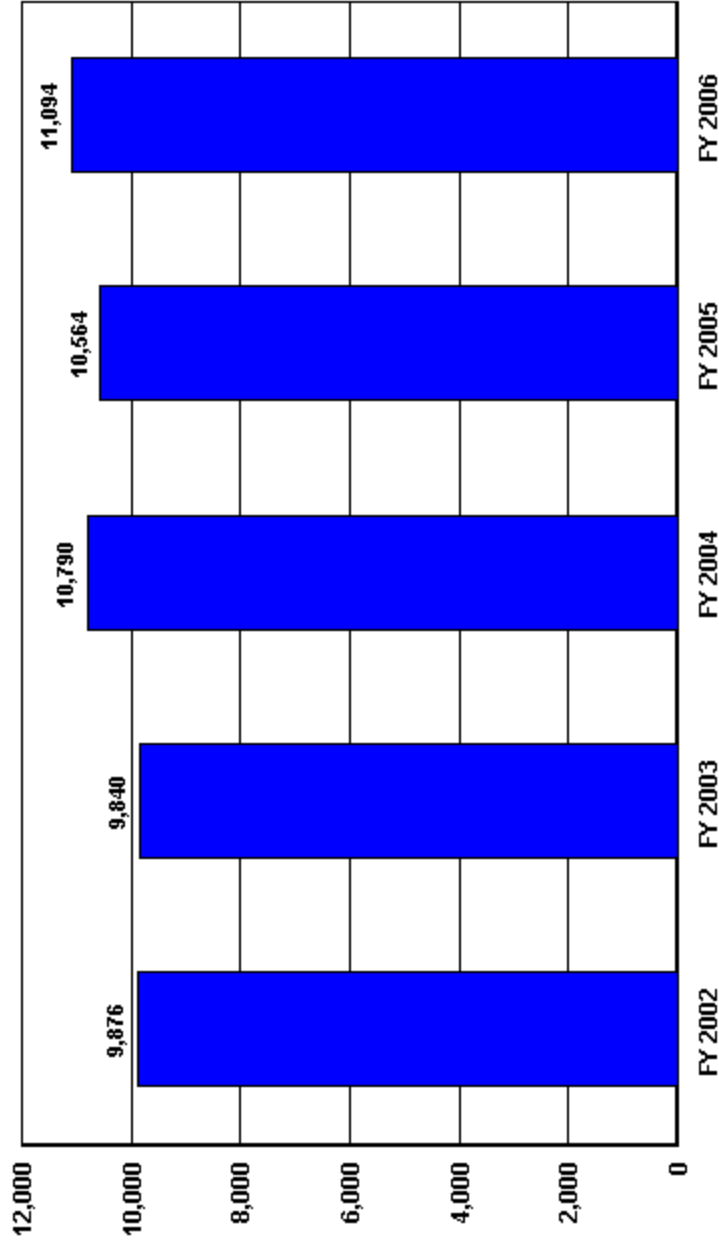


	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	11.8%	12.1%	11.4%	11.2%	11.1%
Mis Sup	17.4%	17.5%	17.5%	17.5%	18.6%
Site Specific	2.9%	2.8%	3.0%	3.0%	3.2%

Trends in Total Support Cost by Functional Categories
Ames National Lab/Iowa State University (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	25,973	26,240	28,196	29,600	32,284	6,311	24.3%
Capital Construction	2,538	1,650	2,435	2,517	4,858	2,320	91.4%
Total Costs Less Construction	23,435	24,590	25,761	27,083	27,426	3,991	17.0%
Total Support Costs	9,876	9,840	10,790	10,564	11,094	1,218	12.3%
Mission Direct Operation	13,559	14,750	14,971	16,519	16,332	2,773	20.5%
Mission Direct Operation as % of Total Cost	52.2%	56.2%	53.1%	55.8%	50.6%		
Capital Construction as % of Total Cost	9.8%	6.3%	8.6%	8.5%	15.0%		
Total Support Cost as % of Total Cost	38.0%	37.5%	38.3%	35.7%	34.4%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	38.0%	37.5%	38.3%	35.7%	34.4%		
TOTAL SUPPORT COST	9,876	9,840	10,790	10,564	11,094	1,218	12.3%
TOTAL GENERAL SUPPORT as % of TOTAL	15.9%	13.7%	15.0%	11.6%	11.3%		
TOTAL GENERAL SUPPORT	4,128	3,593	4,232	3,428	3,635	-493	-11.9%
EXECUTIVE DIRECTION	639	654	678	744	732	93	14.6%
HUMAN RESOURCES	251	258	264	258	263	12	4.8%
CFO	901	932	1,335	1,214	1,207	306	34.0%
PROCUREMENT	187	188	231	206	204	17	9.1%
LEGAL	0	0	0	0	0	0	0.0%
CENTRAL ADMIN SERVICES	153	155	144	125	117	-36	-23.5%
PROGRAM/PROJECT CONTROL	1,220	1,195	1,332	199	195	-1,025	-84.0%
INFORMATION OUTREACH	366	362	342	354	365	-1	-0.3%
INFORMATION SERVICES	778	922	848	987	1,141	363	46.7%
OTHER	-367	-1,073	-942	-659	-589	-222	-60.5%
TOTAL MISSION SUPPORT as % of TOTAL	18.7%	20.2%	19.6%	19.9%	19.3%		
TOTAL MISSION SUPPORT	4,859	5,297	5,523	5,886	6,234	1,375	28.3%
ENVIRONMENTAL	40	37	39	43	37	-3	-7.5%
SAFETY AND HEALTH	1,055	1,128	1,114	1,267	1,252	197	18.7%
FACILITIES MANAGEMENT	276	436	278	329	362	86	31.2%
MAINTENANCE	1,325	1,335	1,527	1,620	1,728	403	30.4%
UTILITIES	965	962	930	1,034	1,142	177	18.3%
SAFEGUARDS AND SECURITY	212	219	211	271	344	132	62.3%
LOGISTICS SUPPORT	324	353	375	380	385	61	18.8%
QUALITY ASSURANCE	60	62	66	73	68	8	13.3%
LABORATORY/TECHNICAL SUPPORT	602	765	983	869	916	314	52.2%
TOTAL SITE SPECIFIC as % of TOTAL	3.4%	3.6%	3.7%	4.2%	3.8%		
TOTAL SITE SPECIFIC	889	950	1,035	1,250	1,225	336	37.8%
MANAGEMENT/INCENTIVE FEE	889	950	1,035	1,250	1,225	336	37.8%
TAXES	0	0	0	0	0	0	0.0%
LDRD / PDRD / SDRD	0	0	0	0	0	0	0.0%

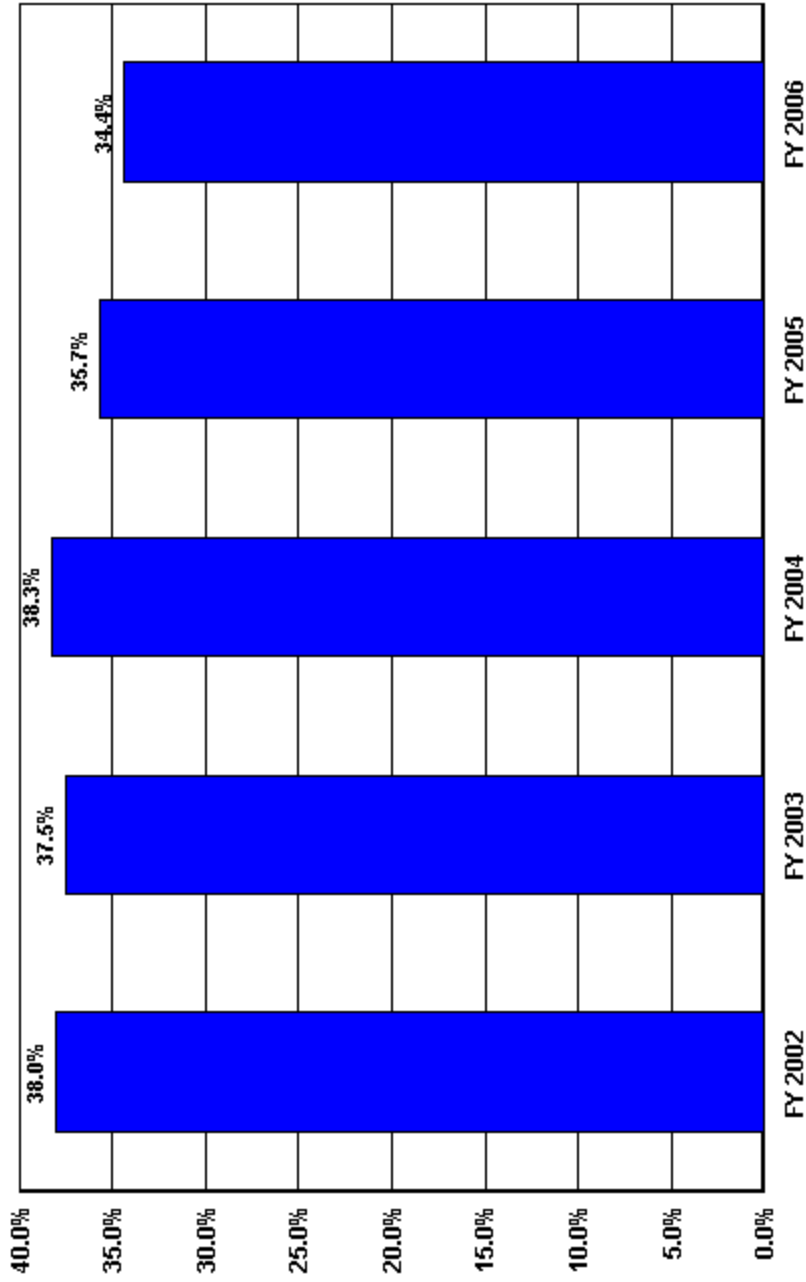
US Department of Energy
Total Functional Support
 Ames National Lab/Iowa State University



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	9,876	9,840	10,790	10,564	11,094

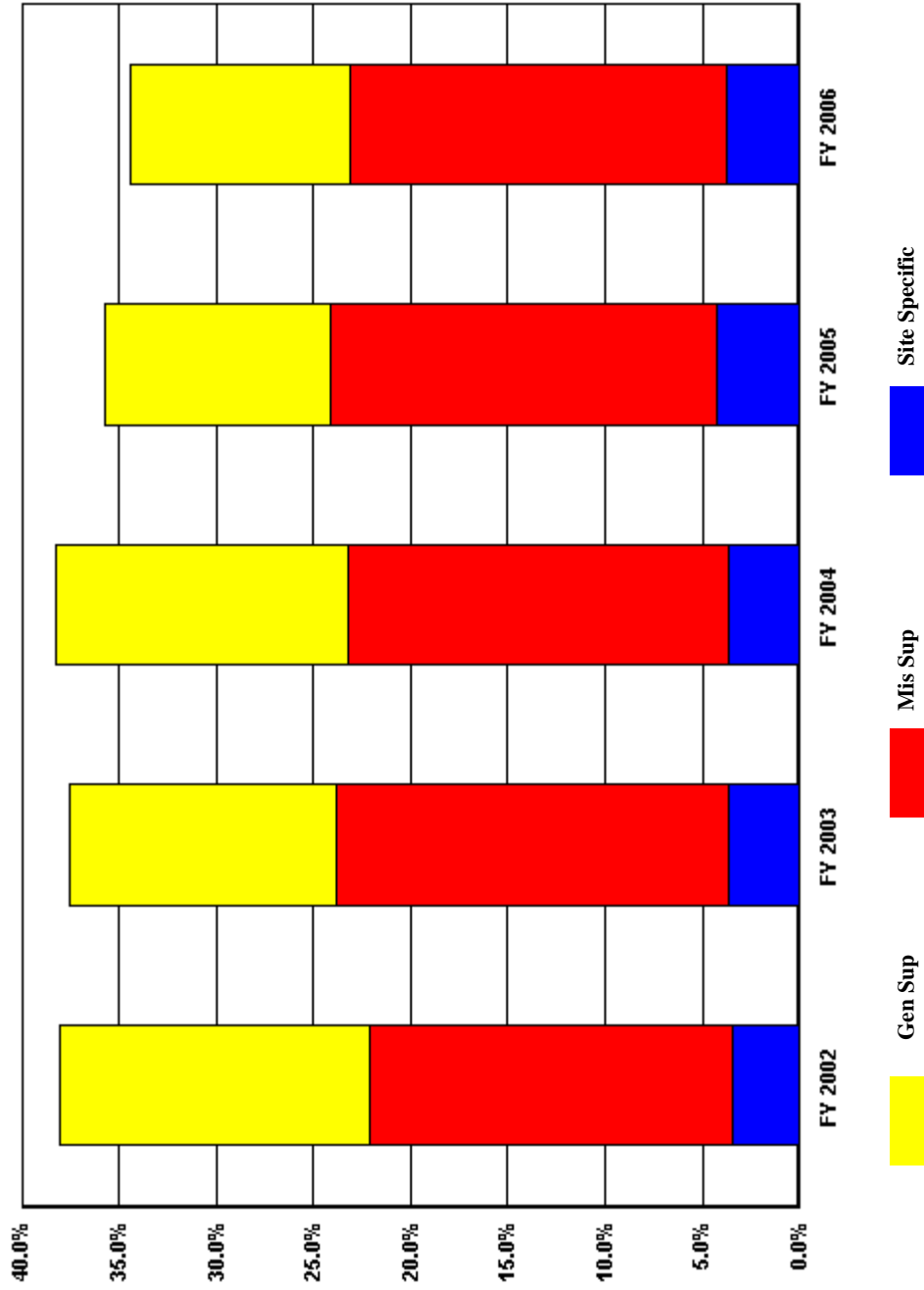
**US Department of Energy
Total Functional Support as a % of Total Costs
Ames National Lab/Iowa State University**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	38.0%	37.5%	38.3%	35.7%	34.4%

**US Department of Energy
Percent of Support Category to Total Costs
Ames National Lab/Iowa State University**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	15.9%	13.7%	15.0%	11.6%	11.3%
Mis Sup	18.7%	19.6%	19.9%	19.9%	19.3%
Site Specific	3.4%	3.6%	4.2%	3.7%	3.8%

SITE PROFILE
Ames National Lab/Iowa State University

SITE OVERVIEW AND CHARACTERISTIC

Ames Laboratory is operated for the Department of Energy by Iowa State University. Ames is a single purpose laboratory engaged in basic research in a wide variety of scientific disciplines with a diverse customer base (EE, EM, FE, NN, SC, and Work for Others). The Laboratory's mission is to conduct fundamental research in the physical, chemical, materials, and mathematical sciences and engineering which underlie energy generating, conversion, transmission and storage technologies, environmental improvement, and other technical areas essential to national needs. These efforts will be maintained so as to contribute to the achievement of the vision of the Department of Energy and, more specifically, to increase the general levels of knowledge and technical capabilities, to prepare engineering and physical sciences students for the future, and to develop new technologies and practical applications arising from our basic scientific programs. The Laboratory will approach all its operations with the safety and health of all workers as a constant objective and with genuine concern for the environment.

Recent Scientific Achievements include:

- Development of an ultrathin biodegradable polymer with microscale grooves that promote nerve cell regeneration. The polymer film, which has been proven to work for peripheral nerve regeneration in laboratory rats, could help repair damaged or severed nerves.
- Investigation of mixed-phase solar cell materials - a mixture of clusters of nanocrystalline silicon embedded in an amorphous matrix - that have a much greater stability to light-induced degradation than traditional amorphous solar cell materials. The research efforts may even extend to manipulating the nanoscale structure of the material, allowing the design and creation of improved materials.
- Work on a new generation of highly selective and efficient heterogeneous catalysts that can be tailored to specific classes of chemical reactions, which may be used in the synthesis of new polymers and fuels and simultaneously advance the fundamental understanding of catalysis.
- Discovery of a more than a dozen of rare earth intermetallic compounds that are ductile at room temperature. Such materials could be used to produce practical materials from coatings that are highly resistant to corrosion or that maintain strength at high temperatures to flexible superconducting wires and extremely powerful magnets.
- Development of a novel, fluorescence-based chemical sensor that is more compact, versatile and less expensive than existing technology of its kind. The new sensor holds promise for myriad potential applications, such as point-of-care medical testing, high-throughput drug discovery, and detection of pathogens and other warfare agents.
- Demonstrated the use of mechanical ball-milling to combine organic materials in solid state without the use of solvents. This solvent-free process means that environmentally harmful

SITE PROFILE
Ames National Lab/Iowa State University

solvents, such as benzene, dichloromethane and others, could be removed from many of the chemical processes used to produce millions of consumer and industrial products.

The Ames site is located on approximately 10 acres of land owned by Iowa State University in Ames, Iowa that is leased to the Federal government on a long-term (99 year) basis. DOE owned buildings include three research buildings; one building housing management, administration, and technical support groups; and several small auxiliary buildings housing material receiving areas, warehouse functions, and shop facilities. Some research space is also leased from Iowa State University. Ames Laboratory does not have a large noncost-recovery user facility, a nuclear criticality facility, or any production facilities. The Laboratory operates as a customer of the local utility providers and does not operate central heating/chilling/power plant operations, water supply/treatment facilities, or sewage systems. Nor does Ames have its own fire department, cafeteria, or library. Approximately 640 people (313 FTE's) worked at Ames Laboratory in FY2006.

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

SAFEGUARDS AND SECURITY

Security efforts have increased over the past five years with the major cost impacts being: enhanced cyber security efforts with the implementation and monitoring of the laboratory firewall, upgrade of radios to new Federal Communications Commission regulations for bandwidths, and the badging of Ames Laboratory personnel after the attack of 9/11.

CAPITAL CONSTRUCTION

Ames received one time funding in FY2005 to procure a \$1.8M scanning transmission electron microscope that was delivered in FY2006.

COST SAVINGS INITIATIVES

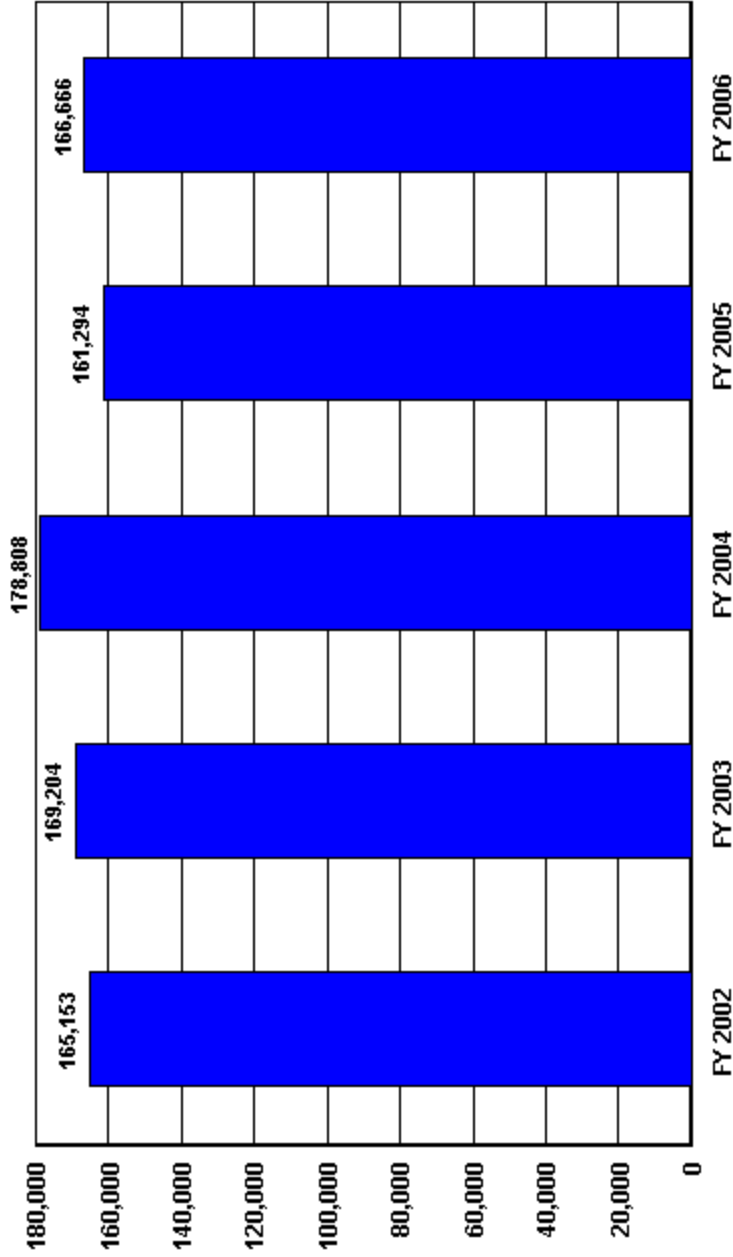
(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
(None)			

Trends in Total Support Cost by Functional Categories
Argonne National Lab/University of Chicago (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	540,849	536,503	569,758	520,675	508,566	-32,283	-6.0%
Capital Construction	26,194	26,001	35,565	30,211	31,761	5,567	21.3%
Total Costs Less Construction	514,655	510,502	534,193	490,464	476,805	-37,850	-7.4%
Total Support Costs	165,153	169,204	178,808	161,294	166,666	1,513	0.9%
Mission Direct Operation	349,502	341,298	355,385	329,170	310,139	-39,363	-11.3%
Mission Direct Operation as % of Total Cost	64.6%	63.6%	62.4%	63.2%	61.0%		
Capital Construction as % of Total Cost	4.8%	4.8%	6.2%	5.8%	6.2%		
Total Support Cost as % of Total Cost	30.5%	31.5%	31.4%	31.0%	32.8%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	30.5%	31.5%	31.4%	31.0%	32.8%		
TOTAL SUPPORT COST	165,153	169,204	178,808	161,294	166,666	1,513	0.9%
TOTAL GENERAL SUPPORT as % of TOTAL	11.0%	11.1%	11.4%	11.1%	11.1%		
TOTAL GENERAL SUPPORT	59,713	59,534	65,181	57,694	56,495	-3,218	-5.4%
EXECUTIVE DIRECTION	8,024	9,716	11,716	9,775	9,968	1,944	24.2%
HUMAN RESOURCES	4,215	4,021	4,069	3,668	3,360	-855	-20.3%
CFO	5,043	4,448	4,005	4,149	4,660	-383	-7.6%
PROCUREMENT	4,216	4,333	4,507	4,138	4,124	-92	-2.2%
LEGAL	2,500	2,664	3,572	3,751	2,767	267	10.7%
CENTRAL ADMIN SERVICES	11,064	10,532	9,964	8,991	8,775	-2,289	-20.7%
PROGRAM/PROJECT CONTROL	696	975	1,894	1,947	892	196	28.2%
INFORMATION OUTREACH	3,963	4,157	3,969	3,652	5,007	1,044	26.3%
INFORMATION SERVICES	18,776	17,925	20,857	18,308	18,465	-311	-1.7%
OTHER	1,216	763	628	-685	-1,523	-2,739	-225.2%
TOTAL MISSION SUPPORT as % of TOTAL	15.5%	16.4%	15.6%	15.5%	17.3%		
TOTAL MISSION SUPPORT	84,060	87,825	89,027	80,473	87,984	3,924	4.7%
ENVIRONMENTAL	7,462	7,353	7,828	6,184	5,843	-1,619	-21.7%
SAFETY AND HEALTH	13,365	14,951	15,900	12,437	18,293	4,928	36.9%
FACILITIES MANAGEMENT	9,942	11,087	8,957	8,987	9,252	-690	-6.9%
MAINTENANCE	17,481	18,599	20,631	18,193	17,299	-182	-1.0%
UTILITIES	19,070	19,913	20,181	22,672	25,925	6,855	35.9%
SAFEGUARDS AND SECURITY	10,566	9,630	9,908	7,641	7,321	-3,245	-30.7%
LOGISTICS SUPPORT	5,679	5,849	5,355	4,298	4,051	-1,628	-28.7%
QUALITY ASSURANCE	376	443	267	61	0	-376	-100.0%
LABORATORY/TECHNICAL SUPPORT	119	0	0	0	0	-119	-100.0%
TOTAL SITE SPECIFIC as % of TOTAL	4.0%	4.1%	4.3%	4.4%	4.4%		
TOTAL SITE SPECIFIC	21,380	21,845	24,600	23,127	22,187	807	3.8%
MANAGEMENT/INCENTIVE FEE	6,195	5,834	6,145	7,140	7,036	841	13.6%
TAXES	0	0	0	0	0	0	0.0%
LDRD / PDRD / SDRD	15,185	16,011	18,455	15,987	15,151	-34	-0.2%

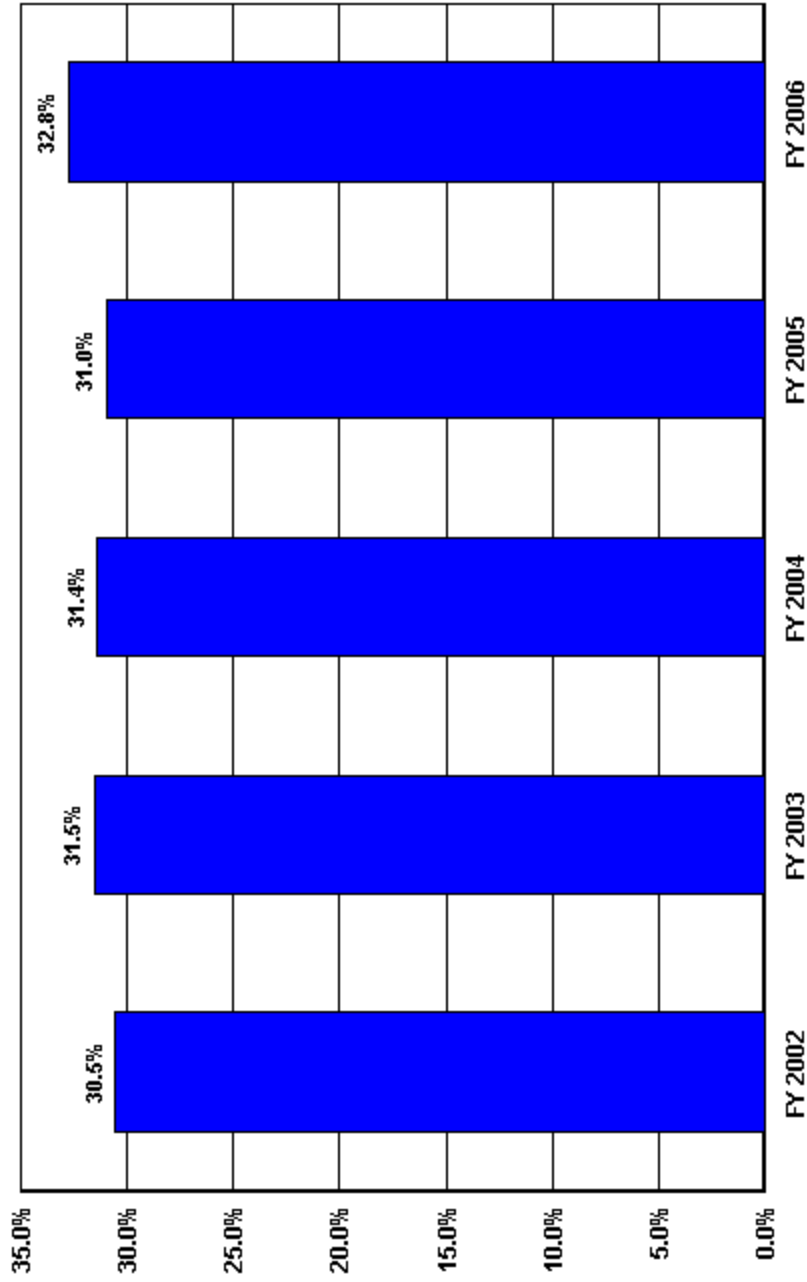
US Department of Energy
Total Functional Support
 Argonne National Lab/University of Chicago



■ Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	165,153	169,204	178,808	161,294	166,666

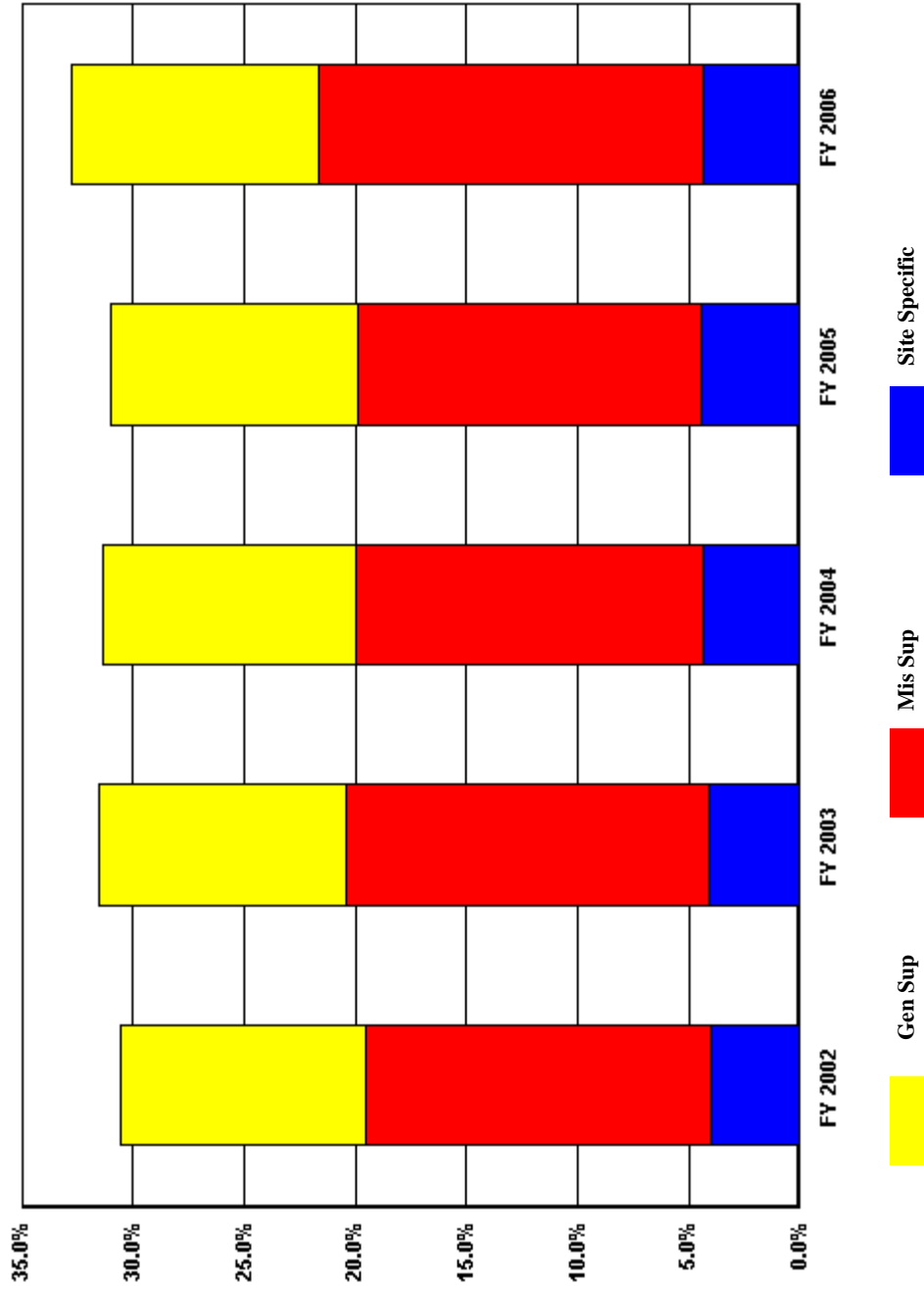
**US Department of Energy
Total Functional Support as a % of Total Costs
Argonne National Lab/University of Chicago**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	30.5%	31.5%	31.4%	31.0%	32.8%

**US Department of Energy
 Percent of Support Category to Total Costs
 Argonne National Lab/University of Chicago**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	11.0%	11.1%	11.4%	11.1%	11.1%
Mis Sup	15.5%	16.4%	15.6%	15.5%	17.3%
Site Specific	4.0%	4.1%	4.3%	4.4%	4.4%

SITE PROFILE
Argonne National Lab/University of Chicago

SITE OVERVIEW AND CHARACTERISTIC

I. BACKGROUND

Argonne National Laboratory is one of the U.S. Department of Energy's largest research centers and is managed by UChicago Argonne, LLC. It is also the nation's first national laboratory, chartered in 1946.

Argonne is a direct descendant of the University of Chicago's Metallurgical Laboratory, part of the World War II Manhattan Project. It was at the Met Lab where, on Dec. 2, 1942, Enrico Fermi and his band of about 50 colleagues created the world's first controlled nuclear chain reaction in a squash court at the University of Chicago. After the war, Argonne was given the mission of developing nuclear reactors for peaceful purposes. Over the years, Argonne's research expanded to include many other areas of science, engineering and technology.

At the end of FY2006, the laboratory employed about 2,900 regular employees, including about 1,000 scientists and engineers, of whom about 750 hold doctorate degrees. Argonne's annual operating budget of about \$475 million supports approximately 2,400 research projects, ranging from studies of the atomic nucleus to global climate change. Since 1990, Argonne has worked with more than 600 companies and numerous federal agencies and other organizations.

The 1,500 acre site is surrounded by forest preserve and is approximately 25 miles southwest of Chicago's Loop. The site also houses the U.S. Department of Energy's Chicago Operations Office and the New Brunswick Laboratory.

Commitment To Safety

Argonne is dedicated to safety in all our activities. Every employee, visitor, facility user and research collaborator is expected to put safety above all other concerns. No job is important enough to compromise safety of our employees, guests or neighbors.

Mission

Argonne's mission is to serve DOE and national security by advancing the frontiers of knowledge, by creating and operating forefront scientific user facilities, and by providing innovative and effective approaches and solutions to energy, environmental, and security challenges to national and global well-being, in the near and long term, as a contributing member of the DOE laboratory system. Argonne makes significant contributions to DOE's mission in science, energy resources, environmental stewardship, and national security, with lead roles in the areas of science, operation of scientific facilities, and energy. In accomplishing our mission, we partner with DOE, other federal laboratories and agencies, the academic community, and the private sector.

SITE PROFILE
Argonne National Lab/University of Chicago

Vision

Argonne ensures U.S. scientific and technological leadership by creating – in the national interest – new knowledge and technologies that enhance energy security, national security, economic productivity, and quality of life. The Laboratory is a full participant in the implementation of administration priorities set forth by the President’s science advisor. In all its programs, Argonne is committed to managing its resources to maximize benefit to the taxpayer, with DOE’s critical performance measures as its guide.

Argonne’s leadership inspires cooperation to integrate the resources of other laboratories, agencies, and universities to solve the nation’s most challenging problems. The Laboratory’s scientific research supports every major DOE program. The management approach is to focus the Laboratory’s attention on research that has the greatest promise and highest potential impact for the coming decade. To maximize benefit to the nation, we create alliances with industry that expedite application of new discoveries and technological innovations.

Initiatives

Argonne's major initiatives are:

- Nanoscience and Technology — Center for Nanoscale Materials
- Functional Genomics
- Petaflops Computing and Computational Science
- Advanced Nuclear Energy Systems
- Hydrogen Research and Development

User facilities

Argonne is home to five U.S. Department of Energy National User Facilities:

- Advanced Photon Source
- Argonne Tandem-Linac Accelerator System
- Center for Nanoscale Materials
- Electron Microscopy Center
- Intense Pulsed Neutron Source

In addition, Argonne manages the Atmospheric Radiation Monitoring Program, a national user facility with three permanent sites and one mobile site.

II. TRENDS

During FY2005, Argonne experienced a significant restructuring due to the transition of the Argonne West site to the new Idaho National Laboratory effective January 31, 2005. The financial information provided reflects twelve months of Argonne East with four months of Argonne West in FY2005. FY2006 reflects only Argonne East financial information.

SITE PROFILE
Argonne National Lab/University of Chicago

Argonne's functional costs increased by 1.8 percentage points in FY2006 over FY2005. This increase was necessitated by required upgrades and improvements related to safety and health and a significant increase in the cost of utilities, i.e., natural gas and electricity.

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

LEGAL

Decrease of \$984K is largely due to the reduction in outside legal fees.

PROGRAM/PROJECT CONTROL

Two items contributed to the \$1,055K decrease: the OCF-Budget Office was transferred from this functional category to the Chief Financial Officer functional category (\$777K) and the RIA project office was eliminated (\$309K).

INFORMATION OUTREACH

The increase of \$1,355K is due to the cost for hosting an Open House for Argonne's 60th anniversary celebration (\$210K), for the new branding initiative (\$161K), a new initiative to recruit and retain post doctoral candidates (\$511K), and an expansion of student assistance programs (\$200K).

OTHER

Cost decreased by \$838K primarily due to elimination of general expenses of \$785K for Argonne West as a result of the transition.

SAFETY AND HEALTH

This category experienced an increase of \$5,865K, most of which was required for implementation of OA corrective actions related to a Price Anderson Act violation.

COST SAVINGS INITIATIVES

(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
Subcontract Negotiations	3,293	Argonne takes an aggressive approach in contract negotiations for subcontracts and purchase orders. This has resulted in significant cost savings/cost avoidance each year. Savings in FY2006 totaled \$3,293K.	Dick Blogg

SITE PROFILE
Argonne National Lab/University of Chicago

Fringe Benefits	4,400	<p>Several changes were made in the fringe benefits area that has resulted in approximately \$4,400K in direct savings to the Laboratory by consolidating costs, negotiating better terms or by reducing the benefit. A detailed list of the changes in FY2006 is provided below:</p> <p>Argonne will save approximately \$1,250K by participating in the Medicare Part D subsidy program.</p> <p>Argonne changed medical plan networks to save approximately \$2,440K.</p> <p>Argonne changed dental plan networks to save approximately \$127K.</p> <p>Argonne added the Blue Advantage HMO to save approximately \$265K.</p> <p>Argonne increased the prescription drug out-of-pocket maximum saving approximately \$36K.</p> <p>Argonne participated in the Midwest Business Group on Health, a health purchasing initiative. Membership in this coalition enabled Argonne to take advantage of a negotiated reduction in a planned fee increase. The annual membership fee of \$28K resulted in a net savings of \$283K in FY 2006.</p>	Dick Blogg
Travel Costs	400	<p>Through better contract rates with carriers and lower fees associated with using the online booking tool versus traditional reservation calls with a live agent, Argonne realized savings in excess of \$400K in FY2006 travel cost.</p>	Dick Blogg
Energy Savings	60	<p>A special transportation rate was negotiated with NICOR to supply natural gas that resulted in annual savings of \$60K.</p>	Dick Blogg

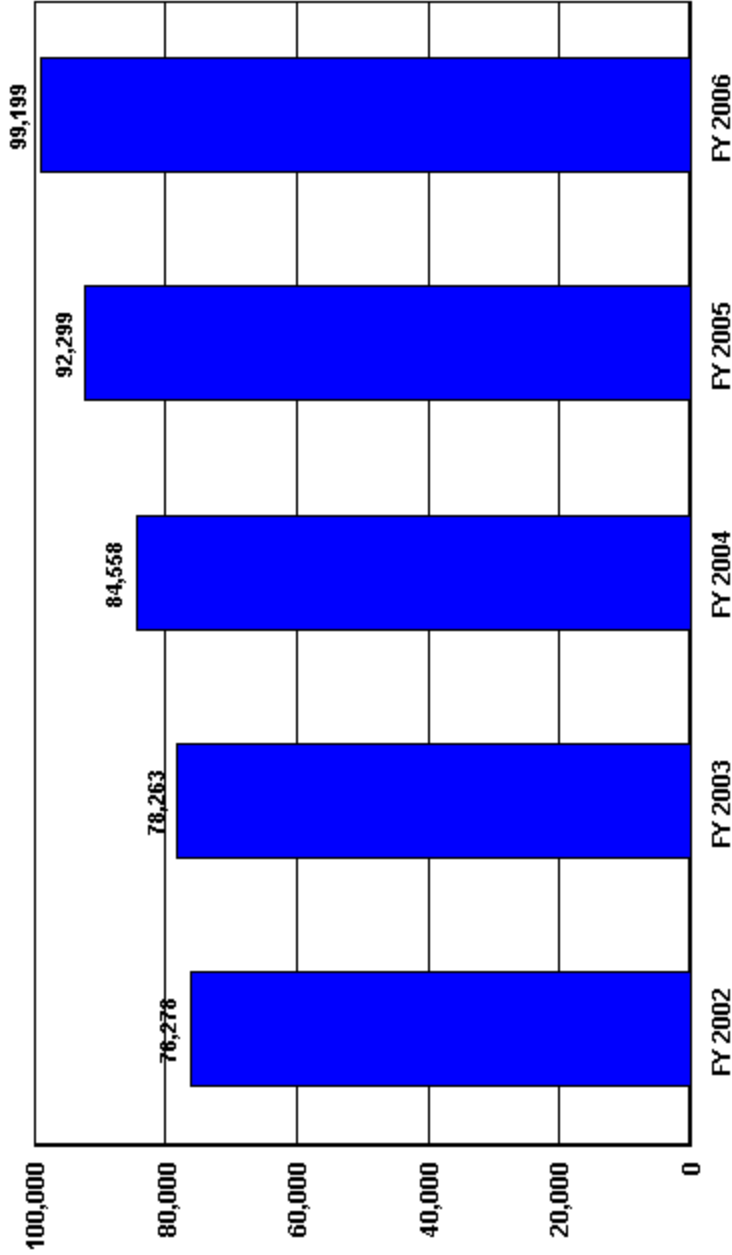
SITE PROFILE
Argonne National Lab/University of Chicago

Boiler Upgrade	566	A coal-fired boiler was upgraded and the FY2006 savings was \$566K.	Dick Blogg
Maintenance Costs	489	The old PBX equipment was replaced and Argonne saw a \$377K reduction in the FY2006 maintenance cost. An additional savings of \$112K was negotiated in the lease-to-purchase financing cost.	Dick Blogg

Trends in Total Support Cost by Functional Categories
Bettis Atomic Power Lab/Bechtel (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	340,980	337,705	360,172	437,357	397,006	56,026	16.4%
Capital Construction	19,401	18,274	21,438	29,496	24,206	4,805	24.8%
Total Costs Less Construction	321,579	319,431	338,734	407,861	372,800	51,221	15.9%
Total Support Costs	76,278	78,263	84,558	92,299	99,199	22,921	30.0%
Mission Direct Operation	245,301	241,168	254,176	315,562	273,601	28,300	11.5%
Mission Direct Operation as % of Total Cost	71.9%	71.4%	70.6%	72.2%	68.9%		
Capital Construction as % of Total Cost	5.7%	5.4%	6.0%	6.7%	6.1%		
Total Support Cost as % of Total Cost	22.4%	23.2%	23.5%	21.1%	25.0%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	22.4%	23.2%	23.5%	21.1%	25.0%		
TOTAL SUPPORT COST	76,278	78,263	84,558	92,299	99,199	22,921	30.0%
TOTAL GENERAL SUPPORT as % of TOTAL	7.3%	8.2%	7.8%	7.1%	9.2%		
TOTAL GENERAL SUPPORT	24,754	27,852	28,121	31,050	36,491	11,737	47.4%
EXECUTIVE DIRECTION	3,206	3,330	3,487	4,090	4,462	1,256	39.2%
HUMAN RESOURCES	3,825	4,143	4,503	5,913	6,244	2,419	63.2%
CFO	2,236	2,785	2,881	2,123	2,137	-99	-4.4%
PROCUREMENT	2,178	2,012	2,262	2,410	2,265	87	4.0%
LEGAL	137	157	199	229	169	32	23.4%
CENTRAL ADMIN SERVICES	1,427	1,324	1,481	1,247	1,238	-189	-13.2%
PROGRAM/PROJECT CONTROL	500	559	644	698	1,767	1,267	253.4%
INFORMATION OUTREACH	0	0	0	0	0	0	0.0%
INFORMATION SERVICES	11,245	13,542	12,664	14,139	11,055	-190	-1.7%
OTHER	0	0	0	201	7,154	7,154	100.0%
TOTAL MISSION SUPPORT as % of TOTAL	13.7%	13.4%	14.2%	12.8%	14.5%		
TOTAL MISSION SUPPORT	46,557	45,173	51,097	55,911	57,508	10,951	23.5%
ENVIRONMENTAL	6,141	5,815	6,219	6,561	5,370	-771	-12.6%
SAFETY AND HEALTH	12,825	14,277	16,855	18,760	19,210	6,385	49.8%
FACILITIES MANAGEMENT	4,319	2,282	2,336	2,139	2,321	-1,998	-46.3%
MAINTENANCE	5,949	6,859	9,066	10,003	9,786	3,837	64.5%
UTILITIES	2,854	2,846	2,739	2,783	3,143	289	10.1%
SAFEGUARDS AND SECURITY	6,554	6,769	7,482	8,106	7,603	1,049	16.0%
LOGISTICS SUPPORT	2,950	2,423	2,026	2,038	2,062	-888	-30.1%
QUALITY ASSURANCE	4,965	3,902	4,374	5,521	8,013	3,048	61.4%
LABORATORY/TECHNICAL SUPPORT	0	0	0	0	0	0	0.0%
TOTAL SITE SPECIFIC as % of TOTAL	1.5%	1.6%	1.5%	1.2%	1.3%		
TOTAL SITE SPECIFIC	4,967	5,238	5,340	5,338	5,200	233	4.7%
MANAGEMENT/INCENTIVE FEE	4,577	4,531	4,605	4,712	4,590	13	0.3%
TAXES	390	707	735	626	610	220	56.4%
LDRD / PDRD / SDRD	0	0	0	0	0	0	0.0%

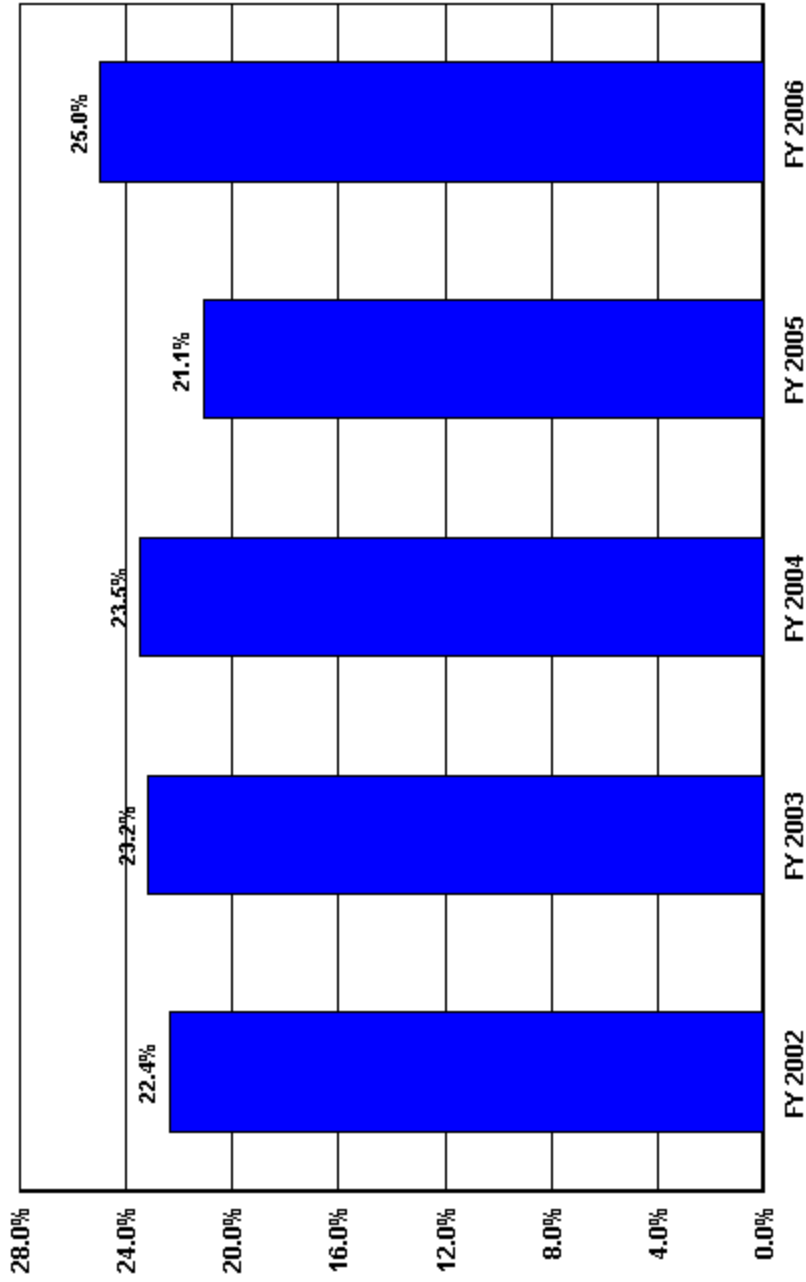
US Department of Energy
 Total Functional Support
 Bettis Atomic Power Lab/Bechtel



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	76,278	78,263	84,558	92,299	99,199

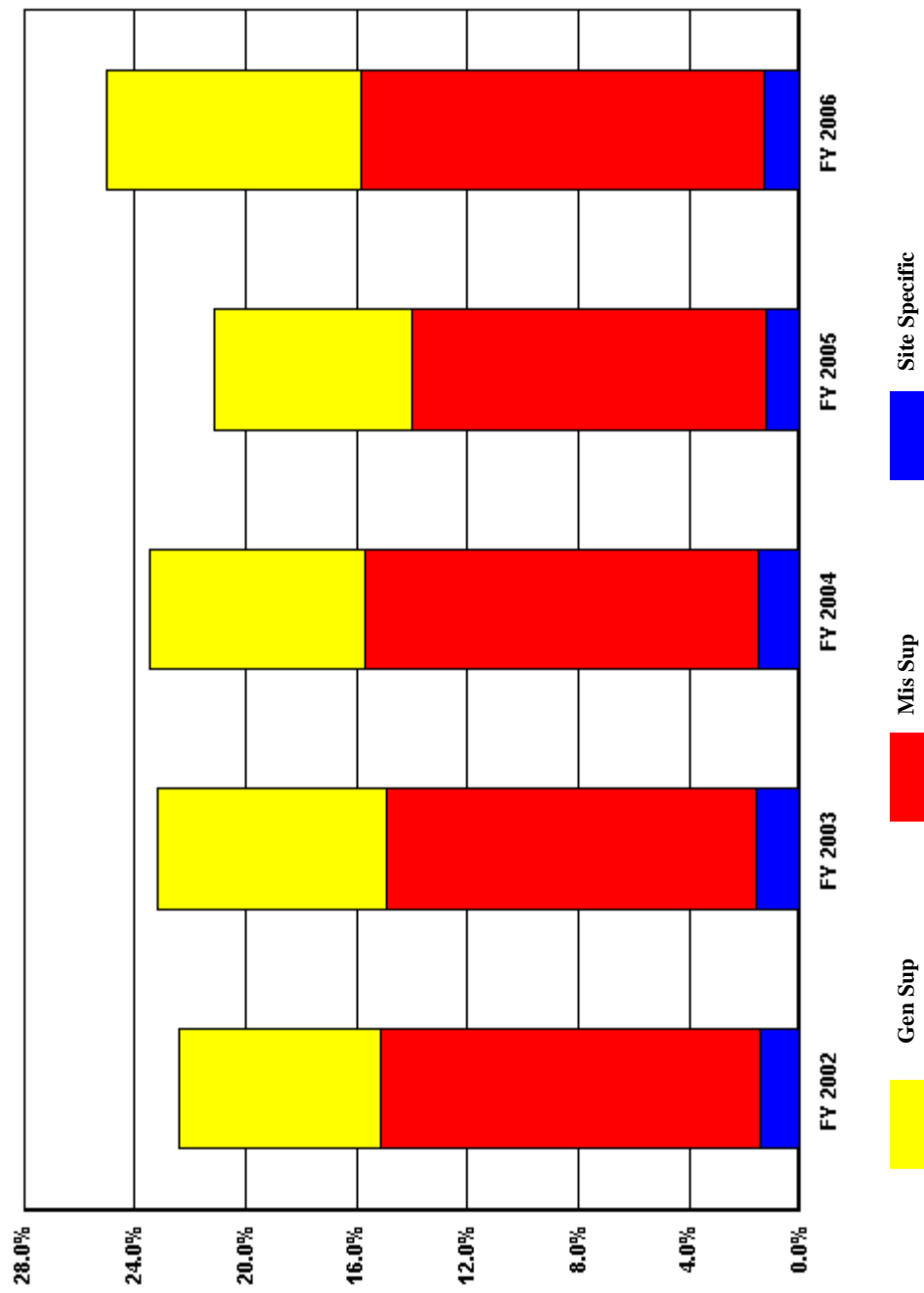
**US Department of Energy
Total Functional Support as a % of Total Costs
Bettis Atomic Power Lab/Bechtel**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	22.4%	23.2%	23.5%	21.1%	25.0%

**US Department of Energy
Percent of Support Category to Total Costs
Bettis Atomic Power Lab/Bechtel**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	7.3%	8.2%	7.8%	7.1%	9.2%
Mis Sup	13.7%	13.4%	14.2%	12.8%	14.5%
Site Specific	1.5%	1.6%	1.5%	1.2%	1.3%

SITE PROFILE
Bettis Atomic Power Lab/Bechtel

SITE OVERVIEW AND CHARACTERISTIC

The Bettis Laboratory is a research and development laboratory operated by BBI, a subsidiary of Bechtel National, Inc. (BNI), for the Naval Nuclear Propulsion Program (NNPP), a joint United States Navy/ Department of Energy (DOE) organization. Bettis is primarily involved with the design, development, and operation follow of nuclear propulsion plants for naval vessels. Bettis Laboratory is located in the Borough of West Mifflin, Pennsylvania, approximately 7.5 miles southeast of Pittsburgh, Pennsylvania. The Laboratory is situated on approximately 209 acres of land. All land and buildings on the site are the property of the Federal government.

The present site of the Bettis Laboratory was originally developed as Pittsburgh's first airfield. The Pittsburgh-McKeesport Airdome opened there in August of 1925. A year later, the Airdome was renamed Bettis Airfield in honor of Lieutenant Cyrus Bettis, a famous aviator who had died in a plane crash in central Pennsylvania. In 1940, most commercial traffic moved to the nearby Allegheny County Airport because the Bettis Airfield could not handle the increasingly larger, modern aircraft. Private aviators used the field until 1948.

The newly-formed Westinghouse Atomic Power Division bought the Airfield tract early in 1949 and purchased adjacent properties in 1952. The land was acquired according to a contract between Westinghouse and the Atomic Energy Commission (AEC) whereby Westinghouse was assigned certain responsibilities for engineering, design, procurement, and construction work on the prototype of the first naval nuclear propulsion plant. Later, in 1957, the AEC (now DOE) exercised its contractual option to purchase the site and has held title since then. BNI replaced Westinghouse Electric Company as the operating contractor on February 1, 1999.

The site evolved into a large-scale development, engineering, and design facility. The initial efforts of Bettis led to the development of the power plant for USS NAUTILUS, the world's first nuclear-powered submarine.

Since USS NAUTILUS, Bettis has worked on many aspects of the development of the nuclear navy. Advanced technology for submarine and surface ship nuclear propulsion plants has constituted a major portion of the work program. Bettis' work on the prototype nuclear propulsion plant for a surface ship, and successful operation of the prototype at the Naval Reactors Facility (NRF) in Idaho Falls, Idaho, led to the development of the first nuclear-powered surface ship, the cruiser USS LONG BEACH, and the first nuclear-powered aircraft carrier, USS ENTERPRISE. Bettis currently provides design and engineering support for many of the Navy's operating propulsion plants including the propulsion plants in the NIMITZ class aircraft carriers and in the SEAWOLF class of attack

SITE PROFILE
Bettis Atomic Power Lab/Bechtel

submarines and is developing new technologies and designs for the Navy's future ships including the VIRGINIA class of submarines and the CVN 21 aircraft carrier program.

Bettis has also played a role in the development of land-based nuclear reactor plants. Under DOE's office of Naval Reactors, Bettis worked on the design and development of the first United States full-scale nuclear power plant for civilian use, the Shippingport Atomic Power Station. Shippingport was also the site of the first Light Water Breeder Reactor (LWBR) which was placed in operation in 1977 and operated until October 1982. This advanced reactor system was developed to improve significantly the utilization of fuel in light water reactors. The technology developed for the Shippingport program has been made available to industry for commercial application.

The broad spectrum of Bettis' activities has included work on core and component technology and design, thermal and hydraulic systems, materials, nuclear physics design, and training of naval personnel. Bettis currently employs approximately 3,300 people at all of its sites.

BBI also operates the NRF located in Idaho Falls, Idaho. The NRF examines Naval spent nuclear fuel and irradiated test specimens. The information derived from these examinations is used to develop new technology and to improve the cost-effectiveness of existing designs.

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

LEGAL

Lower outside legal consultation fees in FY06.

PROGRAM/PROJECT CONTROL

Costs associated with NRF Planning & Controls were based on revised category definitions. Increase in manpower for NRF Financial Operations in order to support financial follow at NRF.

INFORMATION SERVICES

FY05 costs include the purchase of a Supercomputer for the Space program, a Superworkstation farm and SGI Visualation Servers. FY06 spending was reduced on such items as general purpose PCs, workstations, printers, software and training.

OTHER

FY06 reflects costs associated with the Voluntary Separation Program related to Space Engineering.

QUALITY ASSURANCE

A portion of NRF's Quality Assurance costs were incorrectly assigned to Mission Direct in FY05.

COST SAVINGS INITIATIVES

(\$ in 000's)

SITE PROFILE
Bettis Atomic Power Lab/Bechtel

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
Machine and Fabrication Blanket Order	15	<p>In FY2006, the use of a Machine and Fabrication (M&F) blanket order with a local supplier saved administrative support costs. The M&F blanket order allows requisitioners to contract directly with suppliers with minimal procurement support. This is due to the establishment of a blanket contract that includes pre-negotiated terms and rates coupled with procedures that are in line with the approved Procurement manual. As such, the requisitioner can directly solicit quotations for intricate machining work and place the order without any administrative support. The contracts are placed and paid using the P-Card.</p> <p>In FY2006, there were 43 placements through the M&F blanket order. Savings were based on an average of approximately eight hours of administrative effort required per contract to inquire, follow and close a purchase order.</p>	John Drager
Multi-Year Contracting for Shipyard Engineering	11	<p>During FY06, Bettis realized cost savings resulting from the placement of a two year funding extension (instead of an annual funding extension) of the Northrop Grumman Newport News Engineering and Production Services contract last year. Placement of the multi-year funding extension required a nominal investment of additional time, and resulted in approximately 250 hours (\$11,250) of savings related to place the Contract Year 2007 funding extension as a separate procurement action. These savings do not include the savings realized by the Government in conducting an audit of the proposal and reviewing and approving Bettis' procurement recommendation.</p>	John Drager

SITE PROFILE
Bettis Atomic Power Lab/Bechtel

Joint Procurements	4	<p>Bettis has participated in approximately 40 Multi-Prime Procurements in FY 06. These procurements have taken the form of Bill To-Ship Type procurements and Assignable Options. Bettis' administrative effort to issue the inquiry, negotiate the pricing and write the recommendation has been drastically reduced in some instances due to the joint procurement process. Bettis served as the lead for more than half of them. Approximately 100 hours were saved at Bettis as a result of these joint procurements. In addition, to these joint procurements, Bettis negotiated Strategic Agreements with twenty vendors during FY 2006. As a result of these agreements requisitioners at all three primes had the ability to order directly from these vendors resulting in additional cost savings to Bettis Procurement.</p>	John Drager
Procurement Card Use	294	<p>In the last year, Bettis placed approximately 17,000 Procurement Card (P Card) purchase transactions versus placing formal purchase orders through its ERP System (Oracle Financials). Use of the P Card shortens the cycle time from identification of need to final delivery of product. The P Card also provides savings from not entering a formal requisition into Oracle Financials, not developing a formal IFB, not getting and analyzing bids, not awarding a formal PO in Oracle, not formally receiving the product in Oracle and not having a 3-way match in Oracle to support payment. Based on the P-Card spend, approximately two man years of effort can be calculated as savings. In addition, Bettis receives a rebate from the P Card vendor as well as a rebate from one of the Preferred Suppliers which Bettis negotiated a strategic agreement.</p>	John Drager

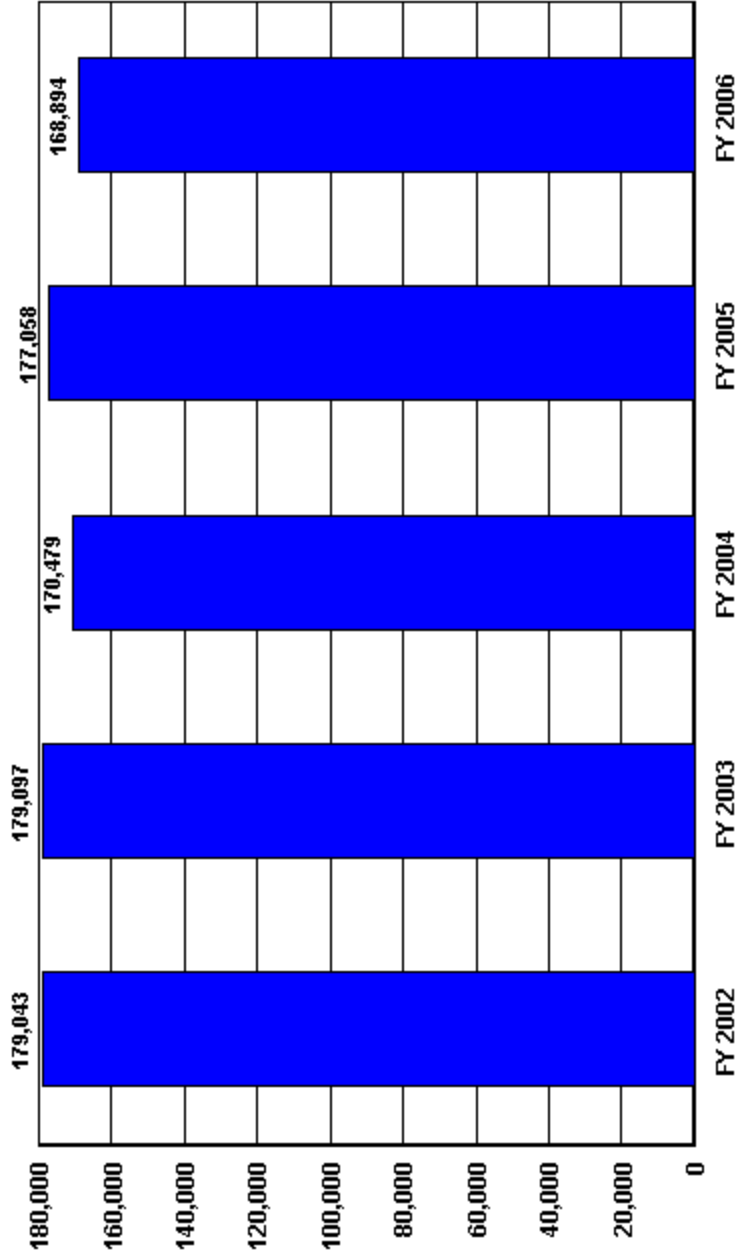
SITE PROFILE
Bettis Atomic Power Lab/Bechtel

Common Financial System	633	<p>A major initiative of implementing a Common Financial System (CFS) within the NR Program was completed during the first half of FY 2005. The latter half of FY 2005 was a transition period for the NR Prime Contractors as the financial, procurement, and information technology communities acclimated to the new common system and related processes. Part of the CFS included the implementation of commercial off-the-shelf (COTS) software, Oracle Financials, to handle accounting, procurement, and material management functions. The decision to use the COTS has proven to be a good decision as savings have been realized during FY 2006. The upgrade and enhancement strategy of the Oracle Corporation is to release a more manageable, even-level of system changes contrasted to a more substantial and major upgrade change. This incremental change approach enables Oracle customers to level load their in-house staffing and reduce the resources needed for integrator support to maintain and implement improvements to the current Oracle Financials functionalities. This cost savings strategy will continue to be leveraged in the future as new initiatives are evaluated.</p>	John Drager
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Trends in Total Support Cost by Functional Categories
Brookhaven National Lab/Brookhaven Science Assoc. (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	449,038	446,464	454,425	467,976	475,368	26,330	5.9%
Capital Construction	37,302	32,622	30,439	28,071	59,294	21,992	59.0%
Total Costs Less Construction	411,736	413,842	423,986	439,905	416,074	4,338	1.1%
Total Support Costs	179,043	179,097	170,479	177,058	168,894	-10,149	-5.7%
Mission Direct Operation	232,693	234,745	253,507	262,847	247,180	14,487	6.2%
Mission Direct Operation as % of Total Cost	51.8%	52.6%	55.8%	56.2%	52.0%		
Capital Construction as % of Total Cost	8.3%	7.3%	6.7%	6.0%	12.5%		
Total Support Cost as % of Total Cost	39.9%	40.1%	37.5%	37.8%	35.5%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	39.9%	40.1%	37.5%	37.8%	35.5%		
TOTAL SUPPORT COST	179,043	179,097	170,479	177,058	168,894	-10,149	-5.7%
TOTAL GENERAL SUPPORT as % of TOTAL	14.6%	15.4%	11.9%	11.9%	10.4%		
TOTAL GENERAL SUPPORT	65,703	68,535	54,106	55,905	49,242	-16,461	-25.1%
EXECUTIVE DIRECTION	7,386	7,665	7,725	11,599	8,624	1,238	16.8%
HUMAN RESOURCES	3,827	3,856	3,927	4,028	3,848	21	0.5%
CFO	2,262	2,187	2,390	2,484	2,711	449	19.8%
PROCUREMENT	1,573	1,592	2,087	2,106	2,396	823	52.3%
LEGAL	1,354	1,063	1,090	1,606	1,322	-32	-2.4%
CENTRAL ADMIN SERVICES	5,647	5,944	6,209	6,270	6,025	378	6.7%
PROGRAM/PROJECT CONTROL	19,557	20,283	2,571	2,995	2,853	-16,704	-85.4%
INFORMATION OUTREACH	3,724	4,397	5,139	7,536	5,411	1,687	45.3%
INFORMATION SERVICES	17,030	16,852	16,712	17,019	15,944	-1,086	-6.4%
OTHER	3,343	4,696	6,256	262	108	-3,235	-96.8%
TOTAL MISSION SUPPORT as % of TOTAL	22.3%	21.9%	22.2%	22.8%	22.2%		
TOTAL MISSION SUPPORT	100,303	97,712	101,082	106,911	105,613	5,310	5.3%
ENVIRONMENTAL	2,746	2,671	3,989	4,442	7,511	4,765	173.5%
SAFETY AND HEALTH	18,616	17,457	18,154	17,236	18,766	150	0.8%
FACILITIES MANAGEMENT	5,491	4,980	5,130	4,745	4,799	-692	-12.6%
MAINTENANCE	29,626	28,035	27,726	29,532	33,081	3,455	11.7%
UTILITIES	20,479	21,691	24,223	29,335	28,575	8,096	39.5%
SAFEGUARDS AND SECURITY	7,173	7,099	7,548	7,628	8,185	1,012	14.1%
LOGISTICS SUPPORT	3,220	3,190	3,304	3,487	3,365	145	4.5%
QUALITY ASSURANCE	620	731	739	1,044	1,331	711	114.7%
LABORATORY/TECHNICAL SUPPORT	12,332	11,858	10,269	9,462	0	-12,332	-100.0%
TOTAL SITE SPECIFIC as % of TOTAL	2.9%	2.9%	3.4%	3.0%	3.0%		
TOTAL SITE SPECIFIC	13,037	12,850	15,291	14,242	14,039	1,002	7.7%
MANAGEMENT/INCENTIVE FEE	6,869	6,719	6,908	6,992	6,575	-294	-4.3%
TAXES	884	0	2,089	2	1	-883	-99.9%
LDRD / PDRD / SDRD	5,284	6,131	6,294	7,248	7,463	2,179	41.2%

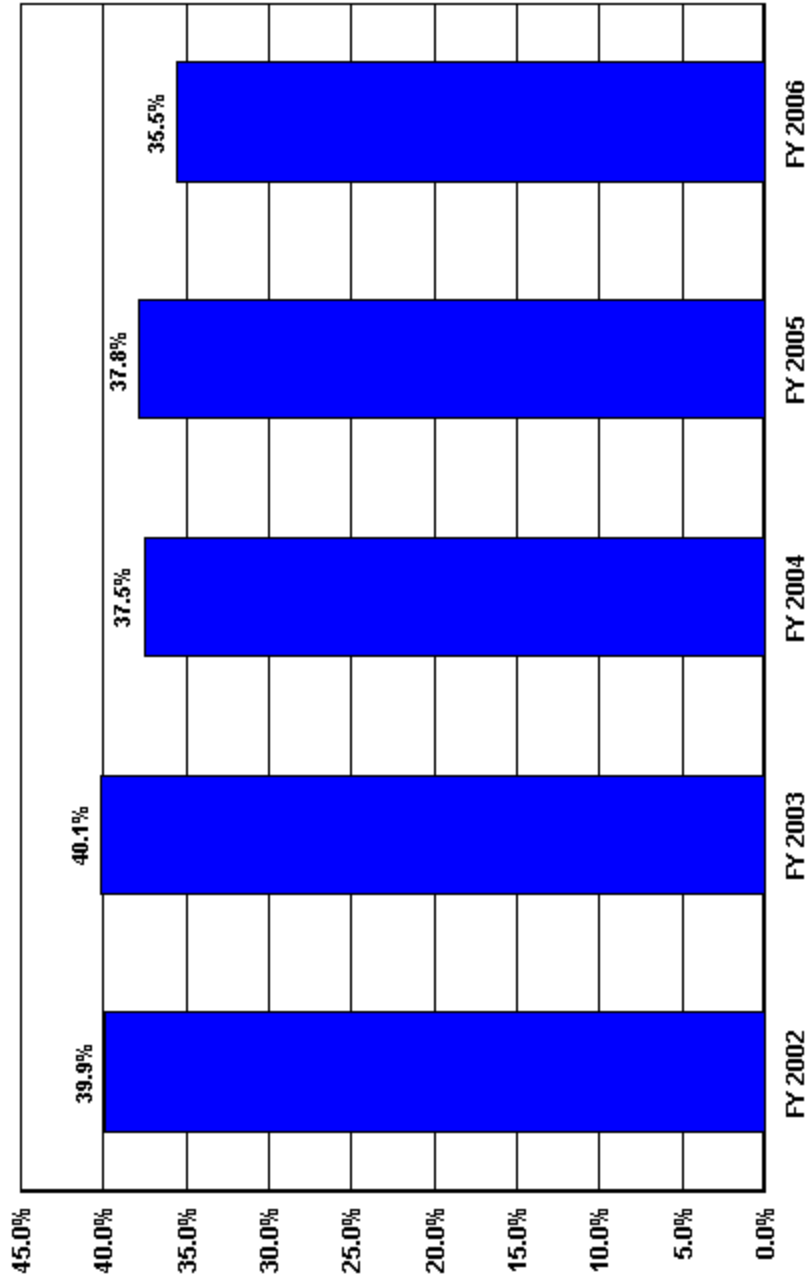
US Department of Energy
Total Functional Support
 Brookhaven National Lab/Brookhaven Science Assoc.



■ Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	179,043	179,097	170,479	177,058	168,894

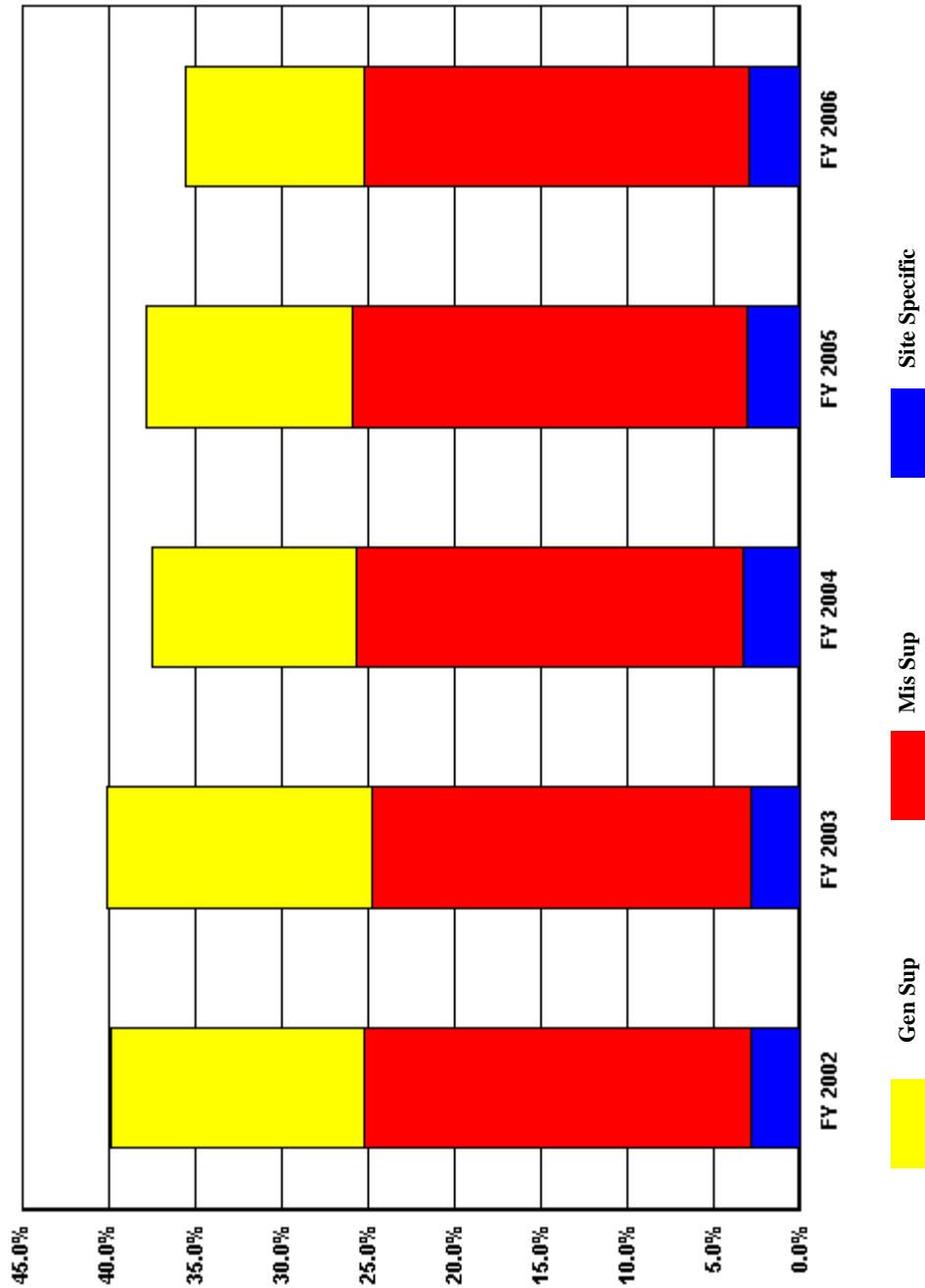
**US Department of Energy
Total Functional Support as a % of Total Costs
Brookhaven National Lab/Brookhaven Science Assoc.**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	39.9%	40.1%	37.5%	37.8%	35.5%

**US Department of Energy
Percent of Support Category to Total Costs
Brookhaven National Lab/Brookhaven Science Assoc.**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	14.6%	15.4%	11.9%	11.9%	10.4%
Mis Sup	22.3%	21.9%	22.2%	22.8%	22.2%
Site Specific	2.9%	2.9%	3.4%	3.0%	3.0%

SITE PROFILE
Brookhaven National Lab/Brookhaven Science Assoc.

SITE OVERVIEW AND CHARACTERISTIC

I. Site Characteristics

Brookhaven National Laboratory (BNL) is a multi-program National Laboratory founded in 1947 and currently operated by Brookhaven Science Associates for the U.S. Department of Energy. Six Nobel Prizes have been awarded for discoveries based on research conducted at the Lab.

The Laboratory's broad mission is to produce excellent science and advanced technology in a safe, environmentally benign manner with the cooperation, support and appropriate involvement of our many communities.

Specifically, the mission of BNL, which supports the U.S. Department of Energy's strategic missions, is to:

- Conceive, design, construct and operate complex, “leading edge”, user-oriented facilities in a safe and environmentally friendly manner that is responsive not only to the DOE, but also to the needs of the international community of users.
- Carry out basic and applied research in long-term, high-risk programs at the frontier of science that supports DOE missions and the needs of the Laboratory's user community
- Develop advanced technologies that address national needs and initiate their transfer to other organizations and to the commercial sector.
- Disseminate technical knowledge to educate new generations of scientists and engineers, to maintain technical capabilities in the nation's workforce, and to encourage scientific awareness in the general public.

Large Research Facilities located at BNL:

Alternating Gradient Synchrotron
Relativistic Heavy Ion Collider
National Synchrotron Light Source

BioMedical Facilities located at BNL:

Brookhaven Center for Translational Neuroimaging
High-Field MRI Facility
Brookhaven Linear Isotope Production Facility
Scanning Transmission Electron Microscope
Transmission Electron Microscope
Positron Emission Tomography (PET)

SITE PROFILE

Brookhaven National Lab/Brookhaven Science Assoc.

Other Facilities and Centers located at BNL:

Laser-Electron Accelerator Facility (LEAF)
Tandem Van De Graaff Facility
Accelerator Test Facility
Center for Radiation Chemistry Research
NASA Space Radiation Laboratory (NSRL)
Center for Accelerator Physics
Computational Science Center
Center for Spectroscopy in Molecular Science
Environmental and Waste Technology Center
RIKEN BNL Research Center
National Nuclear Data Center

Facilities Under Construction at BNL:

Center for Functional Nanomaterials
Research Support Building
Electron Beam Ion Source

Background

Brookhaven National Laboratory (BNL) is a U.S. Department of Energy (DOE) research facility located on Long Island, New York (which is east of New York City), on a 5,300-acre campus. Approximately 30% of the total area is developed. BNL categorizes salary into Scientific, Professional, Technical, Management and Union categories. For FYE 2006, the Laboratory reported 2,510 FTE's.

BNL is managed and operated for DOE by Brookhaven Science Associates in partnership with the Research Foundation of the State University of New York and the Battelle Memorial Institute.

BNL specializes in building and operating large research facilities that are used by our own staff and visiting scientists from academia, government and industry.

BNL has hundreds of research programs going on in fields such as high-energy and nuclear physics, physics and chemistry of materials, homeland security, environmental and energy research, nonproliferation, structural biology and neurosciences and medical imaging. BNL contributes significantly to programs at other DOE laboratories, federal agencies, institutions, and industry. The work done for other agencies derives from our unique facilities and our core competencies. In FY06, the Laboratory received \$75.0M from Work for Others (WFO), which includes \$7.0M from other DOE laboratories/operations offices.

SITE PROFILE
Brookhaven National Lab/Brookhaven Science Assoc.

More than 4,500 visiting scientists come from all over the world each year to do scientific research at our research facilities and work with our staff. To support these researchers, there are 422 on-site housing units. They are comprised of 66 family-style apartments, 46 efficiency apartments, 265 dormitory rooms, 30 seasonal houses, 2 all year round private houses and 13 guest-house rooms. A part time off-site housing coordinator assists visitors in finding accommodations in the local area. Residents may be housed for periods from one day to several years. Many of the apartment units are over 50 years old, and it is anticipated that future replacements may be possible through third party financing. Morning and evening scheduled transportation is provided to a local railroad station. On request, on-site transportation is provided during the workday. Subcontractors operate food service facilities and provide on-site food and snack services. A Quality of Life Office provides a link between visitors and support services.

Safeguards & Security supports the basic scientific mission of DOE and the Laboratory by protecting DOE's Special Nuclear Materials, Classified Matter and property against theft, diversion or destruction, preventing the loss of information or sabotage of programs that could have significant financial impact and preventing radiological or toxicological sabotage that would endanger employees, the public or the environment. Safeguards & Security staff establishes guidelines, plans and strategies to protect sensitive or classified information, Cooperative Research and Development agreements, protocol visits, and Work for Others. Employee\Visitor badges are required to gain access to the site.

Because of the nature of the Laboratory's missions, BNL generates a wide range of wastes. BNL generates some of the same waste streams common to many business and industries, such as aerosol cans, batteries, paint and oils; however, due to our scientific mission BNL also generates waste streams requiring more restrictions, such as compatible radioactive waste, chemicals and solvents. The Environmental Services and Waste Management Division provides a variety of waste management services to facilitate laboratory clean-outs by documenting, characterizing, and segregating wastes in preparation for removal. They also manage problem or non-routine wastes to reduce management and disposal costs.

There are approximately 356 buildings and 241 portable structures in use with a total area of 4.1 million square feet. The average age of BNL's buildings is 44 years with approximately 80% of BNL's building space over 30 years old, 33% over 50 years old (World War II Army base structures). The new 65,000 sq ft Research Support building will be completed in FY2007 allowing BNL to consolidate out of 50+ year old space.

The 94,500 sq ft Center of Functional Nanomaterials will receive beneficial occupancy in FY07 with overall project completion in FY08. The Electron Beam Ion Source (EBIS) project received Project

SITE PROFILE
Brookhaven National Lab/Brookhaven Science Assoc.

Engineering and Design (PED) funds in FY 2006. The design effort will ensure that construction can physically start and long-lead items can be procured in FY 2007 when construction funding is requested.

Site-wide electrical, steam, sanitary sewer, storm sewer, and potable water utility systems serve the site. There are limited distribution chilled water and compressed air systems. The buildings served by these utilities are disbursed through out the campus site thereby requiring maintenance of an extensive distribution network.

Maintenance and energy costs for the older, wood frame buildings are higher than those for structures that are considered permanent. Retrofitting older facilities to comply with current ES&H standards is extremely costly.

The large research facilities consume extraordinary amounts of electricity for their operation. Despite unprecedented increases (over 40% on average) in fuel costs in FY06, the Laboratory's average unit price was only about 19% higher than FY 05. This was attributable to several factors, including energy conservation, load scheduling, a favorable energy contract, and a softening of energy prices as the fiscal year progressed.

Over the years, the Laboratory has benefited from an agreement between the New York Power Authority (NYPA) and the local electrical utility. This agreement continues to provide power from upstate at a substantial savings to the Laboratory and is projected to save \$12 to \$15 million per year compared to the local utility for FY07. At the present time, it is anticipated the average price for FY07 will be similar to FY06, or about \$.075 per kWh.

The costs reported on the functional cost report reflect the direct charges to DOE programs (operating, capital equipment, AIP, GPP and line items), work for others (B&R 40xxxxxxx series), non-federal agencies (B&Rs in the 60xxxxxxx, 65xxxxxxx and WNxxxxxxx series), other DOE labs (B&R YN19) and indirect and other intermediate costs collected in B&R YN0100000 that are fully distributed.

In addition, BNL's reported Functional Costs includes a Payment in lieu of Taxes (PILT) amount of \$1,048,726.

II. Highlights of Trends from FY 2002 to FY 2006

BNL's Percent of Functional Support Costs to Total Site Cost has declined from 39.4% to 35.5%. BNL's support costs reflect Laboratory management actions to move the Laboratory in a direction

SITE PROFILE

Brookhaven National Lab/Brookhaven Science Assoc.

that provides excellent science along with excellent standards for safety, health, environment, infrastructure and business operations. Since FY 2002, the laboratory has made significant efforts to control support costs through the adoption of best business practices and operations. This has been successful in spite of unfunded mandates on the laboratory for Cyber Security, ESS&H, Emergency Management and Maintenance Improvement Initiative.

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

EXECUTIVE DIRECTION

The net decrease resulted primarily from the reclassification of Program Development to Mission Direct.

INFORMATION OUTREACH

The net decrease resulted from the reclassification of Post Doc costs to Mission Direct.

OTHER

Legal settlements in the amount of \$108K.

ENVIRONMENTAL

The net Increase caused by additional effort by Environmental Restoration Division (ERD).

QUALITY ASSURANCE

The net increase resulted from the full yr effect of Independent Oversight new hires and effort by ERD.

LABORATORY/TECHNICAL SUPPORT

The decrease resulted from the reclassification of Instrumentation and Central Fabrication to Mission Direct.

COST SAVINGS INITIATIVES

(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
New York Power Authority	19,600	BNL has benefited from an agreement between the New York Power Authority (NYPA) and the local electrical utility. As a result, the following energy related cost savings were realized: NYPA Load Curtailment Program saved \$.6M NYPA Power Contract Savings (compared to LIPA)\$19M	Donna Chiossone

SITE PROFILE

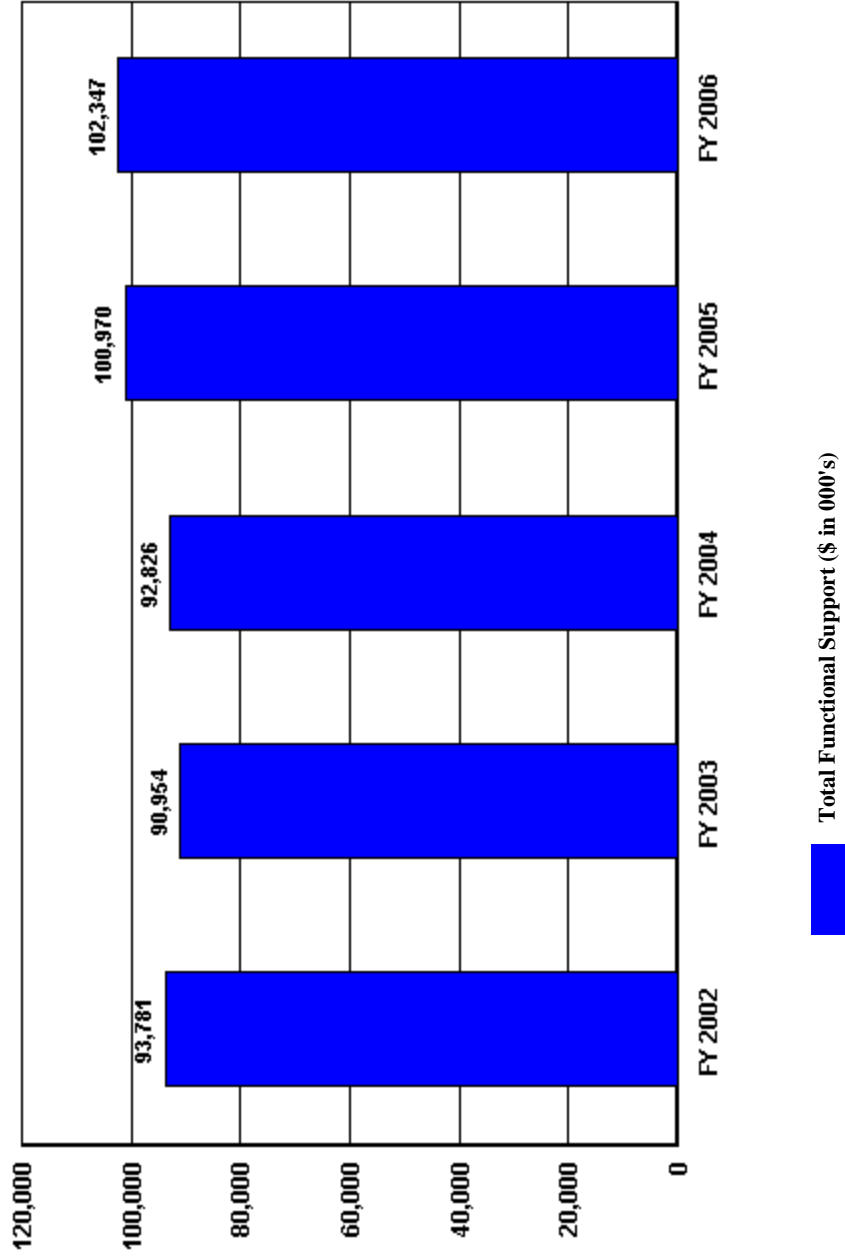
Brookhaven National Lab/Brookhaven Science Assoc.

Fringe Benefit Savings	1,500	<ul style="list-style-type: none"> • Dual coverage in the Cigna plan was eliminated. • Co-payments for primary care and specialist's office visits were increased. • The age limit for non-handicapped dependent children changed to the end of the year of the child's 23rd birthday. • The three month extension of coverage following the graduation of a dependent child was eliminated. Coverage ends as of the end of the month of graduation. • Cigna benefit credit was eliminated. The Cigna plan will not reimburse participants for more than their normal liability in the absence of other insurance. <p>These changes contributed to the overall reduction in the Laboratory Fringe Rate for FY 2006 resulting in additional funds being available for science.</p>	Donna Chiossone
Other cost savings	1,822	<p>Other cost savings measures included:</p> <ul style="list-style-type: none"> • Water usage reduction of 49 million gallons equating to \$15K. • Fuel Oil strategic purchasing plan saved the laboratory \$100K. In addition, savings in using fuel instead of natural gas saved \$33K. • Energy conservation saved \$1.6M. • Pollution prevention projects saved \$74K. 	Donna Chiossone

Trends in Total Support Cost by Functional Categories
Fermi National Accelerator Lab/University Research (\$000)
FY 2006

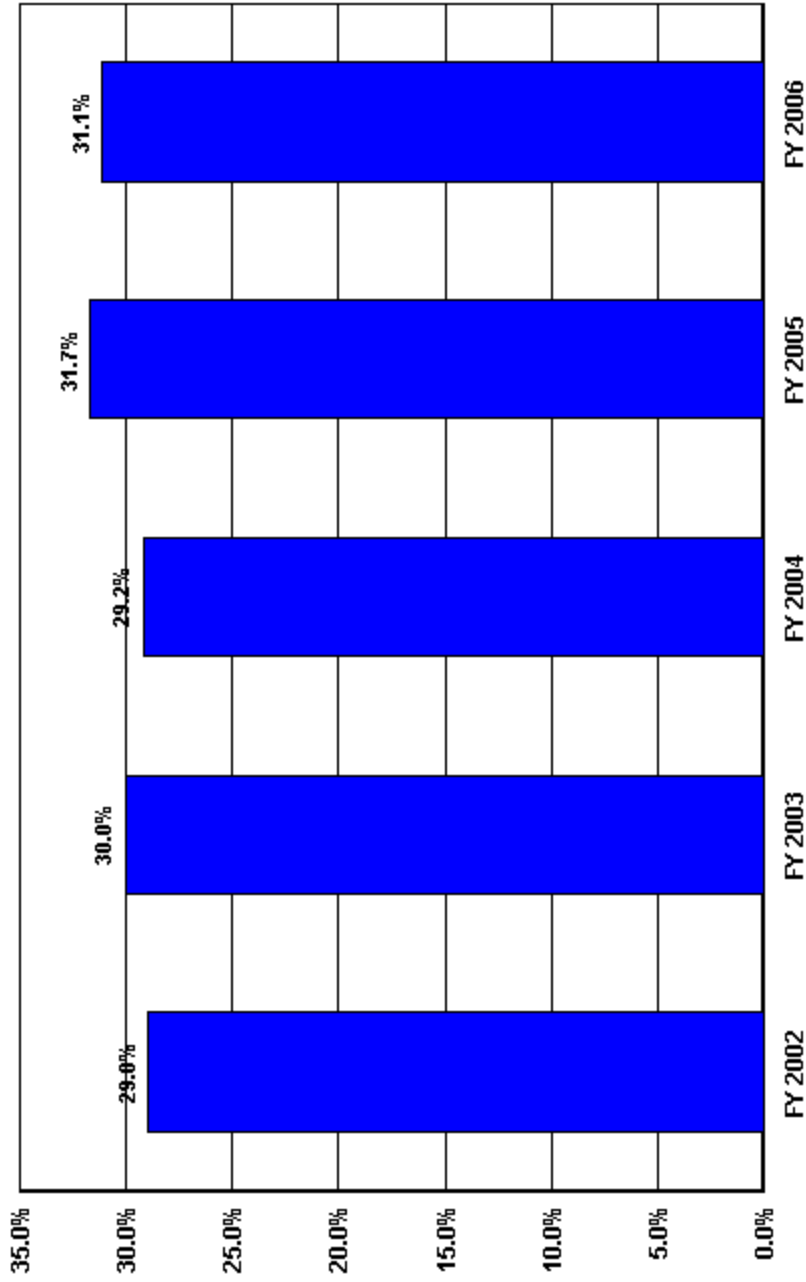
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	323,866	302,734	318,041	318,468	328,986	5,120	1.6%
Capital Construction	69,658	54,529	59,326	45,132	36,456	-33,202	-47.7%
Total Costs Less Construction	254,208	248,205	258,715	273,336	292,530	38,322	15.1%
Total Support Costs	93,781	90,954	92,826	100,970	102,347	8,566	9.1%
Mission Direct Operation	160,427	157,251	165,889	172,366	190,183	29,756	18.5%
Mission Direct Operation as % of Total Cost	49.5%	51.9%	52.2%	54.1%	57.8%		
Capital Construction as % of Total Cost	21.5%	18.0%	18.7%	14.2%	11.1%		
Total Support Cost as % of Total Cost	29.0%	30.0%	29.2%	31.7%	31.1%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	29.0%	30.0%	29.2%	31.7%	31.1%		
TOTAL SUPPORT COST	93,781	90,954	92,826	100,970	102,347	8,566	9.1%
TOTAL GENERAL SUPPORT as % of TOTAL	9.3%	9.1%	9.5%	10.4%	9.8%		
TOTAL GENERAL SUPPORT	30,058	27,651	30,181	32,971	32,181	2,123	7.1%
EXECUTIVE DIRECTION	5,441	4,825	4,969	4,960	4,550	-891	-16.4%
HUMAN RESOURCES	3,202	3,484	3,468	3,567	3,568	366	11.4%
CFO	1,725	2,058	2,169	2,262	2,745	1,020	59.1%
PROCUREMENT	1,788	1,738	1,824	1,806	1,645	-143	-8.0%
LEGAL	1,080	1,994	2,175	715	653	-427	-39.5%
CENTRAL ADMIN SERVICES	2,455	1,734	1,923	1,800	1,819	-636	-25.9%
PROGRAM/PROJECT CONTROL	351	301	288	250	39	-312	-88.9%
INFORMATION OUTREACH	1,928	2,449	2,743	3,188	3,467	1,539	79.8%
INFORMATION SERVICES	12,023	9,051	10,603	14,402	13,657	1,634	13.6%
OTHER	65	17	19	21	38	-27	-41.5%
TOTAL MISSION SUPPORT as % of TOTAL	18.8%	19.9%	18.6%	20.3%	20.2%		
TOTAL MISSION SUPPORT	60,743	60,172	59,030	64,616	66,530	5,787	9.5%
ENVIRONMENTAL	1,869	1,466	1,265	1,040	1,147	-722	-38.6%
SAFETY AND HEALTH	8,951	9,341	10,080	10,732	10,494	1,543	17.2%
FACILITIES MANAGEMENT	2,247	2,275	2,706	1,897	1,469	-778	-34.6%
MAINTENANCE	18,246	18,319	19,517	22,391	22,514	4,268	23.4%
UTILITIES	17,517	17,196	16,078	19,429	22,001	4,484	25.6%
SAFEGUARDS AND SECURITY	2,712	2,835	2,984	3,305	3,399	687	25.3%
LOGISTICS SUPPORT	4,629	4,657	4,126	3,936	3,990	-639	-13.8%
QUALITY ASSURANCE	0	41	17	31	39	39	100.0%
LABORATORY/TECHNICAL SUPPORT	4,572	4,042	2,257	1,855	1,477	-3,095	-67.7%
TOTAL SITE SPECIFIC as % of TOTAL	0.9%	1.0%	1.1%	1.1%	1.1%		
TOTAL SITE SPECIFIC	2,980	3,131	3,615	3,383	3,636	656	22.0%
MANAGEMENT/INCENTIVE FEE	2,980	3,131	3,615	3,383	3,636	656	22.0%
TAXES	0	0	0	0	0	0	0.0%
LDRD / PDRD / SDRD	0	0	0	0	0	0	0.0%

US Department of Energy
Total Functional Support
 Fermi National Accelerator Lab/University Research



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	93,781	90,954	92,826	100,970	102,347

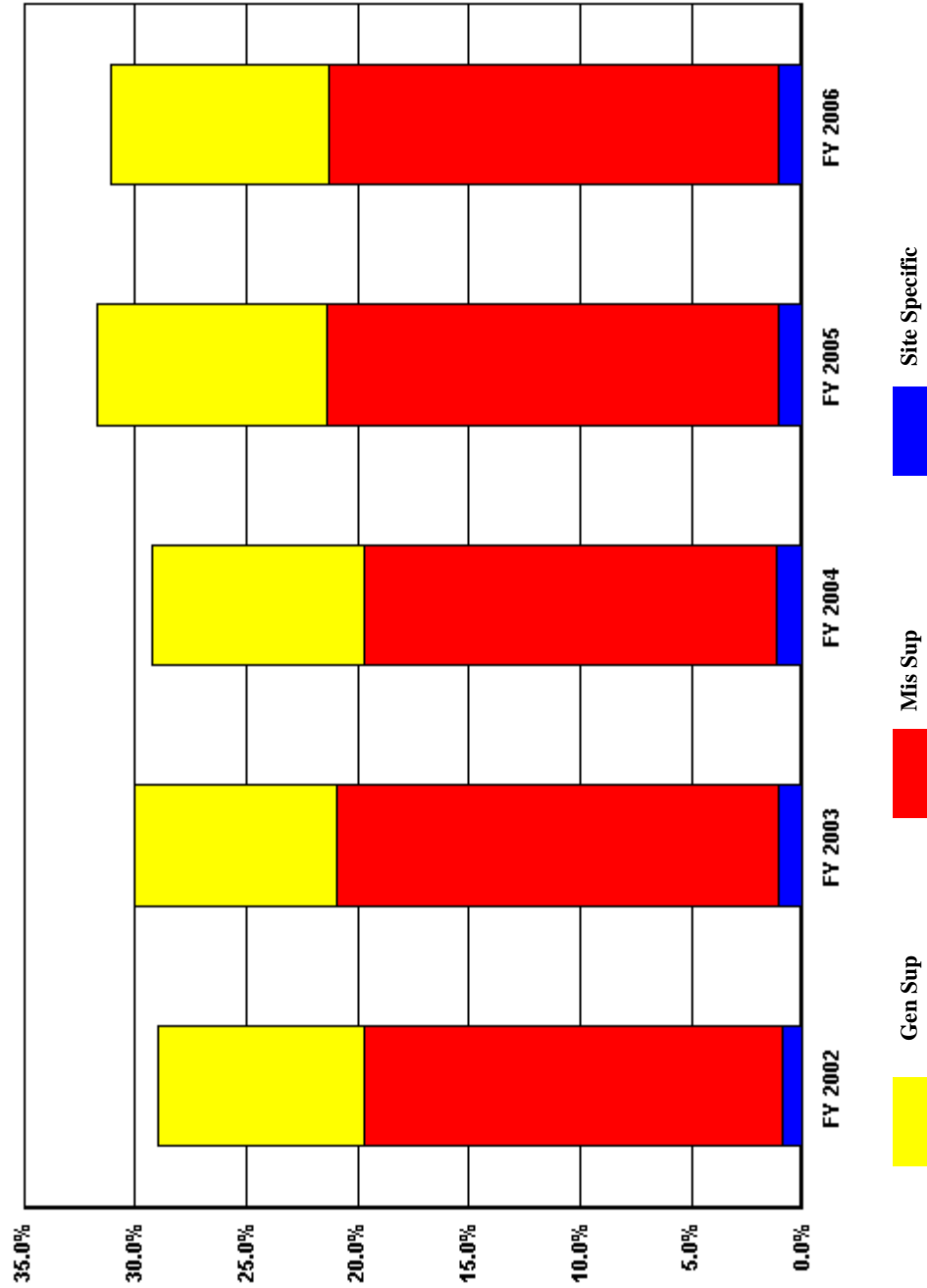
**US Department of Energy
Total Functional Support as a % of Total Costs
Fermi National Accelerator Lab/University Research**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	29.0%	30.0%	29.2%	31.7%	31.1%

**US Department of Energy
Percent of Support Category to Total Costs
Fermi National Accelerator Lab/University Research**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	9.3%	9.1%	9.5%	10.4%	9.8%
Mis Sup	18.8%	19.9%	18.6%	20.3%	20.2%
Site Specific	0.9%	1.0%	1.1%	1.1%	1.1%

SITE PROFILE
Fermilab National Accelerator Lab/University Research

SITE OVERVIEW AND CHARACTERISTIC

Fermilab operates the world's highest-energy particle accelerator, the Tevatron. Some 2,300 scientists from 35 states and 30 countries use Fermilab's facilities to carry out research at the frontiers of particle physics.

Fermilab is a single purpose Laboratory whose mission statement is as follows: "Fermilab National Accelerator Laboratory advances the understanding of the fundamental nature of matter and energy by providing leadership and resources for qualified researchers to conduct basic research at the frontiers of high energy physics and related disciplines."

Groundbreaking for the original linear accelerator was December 1968. The site is 6,800 acres, or a little more than 10 square miles. Approximately 2,000 people are employed at the Lab. Fermilab has an on-site housing operation to accommodate users and their families, and an on-site cafeteria for employees, users and visitors.

In 2006, Fermilab was operated by Universities Research Association, Inc. (URA), a consortium of 90 research universities. Beginning calendar year 2007, Fermilab will be operated by Fermilab Research Alliance, a limited liability corporation formed between URA and the University of Chicago. The level of non-DOE work at Fermilab is insignificant to the operation of the Laboratory.

TRENDS:

1. Trend in Functional Support Costs from fiscal year 2002 to fiscal year 2006: General Support costs are up 7% over four years. The major component of this is Information/Outreach activities (due to new tasks established to correctly effort report to this category from Mission Direct) and Information Services (due to increased costs and reclassifications). Mission Support costs have increased 3% from fiscal year 2005 and 10% for the four year period.

2. Trend in Functional Support Costs as a percentage of Total Site Costs from fiscal year 2002 to fiscal year 2006: Overall support costs as a percentage of Total Site Costs are down slightly from fiscal year 2005, when a significant increase was realized due to a complete analysis of building maintenance costs in order to meet the reporting requirements of the Infrastructure Division of the Office of Science, resulting in the reclassification of approximately \$5 million from Mission Direct. In addition, the completion or near-completion of CMS, NuMI, and RunIIb, activities reduced Capital/Construction significantly.

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

SITE PROFILE
Fermi National Accelerator Lab/University Research

CFO

Costs increased by 21% in this category, or \$483K in fiscal year 2006, of which approximately \$331K is due to a laboratory reorganization and the resultant reclassification of the Budget Office from Executive Direction.

PROGRAM/PROJECT CONTROL

The decrease in costs of \$212K is due to the cessation of project planning activities for CMS.

OTHER

These are costs associated with general liability insurance. The costs fluctuate based on the level of claims in a given year. In fiscal year 2006 they have increased by \$17K.

FACILITIES MANAGEMENT

The decrease of 23% is primarily due to reclassification of labor costs of building managers to the Maintenance category from Facilities Management. This was approximately \$721K.

QUALITY ASSURANCE

In fiscal year 2006, this category increased by 27% or \$8K, due to an increase in self-assessment and training programs.

LABORATORY/TECHNICAL SUPPORT

The decrease is primarily due to the technical division effort, approximately \$300K, reclassified to special projects that are assigned to other categories.

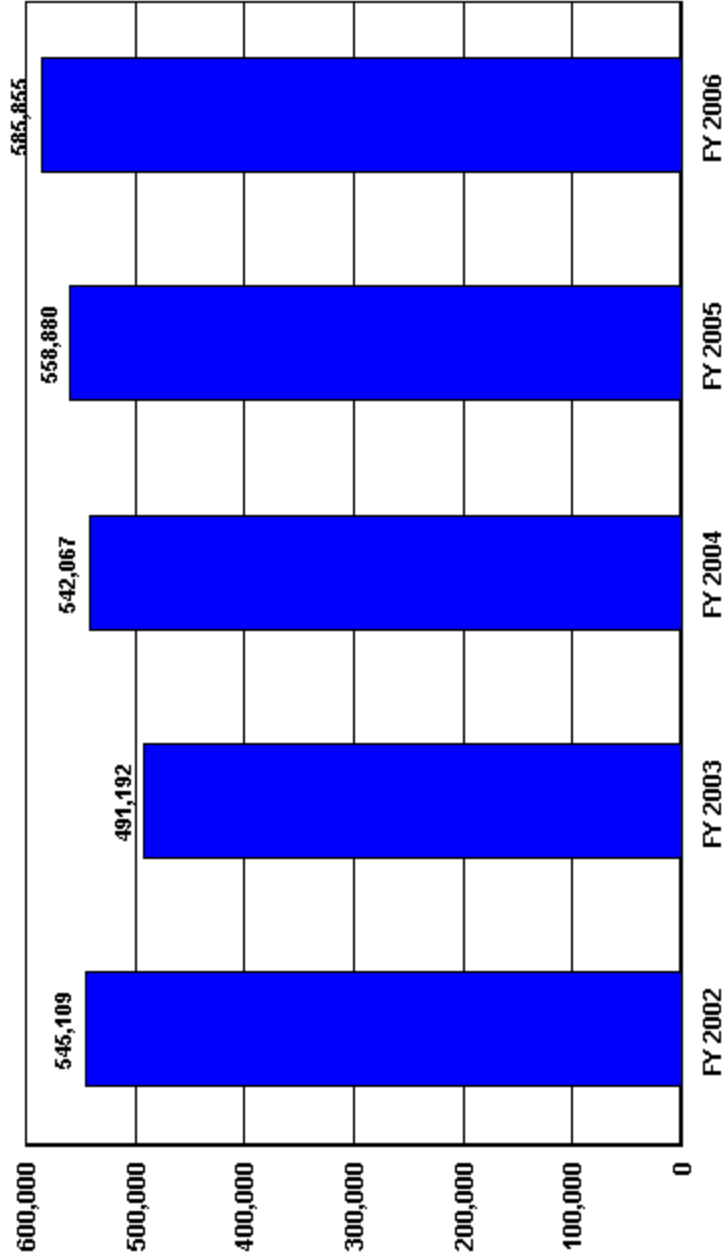
COST SAVINGS INITIATIVES
(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
Voluntary Early Retirement Program	8,700	The Laboratory reduced staff in FY05 by approximately 100 FTE's through the Voluntary Early Retirement Program (VERP) and the estimated savings in FY06 was \$8.7M. The VERP will continue to result in cost savings in the future.	Mike Rhoades

Trends in Total Support Cost by Functional Categories
Hanford/Fluor Daniel, CH2M Hill & W.Closure (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	1,094,351	1,069,009	1,167,697	1,222,861	1,099,098	4,747	0.4%
Capital Construction	58,732	56,468	58,847	41,523	32,731	-26,001	-44.3%
Total Costs Less Construction	1,035,619	1,012,541	1,108,850	1,181,338	1,066,367	30,748	3.0%
Total Support Costs	545,109	491,192	542,067	558,880	585,855	40,746	7.5%
Mission Direct Operation	490,510	521,349	566,783	622,458	480,512	-9,998	-2.0%
Mission Direct Operation as % of Total Cost	44.8%	48.8%	48.5%	50.9%	43.7%		
Capital Construction as % of Total Cost	5.4%	5.3%	5.0%	3.4%	3.0%		
Total Support Cost as % of Total Cost	49.8%	45.9%	46.4%	45.7%	53.3%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	49.8%	45.9%	46.4%	45.7%	53.3%		
TOTAL SUPPORT COST	545,109	491,192	542,067	558,880	585,855	40,746	7.5%
TOTAL GENERAL SUPPORT as % of TOTAL	12.4%	12.1%	11.6%	11.0%	12.0%		
TOTAL GENERAL SUPPORT	135,448	129,237	135,314	134,413	131,950	-3,498	-2.6%
EXECUTIVE DIRECTION	8,855	8,275	6,793	8,383	5,698	-3,157	-35.7%
HUMAN RESOURCES	14,574	14,630	17,329	15,136	15,450	876	6.0%
CFO	9,260	8,271	8,880	8,345	8,297	-963	-10.4%
PROCUREMENT	9,967	10,633	10,559	10,016	9,109	-858	-8.6%
LEGAL	4,866	4,780	4,227	5,518	3,407	-1,459	-30.0%
CENTRAL ADMIN SERVICES	10,689	10,001	10,290	11,039	11,706	1,017	9.5%
PROGRAM/PROJECT CONTROL	27,840	25,810	27,604	28,433	22,307	-5,533	-19.9%
INFORMATION OUTREACH	4,904	4,228	3,804	2,815	3,207	-1,697	-34.6%
INFORMATION SERVICES	40,563	40,913	41,826	40,341	39,734	-829	-2.0%
OTHER	3,930	1,696	4,002	4,387	13,035	9,105	231.7%
TOTAL MISSION SUPPORT as % of TOTAL	30.5%	30.2%	30.1%	28.7%	30.7%		
TOTAL MISSION SUPPORT	333,728	323,217	350,948	351,287	337,647	3,919	1.2%
ENVIRONMENTAL	23,906	21,693	25,868	27,845	24,473	567	2.4%
SAFETY AND HEALTH	75,905	73,126	77,562	84,092	74,175	-1,730	-2.3%
FACILITIES MANAGEMENT	42,673	40,183	40,257	40,088	35,005	-7,668	-18.0%
MAINTENANCE	90,036	84,682	81,221	77,272	74,970	-15,066	-16.7%
UTILITIES	10,133	10,869	10,120	10,642	9,801	-332	-3.3%
SAFEGUARDS AND SECURITY	31,750	33,980	41,198	41,576	49,977	18,227	57.4%
LOGISTICS SUPPORT	19,117	18,383	17,445	16,543	17,975	-1,142	-6.0%
QUALITY ASSURANCE	9,279	8,359	8,343	7,227	8,134	-1,145	-12.3%
LABORATORY/TECHNICAL SUPPORT	30,929	31,942	48,934	46,002	43,137	12,208	39.5%
TOTAL SITE SPECIFIC as % of TOTAL	6.9%	3.6%	4.8%	6.0%	10.6%		
TOTAL SITE SPECIFIC	75,933	38,738	55,805	73,180	116,258	40,325	53.1%
MANAGEMENT/INCENTIVE FEE	63,746	27,384	46,246	61,191	103,524	39,778	62.4%
TAXES	12,187	11,354	9,559	11,989	12,734	547	4.5%
LDRD / PDRD / SDRD	0	0	0	0	0	0	0.0%

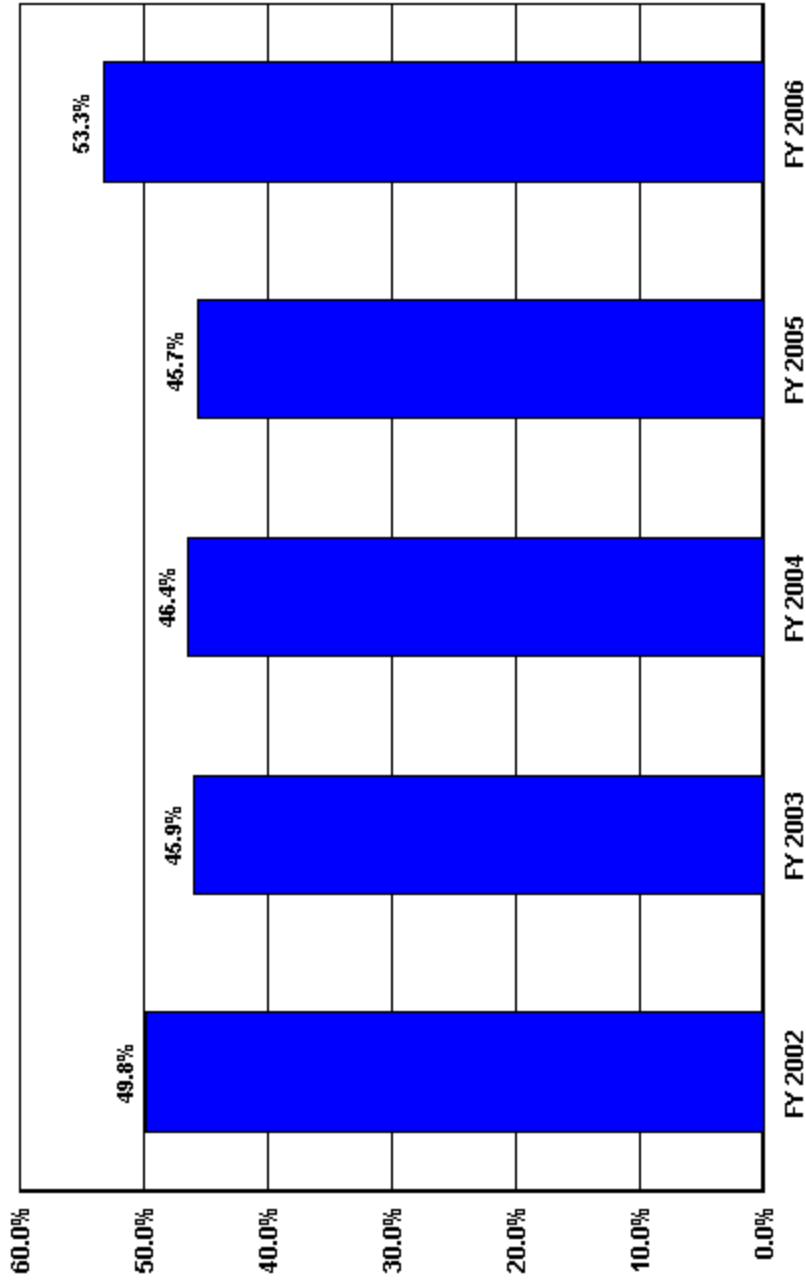
US Department of Energy
Total Functional Support
Hanford/Fluor Daniel, CH2M Hill & W.Closure



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	545,109	491,192	542,067	558,880	585,855

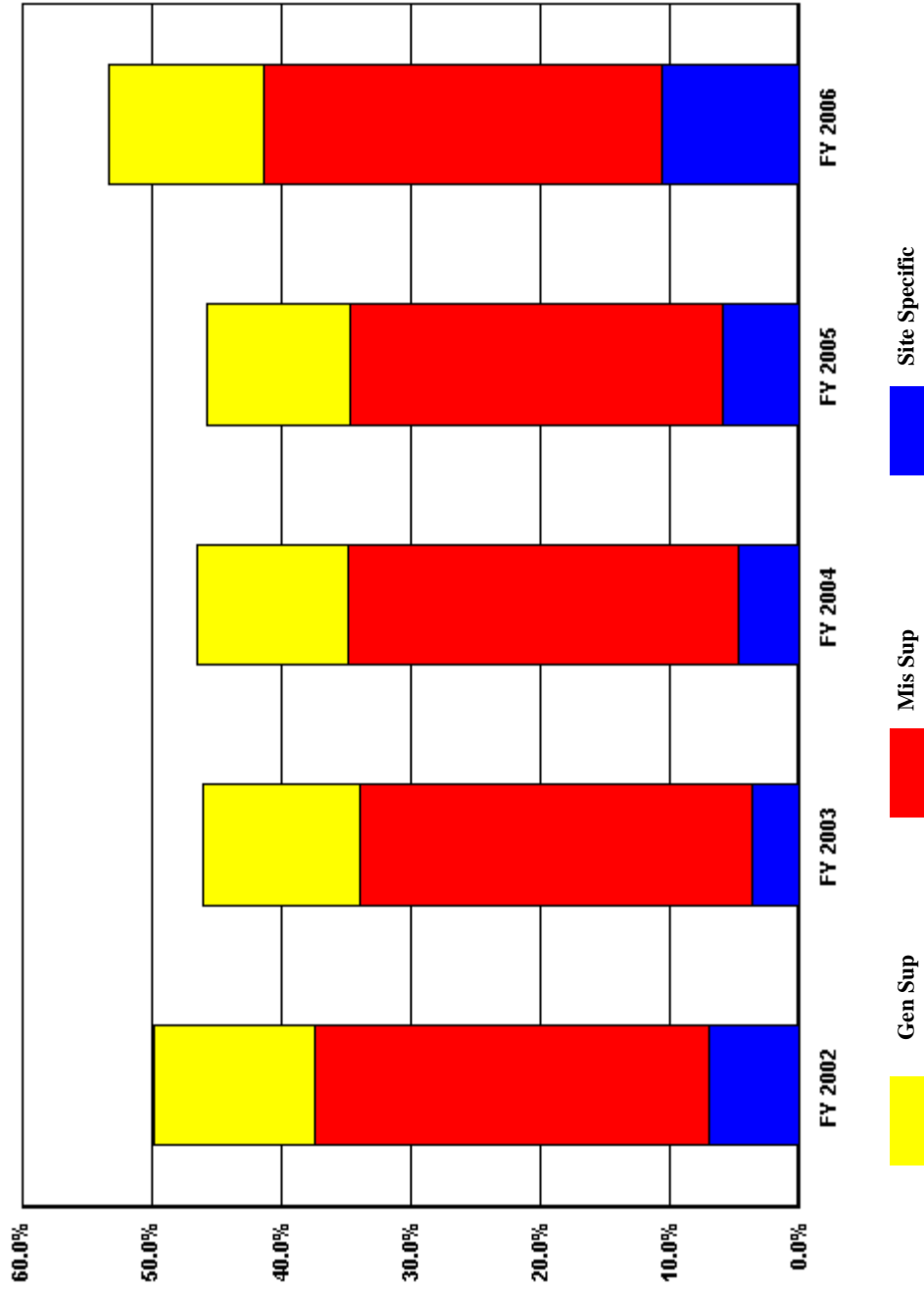
**US Department of Energy
Total Functional Support as a % of Total Costs
Hanford/Fluor Daniel, CH2M Hill & W.Closure**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	49.8%	45.9%	46.4%	45.7%	53.3%

**US Department of Energy
Percent of Support Category to Total Costs
Hanford/Fluor Daniel, CH2M Hill & W.Closure**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	12.4%	12.1%	11.6%	11.0%	12.0%
Mis Sup	30.5%	30.2%	30.1%	28.7%	30.7%
Site Specific	6.9%	3.6%	4.8%	6.0%	10.6%

SITE PROFILE
Hanford/Fluor Daniel, CH2M Hill & W.Closure

SITE OVERVIEW AND CHARACTERISTIC

Site Overview and Characteristics

The Hanford Site, a 586-square mile tract of land near Richland, Washington, was established during World War II to produce plutonium for America's nuclear weapons arsenal. The site reached peak production in the 1960s when nine reactors were in operation at the Hanford Site. Department of Energy (DOE) halted weapons material production in the late 1980s and is now engaged in environmental cleanup efforts to deal with the legacy of radioactive and hazardous wastes that resulted from the plutonium production era.

The Hanford Site has two separate DOE offices. The DOE Office of River Protection (ORP) manages the program to remove the waste from the tanks, vitrify the waste for long-term storage or disposal, and close Hanford's tank farms. The prime DOE contract for these activities is held by CH2M Hill Hanford Group, Inc.

The DOE Richland Operations Office (RL) oversees the bulk of cleanup, including plutonium stabilization, cleanup of contaminated soil and buildings, stabilization and storage of spent nuclear fuel, and waste treatment and disposal. Fluor Hanford Inc. and Washington Closure Hanford complete cleanup activities for RL.

The contractors manage and maintain over 2,000 facilities, many of which are 30 to 50 years old. The facilities include inactive nuclear reactors, administrative facilities, analytical laboratories, storage facilities, mobile offices, and trailers. The Hanford site struggles to maintain the older facilities with current standards and actively seeks ways to minimize its facility maintenance and repair costs.

Because of the large size of the Hanford site, DOE has been attempting to "reduce the government footprint" by accelerating cleanup efforts and transferring land to the Department of Interior. Three counties border the site: Benton, Franklin, and Grant. All three counties are paid an annual total of over \$3 million in Payments in Lieu of Taxes (PILT). These PILT payments allow counties to recoup some of the funds lost due to the property being owned by the government rather than tax-paying landowners.

The site continues to progress on its three primary objectives:

- Restore the River Corridor
- Transition the Plateau
- Prepare for the Future

The River Corridor encompasses approximately 210 square miles adjacent to the Columbia River. It

SITE PROFILE
Hanford/Fluor Daniel, CH2M Hill & W.Closure

is divided into three areas: the 100 Area, comprising nine shut-down plutonium production reactors and support facilities; the 300 Area, comprising manufacturing and research facilities; and the 600 Area, encompassing mostly vacant land between the 100 and 300 Areas. Multiyear efforts are underway to remove sodium systems from Hanford production legacy.

The transition of the Plateau refers to an area in the center of the Hanford site, which includes the 200 Area and 400 Areas and is the location of Hanford's longer-term missions of waste treatment, storage and disposal operations.

Discussion of Major Trends and Changes from Prior Year

Hanford's Functional Support Costs as a percentage of total cost has increased since last year. The increase is the result of increased fee to the contractors, a one-time prior year tax payment, and a change in accounting methodology for one contractor's pension costs, which pulled costs from "Mission Direct" to "General Support". These items are explained more thoroughly later in the report.

While it should be noted that functional support costs are not intended to be utilized to compare sites, there are some differences in the Hanford site that may distort Hanford data. The FMSIC functional cost guidance states that the contractor that originates the costs should report functional costs. With several major contractors at Hanford the costs could appear "out of line" with similar sites in certain categories, due to the fact that some functions have been centralized from a site perspective. In addition, the geographic location and size of the site requires the performance of many fundamental infrastructure support activities that may not be required at smaller sites.

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

OTHER

- (1) \$3,976K reflects a payment to Department of Revenue for prior year contract cost ruled taxable.
- (2) Hanford has a new contractor than what has been reported in the past. Under the prior contract, pension costs were recorded as part of the payroll additive, and spread with labor costs throughout all the functional categories. Under the new contract structure, pension costs are not part of the payroll additive and those costs once spread to mission direct and other functional categories are now included in "other".

SITE PROFILE
Hanford/Fluor Daniel, CH2M Hill & W.Closure

SAFEGUARDS AND SECURITY

Training of protective force was enhanced through the completion of additional firearm training ranges. Increases also due to one time costs including vehicle standoff barriers and protective force relocations.

MANAGEMENT/INCENTIVE FEE

The amount reported reflects increases to contractor and subcontractor fee, as negotiated for FY 2006.

COST SAVINGS INITIATIVES

(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
Electronic Bill of Material (eBOM)	200	eBOM is a web-based system with more than 500 users who can plan, order, and track the purchase and delivery of thousands of items needed for work at Hanford. Requests are entered once and routed electronically for signature. Items are found in inventory or purchased and may be tracked all the way to final issue to the end user, with a real-time status update anywhere in the process. eBOM shaved two days off the overall time it takes to order and receive an item and saves \$26 of internal processing costs per request. eBOM also helps ensure bargaining-unit employees have up-to-date protective equipment as they transfer between projects. eBOM's standardized ordering system helped the company improve planning for commodity needs and negotiate quantity discounts in purchasing agreements -- a 40-percent discount on prescription eye wear and 31-percent discount on safety shoes were obtained. The initial investment was \$95,000.	Fluor Hanford

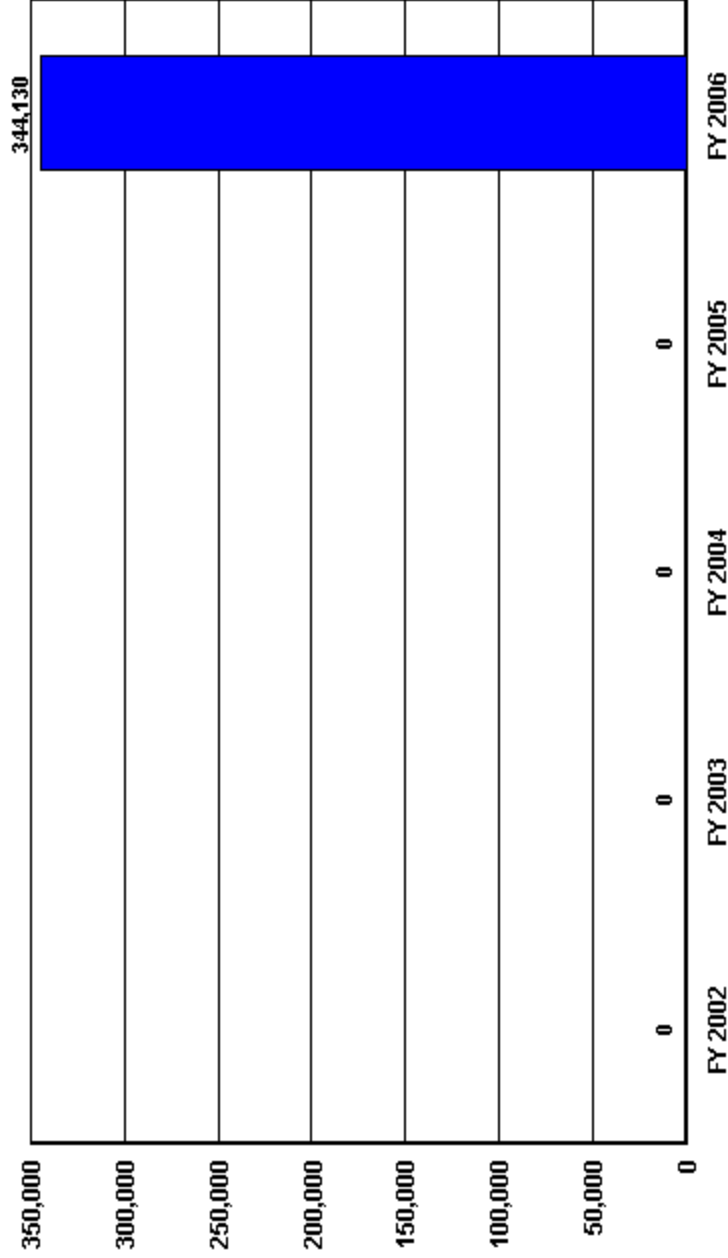
SITE PROFILE
Hanford/Fluor Daniel, CH2M Hill & W.Closure

Changes to Health and Welfare Benefits	6,436	Certain Hanford Contractors have taken substantial strides in reducing health and welfare benefits cost through increasing employee and retiree contributions and increasing deductibles and co-pays. Other plan modifications that provide an incentive for employees to seek cost effective solutions by having employees pay a portion of each transaction. These modifications include switching to 80% 20% for all plans, tiered prescription coverage that provide an incentive for use of generics, etc. These actions resulted in reduction of FY 2006 costs of \$6,436K, and additional reductions are in progress that should generate savings in future years.	
Use of Existing Rail Lines	125	CH2M HILL and two local companies embarked on an initiative to use Hanford rail lines and a specialized rail car for shipping large waste items. Prior to this initiative, most large items classified as low-level waste or mixed low-level waste had to be disassembled or cut into smaller pieces, packaged for shipment, and unpackaged at the receiving facility; which proved costly and time consuming.	CH2M Hill
Early Payoff-Energy Savings Performance Contract	400	The 242-A Evaporator realized \$400K in cost savings during FY 2006. These savings were due to a number of measures including early retirement of the Johnson Control mortgage for the 242 A Package Boilers; a 10% cost savings for 2-years advance pre-payment of annual Monitoring and Control System Maintenance and Licensing agreement; and purchase vs. rental of a portable instrument air quality compressor.	

Trends in Total Support Cost by Functional Categories
Idaho National Lab-Battelle Energy Alliance (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	0	0	0	0	612,038	612,038	100.0%
Capital Construction	0	0	0	0	19,609	19,609	100.0%
Total Costs Less Construction	0	0	0	0	592,429	592,429	100.0%
Total Support Costs	0	0	0	0	344,130	344,130	100.0%
Mission Direct Operation	0	0	0	0	248,299	248,299	100.0%
Mission Direct Operation as % of Total Cost	0.0%	0.0%	0.0%	0.0%	40.6%		
Capital Construction as % of Total Cost	0.0%	0.0%	0.0%	0.0%	3.2%		
Total Support Cost as % of Total Cost	0.0%	0.0%	0.0%	0.0%	56.2%		
Total	0.0%	0.0%	0.0%	0.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	0.0%	0.0%	0.0%	0.0%	56.2%		
TOTAL SUPPORT COST	0	0	0	0	344,130	344,130	100.0%
TOTAL GENERAL SUPPORT as % of TOTAL	0.0%	0.0%	0.0%	0.0%	18.4%		
TOTAL GENERAL SUPPORT	0	0	0	0	112,498	112,498	100.0%
EXECUTIVE DIRECTION	0	0	0	0	22,393	22,393	100.0%
HUMAN RESOURCES	0	0	0	0	10,659	10,659	100.0%
CFO	0	0	0	0	6,598	6,598	100.0%
PROCUREMENT	0	0	0	0	3,884	3,884	100.0%
LEGAL	0	0	0	0	2,814	2,814	100.0%
CENTRAL ADMIN SERVICES	0	0	0	0	8,881	8,881	100.0%
PROGRAM/PROJECT CONTROL	0	0	0	0	4,645	4,645	100.0%
INFORMATION OUTREACH	0	0	0	0	10,446	10,446	100.0%
INFORMATION SERVICES	0	0	0	0	42,038	42,038	100.0%
OTHER	0	0	0	0	140	140	100.0%
TOTAL MISSION SUPPORT as % of TOTAL	0.0%	0.0%	0.0%	0.0%	32.3%		
TOTAL MISSION SUPPORT	0	0	0	0	197,901	197,901	100.0%
ENVIRONMENTAL	0	0	0	0	3,438	3,438	100.0%
SAFETY AND HEALTH	0	0	0	0	41,527	41,527	100.0%
FACILITIES MANAGEMENT	0	0	0	0	25,345	25,345	100.0%
MAINTENANCE	0	0	0	0	47,987	47,987	100.0%
UTILITIES	0	0	0	0	16,057	16,057	100.0%
SAFEGUARDS AND SECURITY	0	0	0	0	41,140	41,140	100.0%
LOGISTICS SUPPORT	0	0	0	0	12,848	12,848	100.0%
QUALITY ASSURANCE	0	0	0	0	8,080	8,080	100.0%
LABORATORY/TECHNICAL SUPPORT	0	0	0	0	1,479	1,479	100.0%
TOTAL SITE SPECIFIC as % of TOTAL	0.0%	0.0%	0.0%	0.0%	5.5%		
TOTAL SITE SPECIFIC	0	0	0	0	33,731	33,731	100.0%
MANAGEMENT/INCENTIVE FEE	0	0	0	0	17,600	17,600	100.0%
TAXES	0	0	0	0	488	488	100.0%
LDRD / PDRD / SDRD	0	0	0	0	15,643	15,643	100.0%

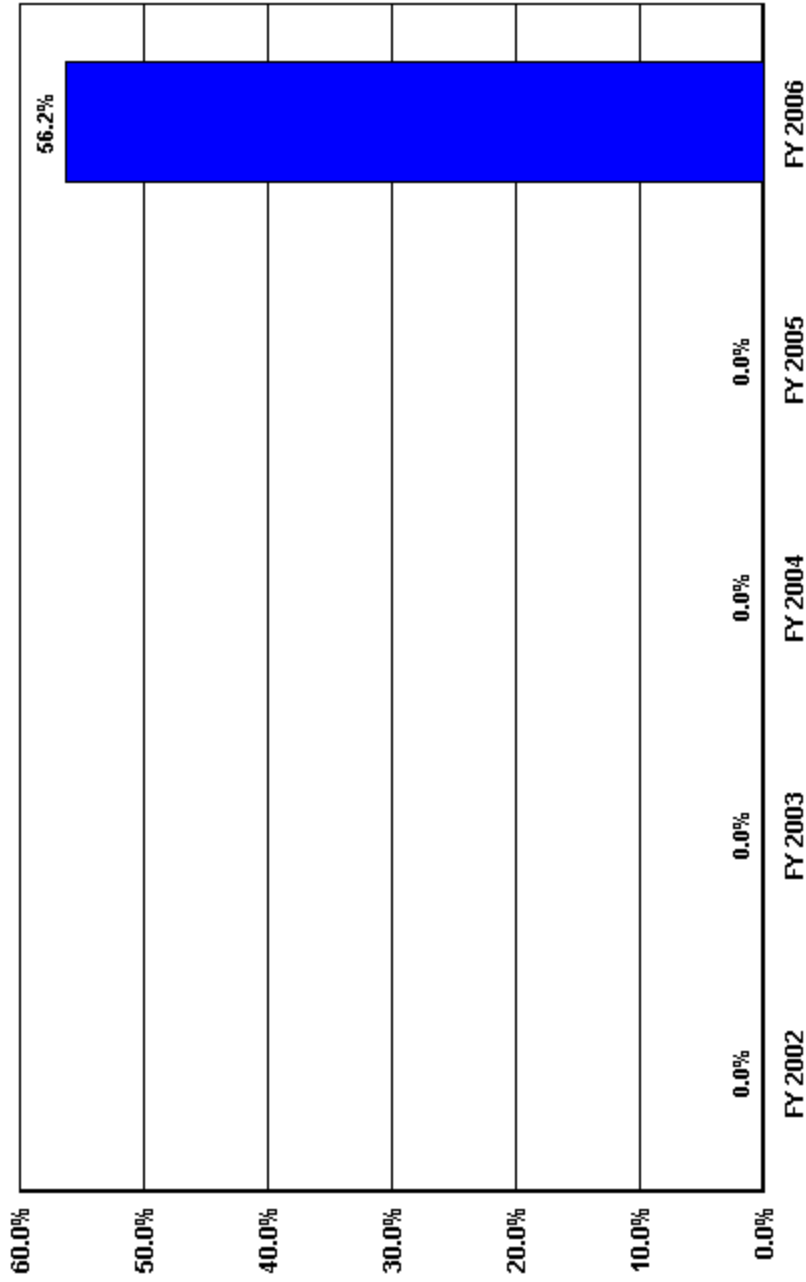
US Department of Energy
Total Functional Support
 Idaho National Lab-Battelle Energy Alliance



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	0	0	0	0	344,130

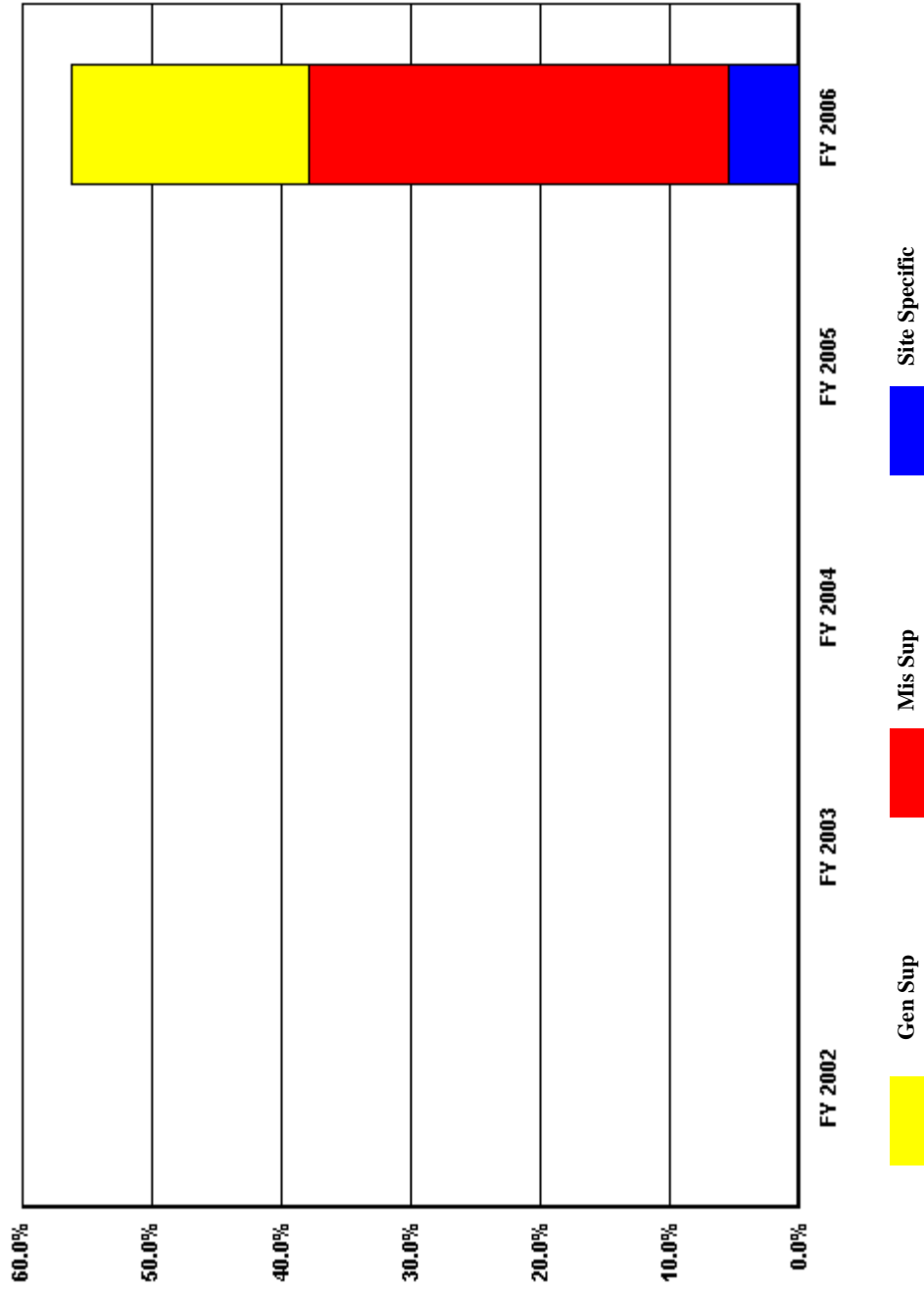
**US Department of Energy
Total Functional Support as a % of Total Costs
Idaho National Lab-Battelle Energy Alliance**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	0.0%	0.0%	0.0%	0.0%	56.2%

**US Department of Energy
Percent of Support Category to Total Costs
Idaho National Lab-Battelle Energy Alliance**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	0.0%	0.0%	0.0%	0.0%	18.4%
Mis Sup	0.0%	0.0%	0.0%	0.0%	32.3%
Site Specific	0.0%	0.0%	0.0%	0.0%	5.5%

SITE PROFILE
Idaho National Lab-Battelle Energy Alliance

SITE OVERVIEW AND CHARACTERISTIC

SITE BACKGROUND

In FY 2005 the Idaho National Engineering and Environmental Laboratory (INEEL) contract was split into two separate contracts through competitive bids initiated by the DOE Idaho Operations Office (DOE-ID). The first solicitation was for the Management and Operations (M&O) responsibilities of the new Idaho National Laboratory (INL) which includes the Laboratory portion of the INEEL and consolidation of the former Argonne National Laboratory — West (ANL-W) operated by the University of Chicago (UC) into the INL. The second solicitation was for the management responsibilities related to the Site’s clean-up activities.

On February 1, 2005 Battelle Energy Alliance, LLC (BEA) assumed management responsibilities of the INL from predecessor contractors Bechtel BWXT Idaho, LLC (BBWI) and UC. The stated goal of the INL contract is to “Work towards the creation of a world-class, multi-disciplinary laboratory focused on nuclear energy and national security research and development.”

SITE CHARACTERISTICS

The INL functional cost profile is a result of the many factors and characteristics associated with our diverse operational missions. A comprehensive knowledge of site-specific characteristics (missions, diversity and complexity of work, duration of effort, regulatory drivers, geography, etc.) is required to fully understand and draw meaningful conclusions from this data. Some of the factors affecting the INL functional cost profile include:

- INL is a multi-program Federally Funded Research and Development Center laboratory with a diverse customer base.
- The INL occupies 889 square miles with the associated logistics/infrastructure.
- There are 8 major “site” operating complexes and 5 facilities in the City of Idaho Falls, which are 40 to 60 miles from the site. Approximately 1,600 employees work in town locations while 1,900 employees work in site locations.
- INL provides support services of \$114.9M to other “on-site” government entities, e.g., the Naval Reactors Facility (NRF), Idaho Cleanup Project (ICP), and DOE-ID.
- Examples of operational missions include:
 - Research and Development — The INL is involved in scientific research and development with a focus on nuclear energy and national security.
 - Nuclear Operations — The INL operates the Advanced Test Reactor (ATR) which provides material and fuel test results for the U.S. Navy and produces various isotopes.
 - Manufacturing — the INL produces tank armor for the U.S. Army.

SITE PROFILE
Idaho National Lab-Battelle Energy Alliance

- INL is one of the largest employers in the state of Idaho.

ANALYSIS OF CHANGE IN SUPPORT COSTS FROM PRIOR YEAR

The INL contract started on February 1, 2005. Since Fiscal Year 2006 is the first full year of the contract, there is no meaningful comparison of support costs from the previous year. Support cost changes will be reported beginning with Fiscal Year 2007 reporting.

MISCELLANEOUS NOTE

The Other category for \$140K was composed of \$31K for General Liability insurance and \$109K for Directors and Officers Insurance.

COST SAVINGS INITIATIVES

The INL employs an integrated approach to cost management. Five processes are utilized to achieve this integration:

- 1) Develop and implement innovative and effective contract structures and incentives.
- 2) Utilize internal expertise to review and control cost through cost studies, analysis, and research.
- 3) Employ outside experts to independently review and validate cost estimates.
- 4) Utilize performance measures and benchmarks to provide overall indicators of cost efficiency.
- 5) Utilize the ACE cost efficiency and avoidance methodology and tools to identify and pursue cost-saving improvements of management processes.

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

EXECUTIVE DIRECTION

Prior year costs were consolidated into one ID submission.

COST SAVINGS INITIATIVES

(\$ in 000's)

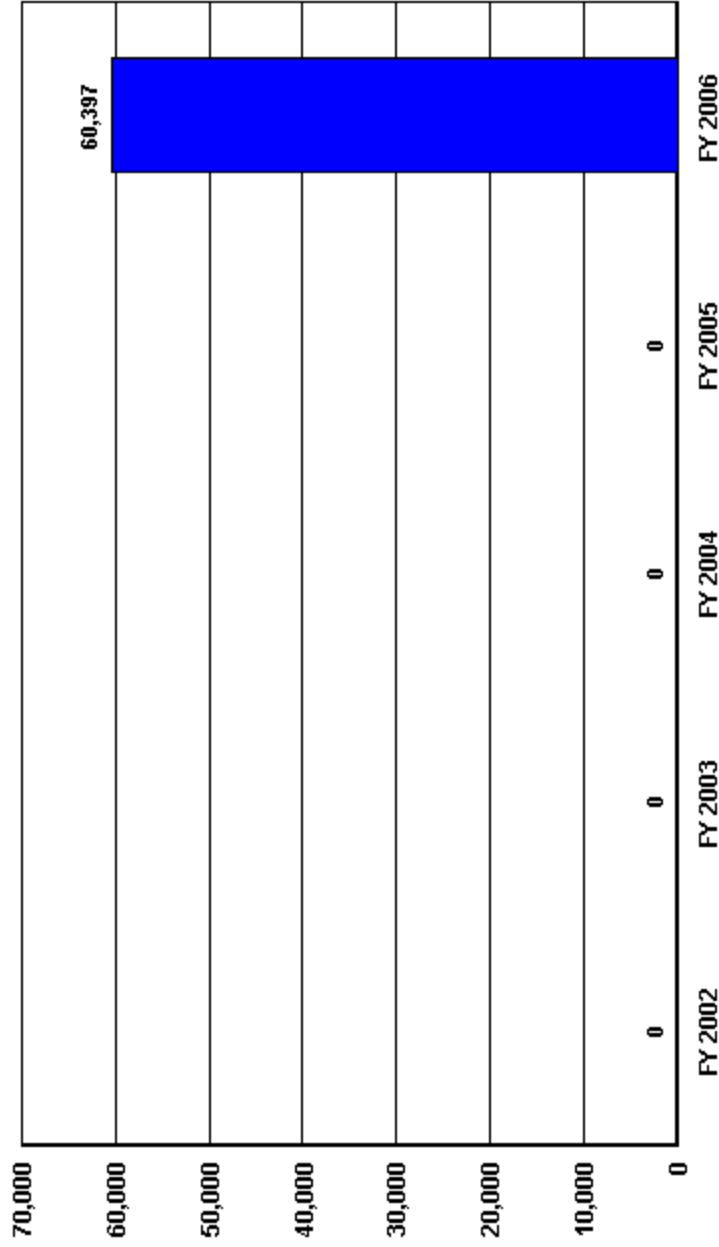
SITE PROFILE
Idaho National Lab-Battelle Energy Alliance

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
(None)			

Trends in Total Support Cost by Functional Categories
Idaho National Lab-Bechtel BWXT (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	0	0	0	0	143,776	143,776	100.0%
Capital Construction	0	0	0	0	0	0	0.0%
Total Costs Less Construction	0	0	0	0	143,776	143,776	100.0%
Total Support Costs	0	0	0	0	60,397	60,397	100.0%
Mission Direct Operation	0	0	0	0	83,379	83,379	100.0%
Mission Direct Operation as % of Total Cost	0.0%	0.0%	0.0%	0.0%	58.0%		
Capital Construction as % of Total Cost	0.0%	0.0%	0.0%	0.0%	0.0%		
Total Support Cost as % of Total Cost	0.0%	0.0%	0.0%	0.0%	42.0%		
Total	0.0%	0.0%	0.0%	0.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	0.0%	0.0%	0.0%	0.0%	42.0%		
TOTAL SUPPORT COST	0	0	0	0	60,397	60,397	100.0%
TOTAL GENERAL SUPPORT as % of TOTAL	0.0%	0.0%	0.0%	0.0%	7.0%		
TOTAL GENERAL SUPPORT	0	0	0	0	10,031	10,031	100.0%
EXECUTIVE DIRECTION	0	0	0	0	978	978	100.0%
HUMAN RESOURCES	0	0	0	0	837	837	100.0%
CFO	0	0	0	0	982	982	100.0%
PROCUREMENT	0	0	0	0	1,078	1,078	100.0%
LEGAL	0	0	0	0	200	200	100.0%
CENTRAL ADMIN SERVICES	0	0	0	0	884	884	100.0%
PROGRAM/PROJECT CONTROL	0	0	0	0	740	740	100.0%
INFORMATION OUTREACH	0	0	0	0	143	143	100.0%
INFORMATION SERVICES	0	0	0	0	4,189	4,189	100.0%
OTHER	0	0	0	0	0	0	0.0%
TOTAL MISSION SUPPORT as % of TOTAL	0.0%	0.0%	0.0%	0.0%	26.5%		
TOTAL MISSION SUPPORT	0	0	0	0	38,064	38,064	100.0%
ENVIRONMENTAL	0	0	0	0	1,526	1,526	100.0%
SAFETY AND HEALTH	0	0	0	0	14,390	14,390	100.0%
FACILITIES MANAGEMENT	0	0	0	0	4,758	4,758	100.0%
MAINTENANCE	0	0	0	0	7,239	7,239	100.0%
UTILITIES	0	0	0	0	416	416	100.0%
SAFEGUARDS AND SECURITY	0	0	0	0	475	475	100.0%
LOGISTICS SUPPORT	0	0	0	0	554	554	100.0%
QUALITY ASSURANCE	0	0	0	0	2,550	2,550	100.0%
LABORATORY/TECHNICAL SUPPORT	0	0	0	0	6,156	6,156	100.0%
TOTAL SITE SPECIFIC as % of TOTAL	0.0%	0.0%	0.0%	0.0%	8.6%		
TOTAL SITE SPECIFIC	0	0	0	0	12,302	12,302	100.0%
MANAGEMENT/INCENTIVE FEE	0	0	0	0	10,855	10,855	100.0%
TAXES	0	0	0	0	1,447	1,447	100.0%
LDRD / PDRD / SDRD	0	0	0	0	0	0	0.0%

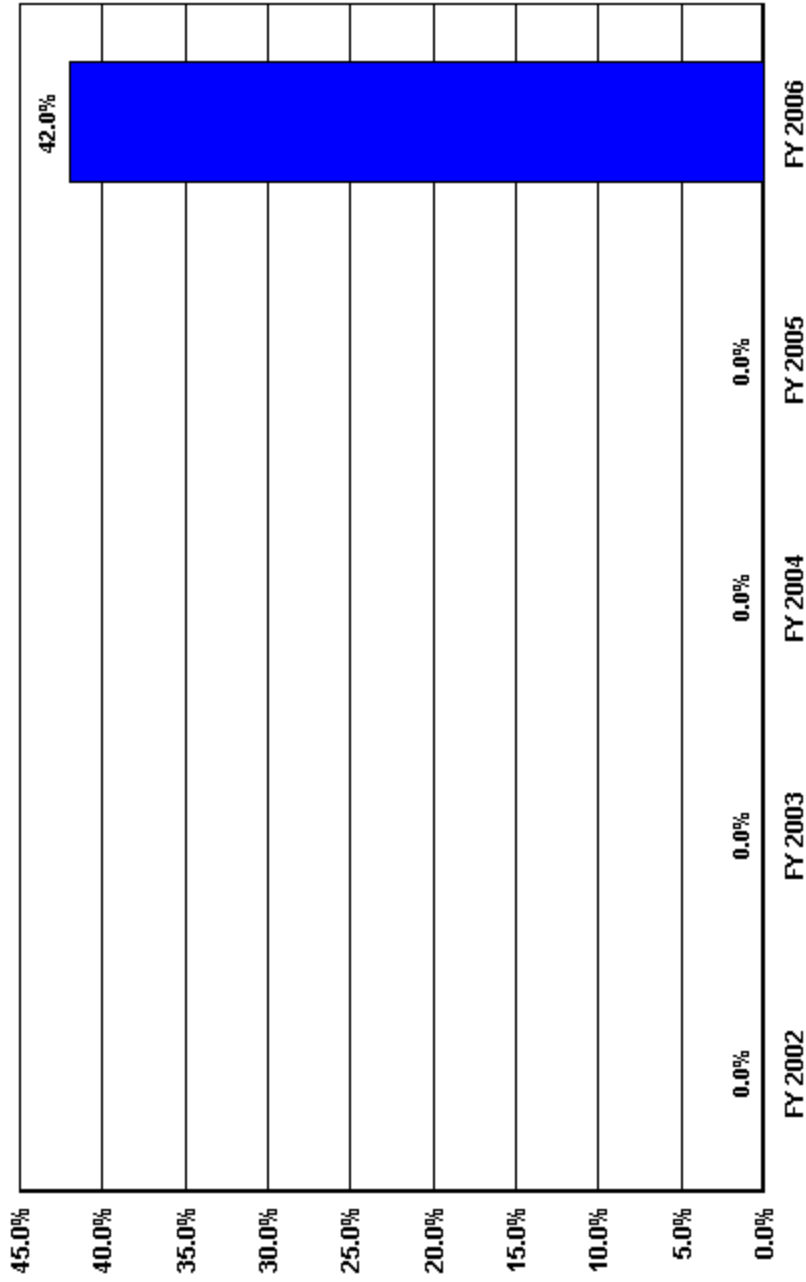
US Department of Energy
 Total Functional Support
 Idaho National Lab-Bechtel BWXT



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	0	0	0	0	60,397

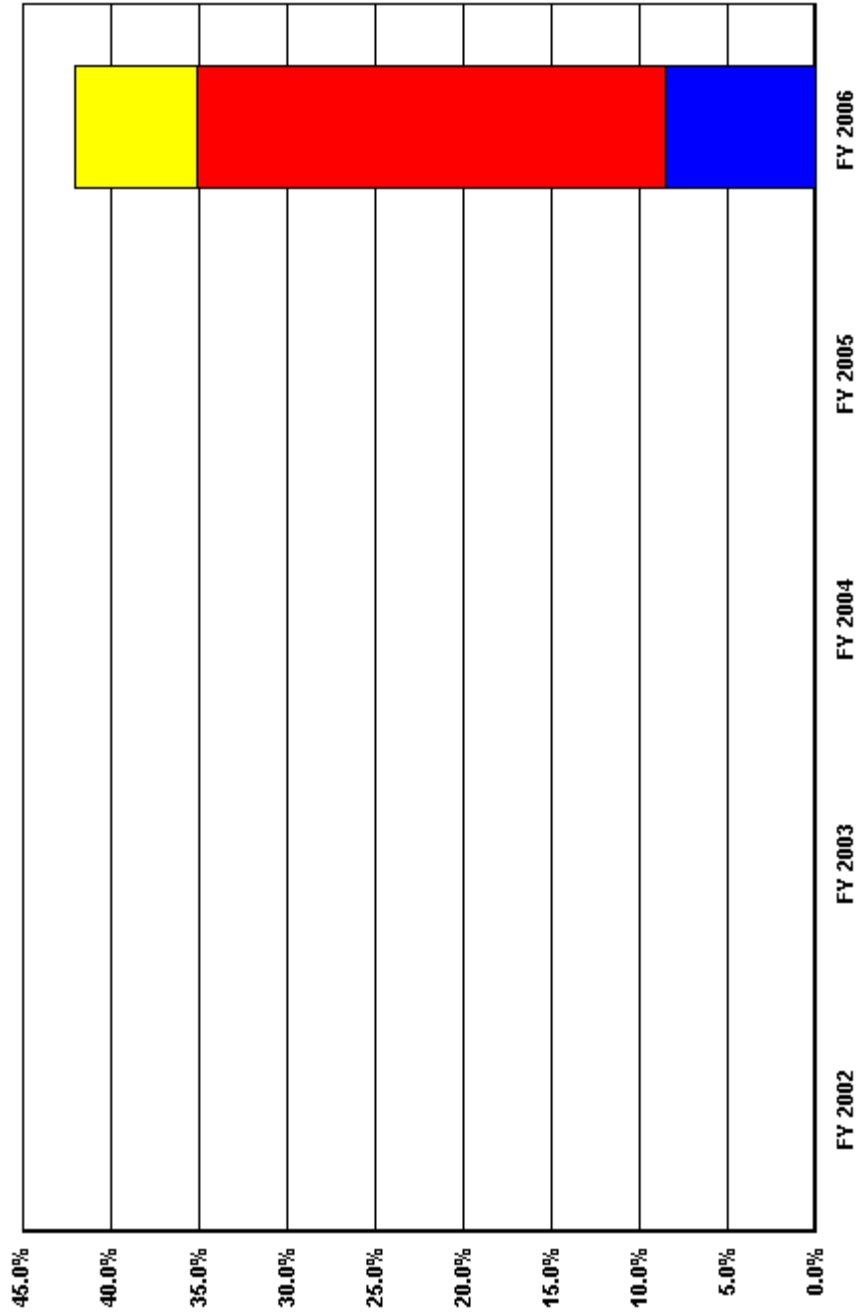
**US Department of Energy
Total Functional Support as a % of Total Costs
Idaho National Lab-Bechtel BWXT**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	0.0%	0.0%	0.0%	0.0%	42.0%

**US Department of Energy
Percent of Support Category to Total Costs
Idaho National Lab-Bechtel BWXT**



Gen Sup
 Mis Sup
 Site Specific

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	0.0%	0.0%	0.0%	0.0%	7.0%
Mis Sup	0.0%	0.0%	0.0%	0.0%	26.5%
Site Specific	0.0%	0.0%	0.0%	0.0%	8.6%

SITE PROFILE
Idaho National Lab-Bechtel BWXT

SITE OVERVIEW AND CHARACTERISTIC

AMWTP Background

The Advanced Mixed Waste Treatment Project (AMWTP) is the U.S. Department of Energy's most advanced waste treatment facility and is a cornerstone of DOE's commitment to prepare and ship waste out of Idaho. AMWTP is managed by Bechtel BWXT Idaho.

Operations at AMWTP require the retrieval, characterization, treatment and packaging of transuranic waste currently stored at DOE's Idaho site. The project's schedule is aligned with court-mandated milestones in a 1995 Settlement Agreement between the state of Idaho, the U.S. Navy and DOE to remove the waste from Idaho.

AMWTP has a workforce of approximately 675 Bechtel BWXT Idaho employees, supplemented by approximately 130 subcontract employees. Operations take place 24 hours a day, seven days a week, 365 days a year.

AMWTP is located on the Idaho National Laboratory site, approximately 50 miles west of Idaho Falls, Idaho. AMWTP shares the southern fence line with the Radioactive Waste Management Complex. There are five key functions that define the overall operating mission of AMWTP. These activities take place in 10 main facilities. These operations include:

Retrieval

Waste is retrieved from Waste Management Facility-636 where it was originally stored in drums and boxes on asphalt pads under a soil berm that was later enclosed in a metal building. Drums and boxes are systematically removed and taken to characterization.

Characterization

Retrieved waste is examined and characterized in Waste Management Facility-634 to determine its contents using testing equipment such as radiography (X-Rays), gamma spectrometry, drum coring, or headspace gas sampling. Based on the waste in the drums or boxes it may be sent to loading facilities for packaging and shipping, or to the Treatment Facility for further processing. Waste awaiting characterization is stored in five Type II storage modules, WMF-629-633.

Treatment Facility

The Treatment Facility, Waste Management Facility-676, houses a supercompactor and a shredder

SITE PROFILE
Idaho National Lab-Bechtel BWXT

that reduce the volume of waste. The shredder can reduce boxes to sawdust and metal scrapings, while the supercompactor can compact a 55-gallon drum to roughly one-fifth its original size. Waste from the Treatment Facility, both “pucks” (compacted drums) and waste from the shredder are packaged into lightweight drums that are then placed in overpack containers.

Payload Assembly

Waste from the Treatment Facility is taken to Waste Management Facility-635 where it is assembled into shipping payloads. The payloads are placed in overpack containers and loaded into transport vessels called TRUPACTs.

Shipping

TRUPACTs are loaded and inspected in Waste Management Facility-618. The TRUPACTs are put through various visual and mechanical inspections by the Idaho State Police before they are shipped by truck. Transuranic waste is taken to the Waste Isolation Pilot Plant in New Mexico. Mixed low level waste is taken to a licensed disposal site outside of Idaho.

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

EXECUTIVE DIRECTION

Prior years consolidated into one ID submission.

COST SAVINGS INITIATIVES

(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT

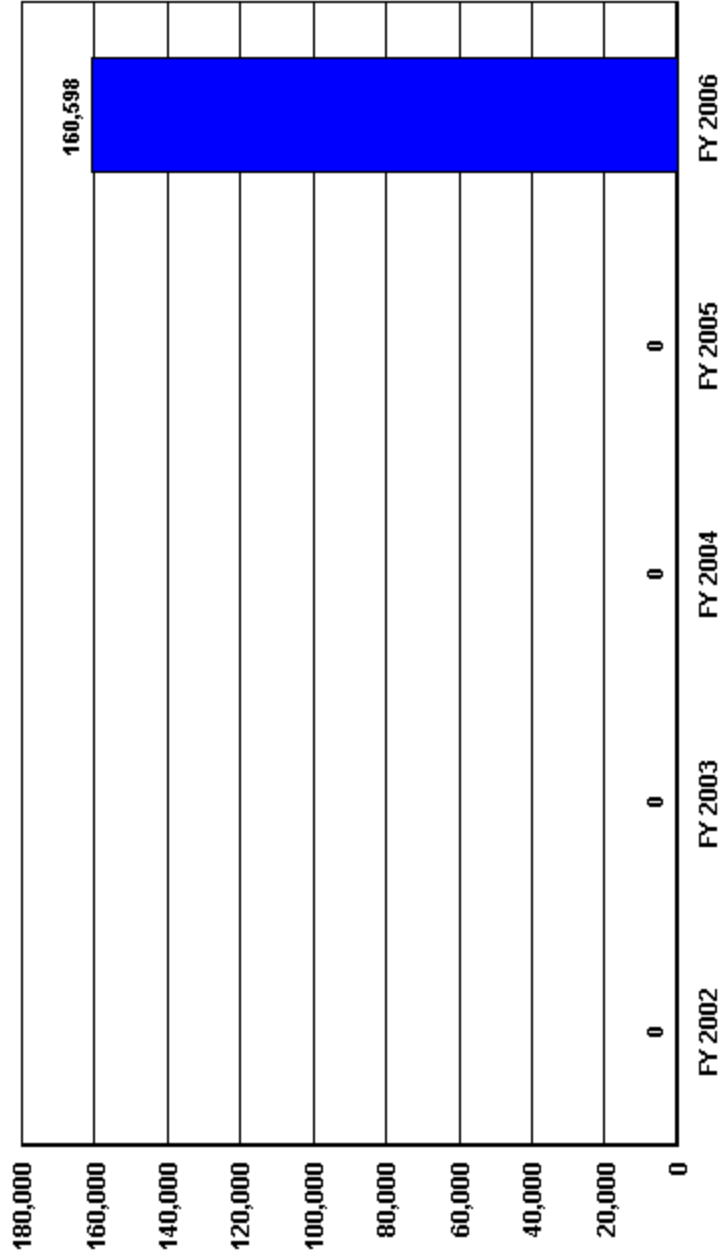
SITE PROFILE
Idaho National Lab-Bechtel BWXT

<p>Waste Tracking System</p>	<p>588</p>	<p>A Six Sigma Process Improvement Project (PIP) was conducted to eliminate manual data entry and extensive processing of paper records. Prior to implementation of this PIP, the project expended 20,000 hours per year to manually enter and maintain data in the Drum Tracking System (DTS) and to transport and maintain paper file associated with data validation. The Waste Tracking System (WTS) is the official quality system for tracking status of waste containers. The annual cost to maintain DTS was over \$730,000, and was eliminated by implementing electronic validation and developing a query to electronically extract the needed information from WTS.</p> <p>There were 12 employees in the Data Management organization in November 2005. This was reduced to 2 employees by July 2006. In addition, the Records Management organization was also reduced by one individual, as a result of the reduced paper files that needed to be copied, scanned, and transferred to permanent records storage. Additional cost savings are those associated with copying and processing the paper records.</p>	<p>Carl Sellers</p>
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Trends in Total Support Cost by Functional Categories
Idaho National Lab-CH2MWG (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	0	0	0	0	414,375	414,375	100.0%
Capital Construction	0	0	0	0	34,975	34,975	100.0%
Total Costs Less Construction	0	0	0	0	379,400	379,400	100.0%
Total Support Costs	0	0	0	0	160,598	160,598	100.0%
Mission Direct Operation	0	0	0	0	218,802	218,802	100.0%
Mission Direct Operation as % of Total Cost	0.0%	0.0%	0.0%	0.0%	52.8%		
Capital Construction as % of Total Cost	0.0%	0.0%	0.0%	0.0%	8.4%		
Total Support Cost as % of Total Cost	0.0%	0.0%	0.0%	0.0%	38.8%		
Total	0.0%	0.0%	0.0%	0.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	0.0%	0.0%	0.0%	0.0%	38.8%		
TOTAL SUPPORT COST	0	0	0	0	160,598	160,598	100.0%
TOTAL GENERAL SUPPORT as % of TOTAL	0.0%	0.0%	0.0%	0.0%	15.0%		
TOTAL GENERAL SUPPORT	0	0	0	0	62,064	62,064	100.0%
EXECUTIVE DIRECTION	0	0	0	0	1,724	1,724	100.0%
HUMAN RESOURCES	0	0	0	0	2,863	2,863	100.0%
CFO	0	0	0	0	3,610	3,610	100.0%
PROCUREMENT	0	0	0	0	979	979	100.0%
LEGAL	0	0	0	0	1,553	1,553	100.0%
CENTRAL ADMIN SERVICES	0	0	0	0	9,585	9,585	100.0%
PROGRAM/PROJECT CONTROL	0	0	0	0	16,915	16,915	100.0%
INFORMATION OUTREACH	0	0	0	0	562	562	100.0%
INFORMATION SERVICES	0	0	0	0	10,122	10,122	100.0%
OTHER	0	0	0	0	14,151	14,151	100.0%
TOTAL MISSION SUPPORT as % of TOTAL	0.0%	0.0%	0.0%	0.0%	19.0%		
TOTAL MISSION SUPPORT	0	0	0	0	78,883	78,883	100.0%
ENVIRONMENTAL	0	0	0	0	8,687	8,687	100.0%
SAFETY AND HEALTH	0	0	0	0	19,502	19,502	100.0%
FACILITIES MANAGEMENT	0	0	0	0	7,168	7,168	100.0%
MAINTENANCE	0	0	0	0	12,838	12,838	100.0%
UTILITIES	0	0	0	0	8,441	8,441	100.0%
SAFEGUARDS AND SECURITY	0	0	0	0	535	535	100.0%
LOGISTICS SUPPORT	0	0	0	0	6,748	6,748	100.0%
QUALITY ASSURANCE	0	0	0	0	11,528	11,528	100.0%
LABORATORY/TECHNICAL SUPPORT	0	0	0	0	3,436	3,436	100.0%
TOTAL SITE SPECIFIC as % of TOTAL	0.0%	0.0%	0.0%	0.0%	4.7%		
TOTAL SITE SPECIFIC	0	0	0	0	19,651	19,651	100.0%
MANAGEMENT/INCENTIVE FEE	0	0	0	0	17,101	17,101	100.0%
TAXES	0	0	0	0	2,550	2,550	100.0%
LDRD / PDRD / SDRD	0	0	0	0	0	0	0.0%

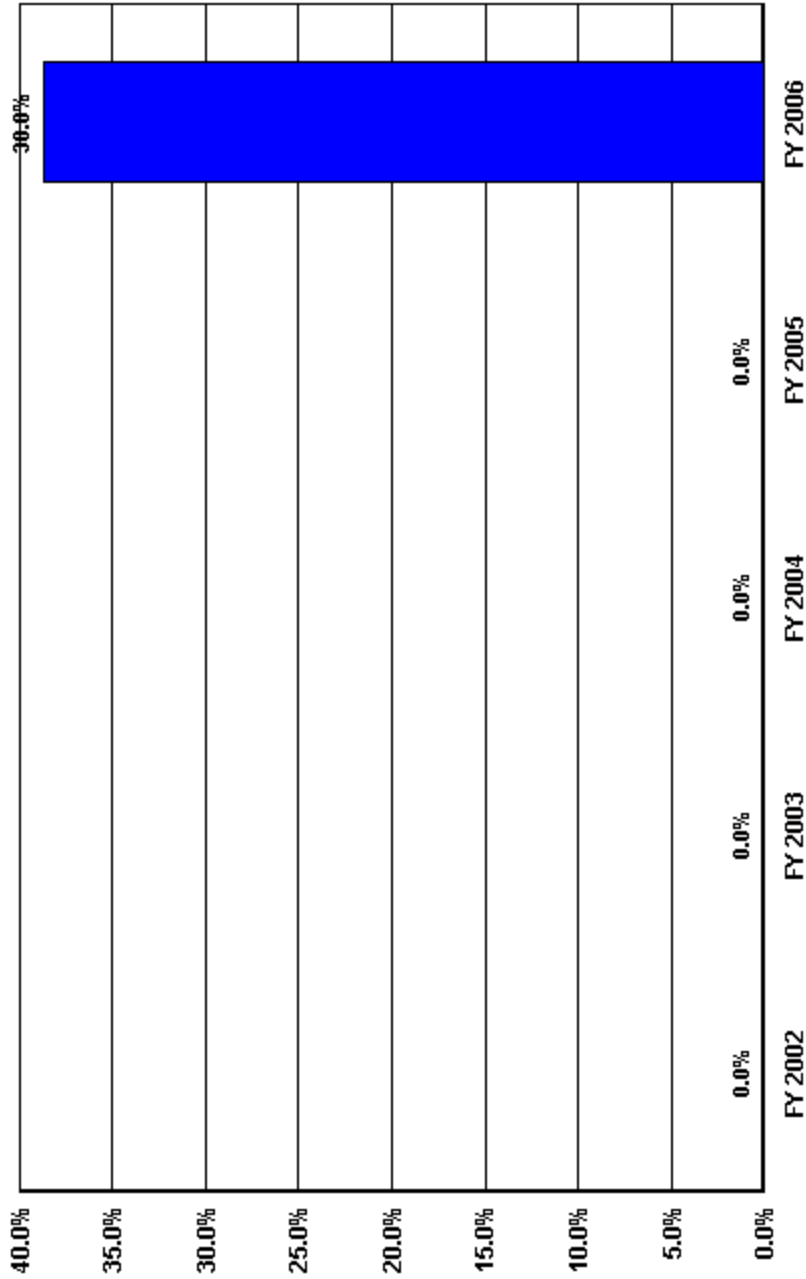
US Department of Energy
 Total Functional Support
 Idaho National Lab-CH2MWG



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	0	0	0	0	160,598

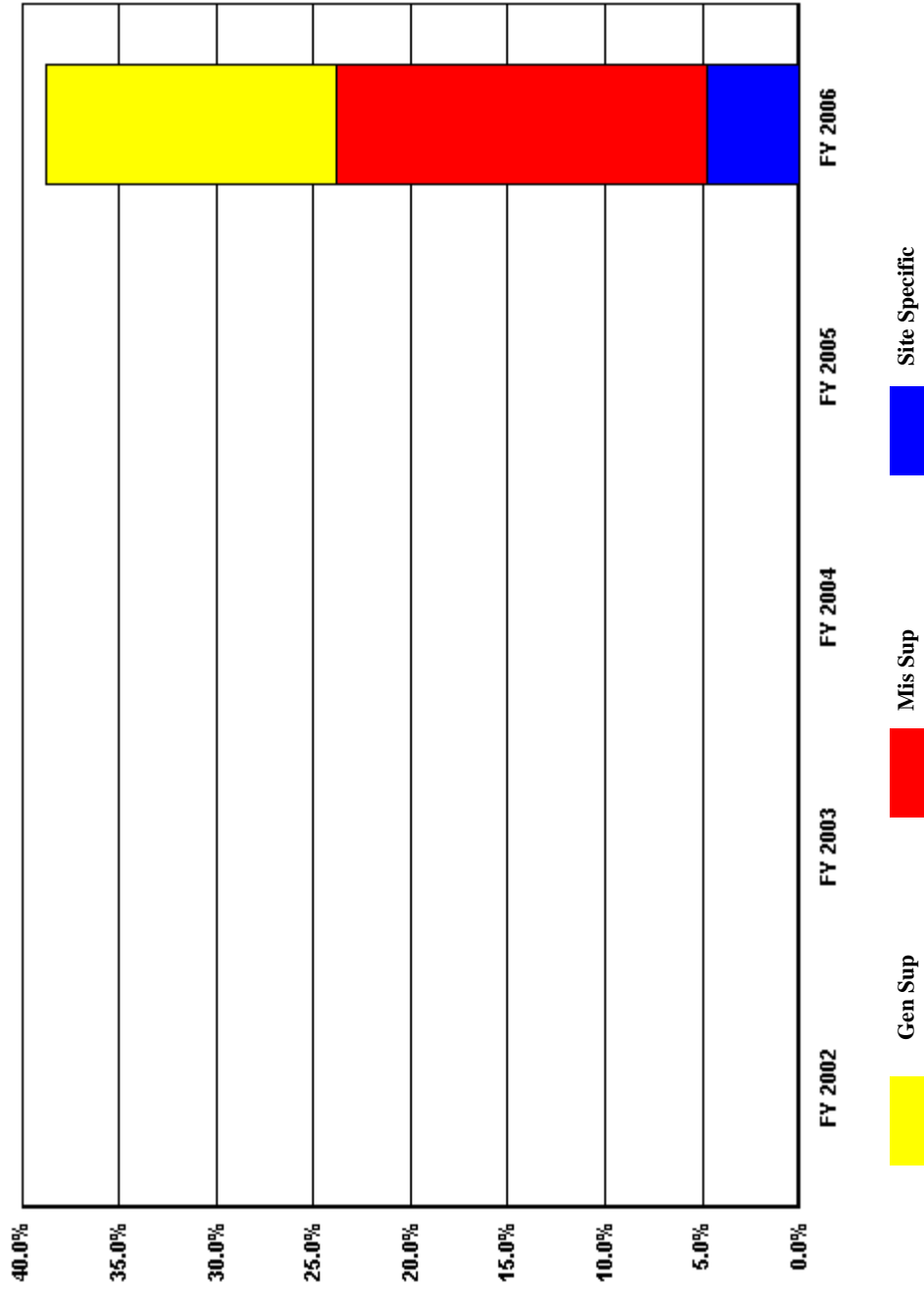
**US Department of Energy
Total Functional Support as a % of Total Costs
Idaho National Lab-CH2MWG**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	0.0%	0.0%	0.0%	0.0%	38.8%

**US Department of Energy
Percent of Support Category to Total Costs
Idaho National Lab-CH2MWG**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	0.0%	0.0%	0.0%	0.0%	15.0%
Mis Sup	0.0%	0.0%	0.0%	0.0%	19.0%
Site Specific	0.0%	0.0%	0.0%	0.0%	4.7%

SITE PROFILE
Idaho National Lab-CH2MWG

SITE OVERVIEW AND CHARACTERISTIC

SITE BACKGROUND

On May 1, 2005 CH2M-WG Idaho, LLC (CWI) assumed management responsibilities of the Idaho Cleanup Project (ICP) and related DOE projects at the Idaho National Lab (INL) from BBWI. The stated goal of the Idaho Cleanup Project is to “Complete the environmental cleanup in a safe, cost effective manner, consistent with the principles of the EM Closure Planning Guidance Document dated June 1, 2004.”

SITE CHARACTERISTICS

The CWI functional cost profile is a result of the many factors and characteristics associated with the overall cleanup mission. A comprehensive knowledge of site-specific characteristics (missions, diversity and complexity of work, duration of effort, regulatory drivers, geography, etc.) is required to fully understand and draw meaningful conclusions from this data. Some of the factors affecting CWI’s functional cost profile include:

- The INL and other CWI projects are located in various areas within the 889 square miles with the associated logistics/infrastructure.
- There are 8 major “site” operating complexes.
- There are 5 facilities in the City of Idaho Falls, which are 40 to 60 miles from the site.
- Approximately 2,100 employees work for the ICP. Approximately 500 employees work in town locations while 1,600 employees work in site locations.
- CWI provides support services of \$21.6M to other “on-site” government entities, e.g., the INL, Advanced Mixed Waste Treatment Project, Advanced Retrieval Project, Naval Reactors Facility (NRF) and DOE-ID.
- CWI is involved in the clean up of legacy environmental problems. Life cycle (estimated at 30 to 50 years) waste cleanup activities include the following items:
 - Transuranic Waste
 - High-Level Waste
 - Low-Level Waste
 - Mixed Low-Level Waste
 - Environmental Media Contamination Spent Nuclear Fuel
- CWI environmental operations are guided by the Idaho Settlement Agreement between the Department, the Navy, and the State of Idaho.
- CWI is one of the largest employers in the state of Idaho.

SITE PROFILE
Idaho National Lab-CH2MWG

ANALYSIS OF CHANGE IN SUPPORT COSTS FROM PRIOR YEAR

The CWI contract started on May 1, 2005. Since Fiscal Year 2006 is the first full year of the contract, there are no changes in support costs from the previous year. Support cost changes will be reported beginning with Fiscal Year 2007 reporting.

COST SAVINGS INITIATIVES

CWI's contract with DOE allows it to increase the amount of fee earned by reducing the total cost of the ICP Project. CWI has a B.8 program to encourage employees to submit cost savings and streamlining ideas, and rewards employees with cash for suggestions that result in hard dollar cost savings. The rewards are paid from company profits.

CWI also has an incentive program that passes up to 20% of the company's fee back to its employees. Individuals who identify and implement cost savings that achieve a positive cost variance against the project baseline are specifically rewarded.

Each organization is also expected to constantly review its operations for cost savings, as well as other safety, compliance, etc. Each employee is authorized and encouraged to participate in these activities.

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

EXECUTIVE DIRECTION

Prior years consolidated into one ID submission.

OTHER

Workforce Restructuring - Buyouts and incentives to reduce staff.

COST SAVINGS INITIATIVES

(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT

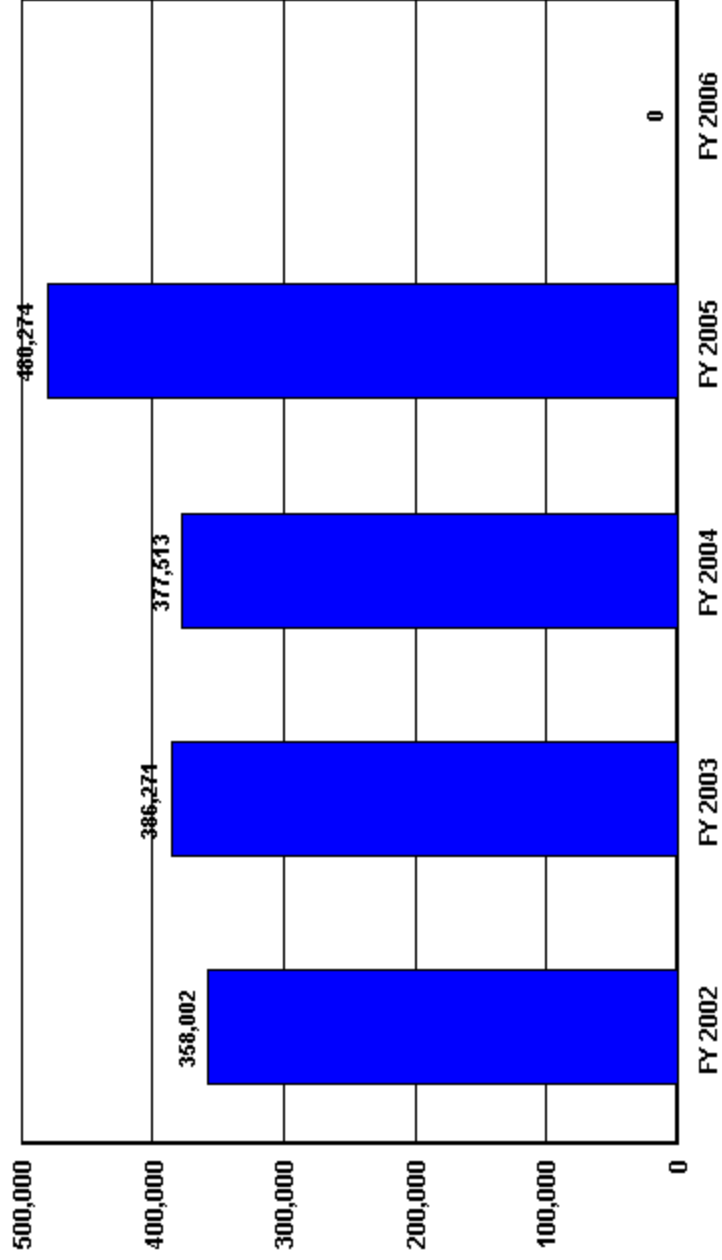
SITE PROFILE
Idaho National Lab-CH2MWG

Excess Equipment	118	CWI obtained excess equipment from the Rocky Flats site to support several Information Technology projects. Using excess equipment instead of procuring new equipment saved \$825,000 over the life of the contract (7 years)	Scott Lebow
Microsoft Agreement	150	CWI was paying BEA \$436,160 annually for CWI's portion of the Microsoft Enterprise Agreement. By obtaining our own agreement and using the DOE ASAR Agreement, annual costs have been lowered to \$286,650 per year.	Scott Lebow
Cell Phone Contract	719	CWI moved its cell phone contract from a commercial Verizon account to a GSA Verizon contract to save \$719,000 annually.	Scott Lebow
Sample Analysis	0	The Idaho Nuclear Technology and Engineering Center Analytical Laboratory is changing its operations to improve its throughput capacity and reduce subcontract costs for sample analysis. The Sample and Analysis Management department will work with the Analytical Laboratory to implement this change. This should save about \$1,000,000 over the life of the ICP contract.	
Steam Generation	0	The Integrated Waste Treatment Unit (IWTU) is removing the steam generation part of the unit and using existing steam generation facilities. Washington Group completed a study of this and agreed it would work and save \$266,000.	
Steam Boilers	0	The Idaho Nuclear Technology and Engineering Center is installing a rotary compressor and upgrading the controls on steam boilers. This will save about \$400,000 over the contract.	

Trends in Total Support Cost by Functional Categories
Idaho National Lab/Battelle, Bechtel & CH2M*WG (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	680,174	712,704	766,686	954,705	0	-680,174	-100.0%
Capital Construction	26,100	15,280	16,005	14,457	0	-26,100	-100.0%
Total Costs Less Construction	654,074	697,424	750,681	940,248	0	-654,074	-100.0%
Total Support Costs	358,002	386,271	377,513	480,274	0	-358,002	-100.0%
Mission Direct Operation	296,072	311,153	373,168	459,974	0	-296,072	-100.0%
Mission Direct Operation as % of Total Cost	43.5%	43.7%	48.7%	48.2%	0.0%		
Capital Construction as % of Total Cost	3.8%	2.1%	2.1%	1.5%	0.0%		
Total Support Cost as % of Total Cost	52.6%	54.2%	49.2%	50.3%	0.0%		
Total	100.0%	100.0%	100.0%	100.0%	0.0%		
TOTAL SUPPORT COST as % of TOTAL COST	52.6%	54.2%	49.2%	50.3%	0.0%		
TOTAL SUPPORT COST	358,002	386,271	377,513	480,274	0	-358,002	-100.0%
TOTAL GENERAL SUPPORT as % of TOTAL	16.1%	17.2%	14.9%	15.4%	0.0%		
TOTAL GENERAL SUPPORT	109,316	122,257	113,929	146,599	0	-109,316	-100.0%
EXECUTIVE DIRECTION	12,715	13,272	13,071	15,978	0	-12,715	-100.0%
HUMAN RESOURCES	9,510	9,576	9,392	13,897	0	-9,510	-100.0%
CFO	5,918	6,281	7,008	11,322	0	-5,918	-100.0%
PROCUREMENT	5,867	6,382	8,656	9,941	0	-5,867	-100.0%
LEGAL	9,341	9,979	4,702	4,082	0	-9,341	-100.0%
CENTRAL ADMIN SERVICES	15,147	20,359	16,328	20,110	0	-15,147	-100.0%
PROGRAM/PROJECT CONTROL	12,033	13,805	12,502	15,072	0	-12,033	-100.0%
INFORMATION OUTREACH	9,591	9,103	6,809	8,539	0	-9,591	-100.0%
INFORMATION SERVICES	27,168	32,461	35,311	46,953	0	-27,168	-100.0%
OTHER	2,026	1,039	150	705	0	-2,026	-100.0%
TOTAL MISSION SUPPORT as % of TOTAL	28.3%	28.8%	27.4%	27.5%	0.0%		
TOTAL MISSION SUPPORT	192,374	205,079	210,246	262,936	0	-192,374	-100.0%
ENVIRONMENTAL	8,740	9,333	2,420	6,000	0	-8,740	-100.0%
SAFETY AND HEALTH	47,705	49,189	58,985	66,995	0	-47,705	-100.0%
FACILITIES MANAGEMENT	18,516	31,115	25,759	29,560	0	-18,516	-100.0%
MAINTENANCE	53,315	49,239	52,181	67,937	0	-53,315	-100.0%
UTILITIES	10,964	15,932	15,185	20,722	0	-10,964	-100.0%
SAFEGUARDS AND SECURITY	21,514	25,442	30,067	35,937	0	-21,514	-100.0%
LOGISTICS SUPPORT	10,104	11,917	12,544	13,723	0	-10,104	-100.0%
QUALITY ASSURANCE	12,252	10,750	11,379	12,926	0	-12,252	-100.0%
LABORATORY/TECHNICAL SUPPORT	9,264	2,162	1,726	9,136	0	-9,264	-100.0%
TOTAL SITE SPECIFIC as % of TOTAL	8.3%	8.3%	7.0%	7.4%	0.0%		
TOTAL SITE SPECIFIC	56,312	58,935	53,338	70,739	0	-56,312	-100.0%
MANAGEMENT/INCENTIVE FEE	33,778	37,109	38,109	51,655	0	-33,778	-100.0%
TAXES	3,237	3,264	4,350	3,371	0	-3,237	-100.0%
LDRD / PDRD / SDRD	19,297	18,562	10,879	15,713	0	-19,297	-100.0%

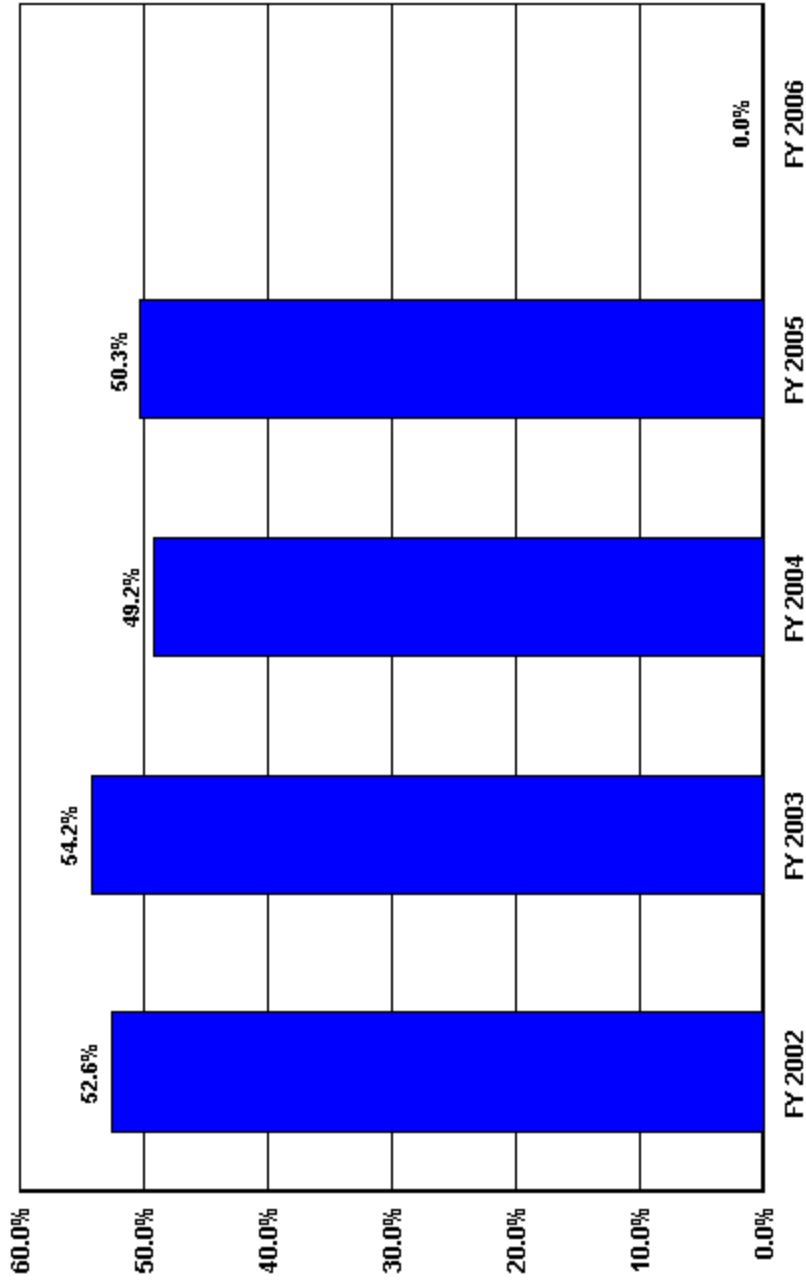
US Department of Energy
 Total Functional Support
 Idaho National Lab/Battelle, Bechtel & CH2M*WG



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	358,002	386,271	377,513	480,274	0

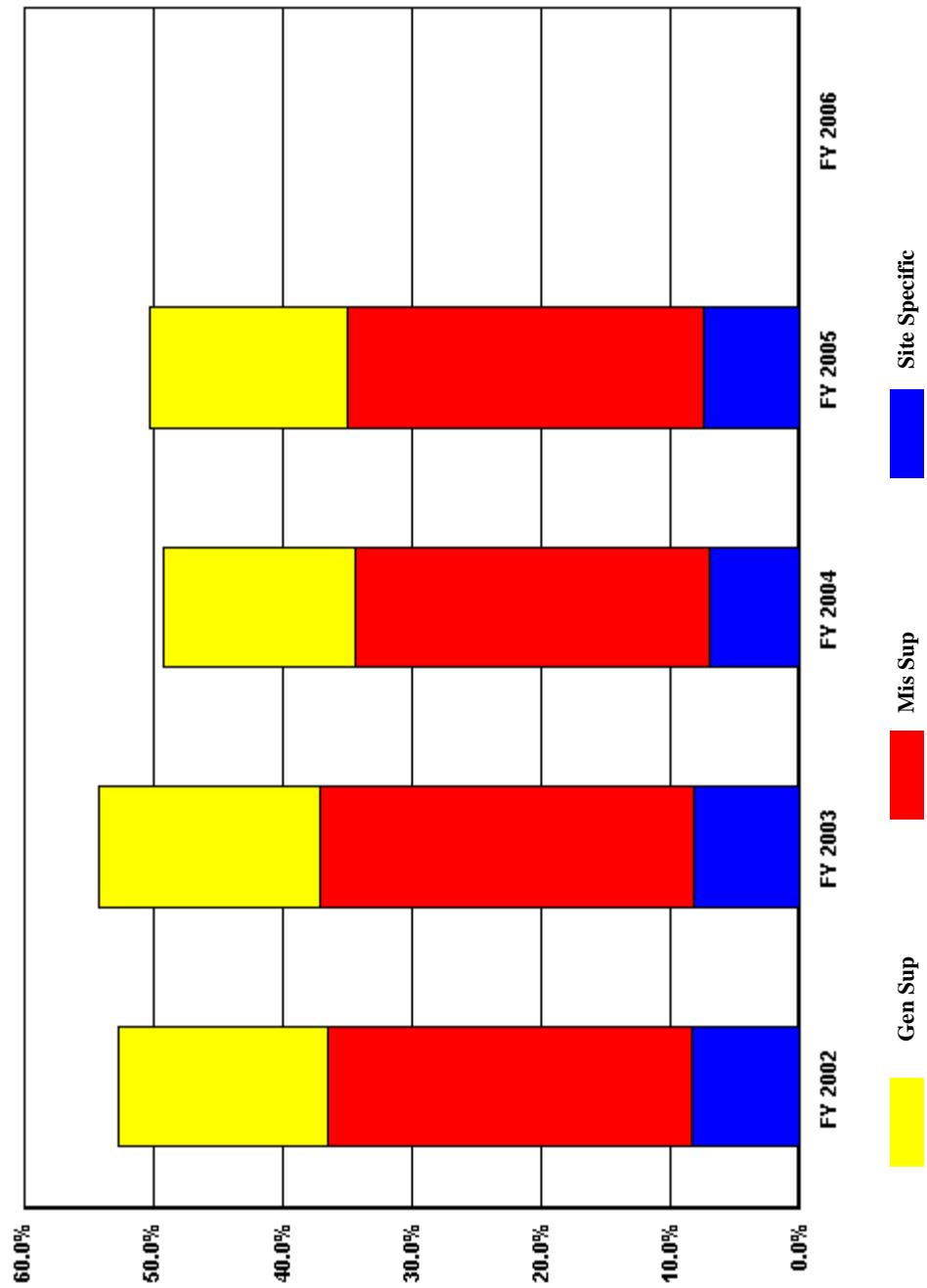
**US Department of Energy
Total Functional Support as a % of Total Costs
Idaho National Lab/Battelle, Bechtel & CH2M*WG**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	52.6%	54.2%	49.2%	50.3%	0.0%

**US Department of Energy
Percent of Support Category to Total Costs
Idaho National Lab/Battelle, Bechtel & CH2M*WG**

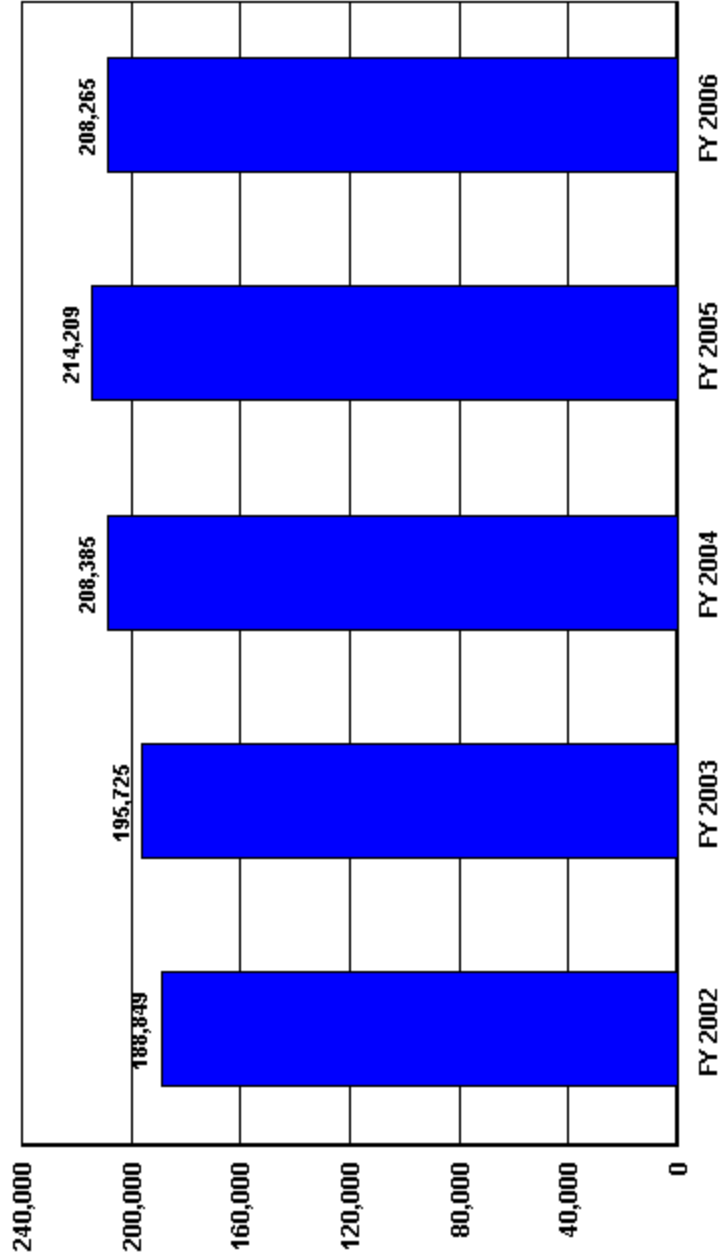


	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	16.1%	17.2%	14.9%	15.4%	0.0%
Mis Sup	28.3%	28.8%	27.4%	27.5%	0.0%
Site Specific	8.3%	8.3%	7.0%	7.4%	0.0%

Trends in Total Support Cost by Functional Categories
Kansas City Plant/Honeywell, FM&T (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	452,522	484,983	515,898	538,395	509,716	57,194	12.6%
Capital Construction	55,396	66,438	58,710	39,207	20,060	-35,336	-63.8%
Total Costs Less Construction	397,126	418,545	457,188	499,188	489,656	92,530	23.3%
Total Support Costs	188,849	195,725	208,385	214,209	208,265	19,416	10.3%
Mission Direct Operation	208,277	222,820	248,803	284,979	281,391	73,114	35.1%
Mission Direct Operation as % of Total Cost	46.0%	45.9%	48.2%	52.9%	55.2%		
Capital Construction as % of Total Cost	12.2%	13.7%	11.4%	7.3%	3.9%		
Total Support Cost as % of Total Cost	41.7%	40.4%	40.4%	39.8%	40.9%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	41.7%	40.4%	40.4%	39.8%	40.9%		
TOTAL SUPPORT COST	188,849	195,725	208,385	214,209	208,265	19,416	10.3%
TOTAL GENERAL SUPPORT as % of TOTAL	14.9%	14.2%	13.7%	13.6%	13.5%		
TOTAL GENERAL SUPPORT	67,402	68,841	70,893	73,135	68,919	1,517	2.3%
EXECUTIVE DIRECTION	4,216	5,741	5,942	6,178	5,065	849	20.1%
HUMAN RESOURCES	4,467	3,896	3,625	3,734	3,495	-972	-21.8%
CFO	4,286	5,209	5,834	6,045	6,414	2,128	49.7%
PROCUREMENT	6,299	6,453	6,769	6,483	7,558	1,259	20.0%
LEGAL	2,053	2,096	1,040	1,135	925	-1,128	-54.9%
CENTRAL ADMIN SERVICES	430	220	268	274	288	-142	-33.0%
PROGRAM/PROJECT CONTROL	7,172	8,207	8,581	8,786	8,688	1,516	21.1%
INFORMATION OUTREACH	3,888	2,812	3,494	4,399	4,742	854	22.0%
INFORMATION SERVICES	33,391	34,207	35,340	35,690	31,703	-1,688	-5.1%
OTHER	1,200	0	0	411	41	-1,159	-96.6%
TOTAL MISSION SUPPORT as % of TOTAL	21.2%	20.9%	21.5%	21.0%	21.5%		
TOTAL MISSION SUPPORT	95,841	101,175	110,680	113,319	109,405	13,564	14.2%
ENVIRONMENTAL	5,355	5,296	5,311	4,855	4,889	-466	-8.7%
SAFETY AND HEALTH	5,007	4,926	5,645	5,427	5,131	124	2.5%
FACILITIES MANAGEMENT	8,143	10,071	10,014	11,715	12,587	4,444	54.6%
MAINTENANCE	35,189	36,923	43,477	43,158	37,573	2,384	6.8%
UTILITIES	13,458	12,824	13,127	14,347	14,761	1,303	9.7%
SAFEGUARDS AND SECURITY	10,071	11,247	11,592	11,331	11,516	1,445	14.3%
LOGISTICS SUPPORT	6,399	6,795	7,726	7,951	7,741	1,342	21.0%
QUALITY ASSURANCE	8,203	9,165	9,450	9,463	9,577	1,374	16.7%
LABORATORY/TECHNICAL SUPPORT	4,016	3,928	4,338	5,072	5,630	1,614	40.2%
TOTAL SITE SPECIFIC as % of TOTAL	5.7%	5.3%	5.2%	5.2%	5.9%		
TOTAL SITE SPECIFIC	25,606	25,709	26,812	27,755	29,941	4,335	16.9%
MANAGEMENT/INCENTIVE FEE	22,556	22,445	23,458	23,866	26,690	4,134	18.3%
TAXES	1,706	1,602	1,228	2,206	2,307	601	35.2%
LDRD / PDRD / SDRD	1,344	1,662	2,126	1,683	944	-400	-29.8%

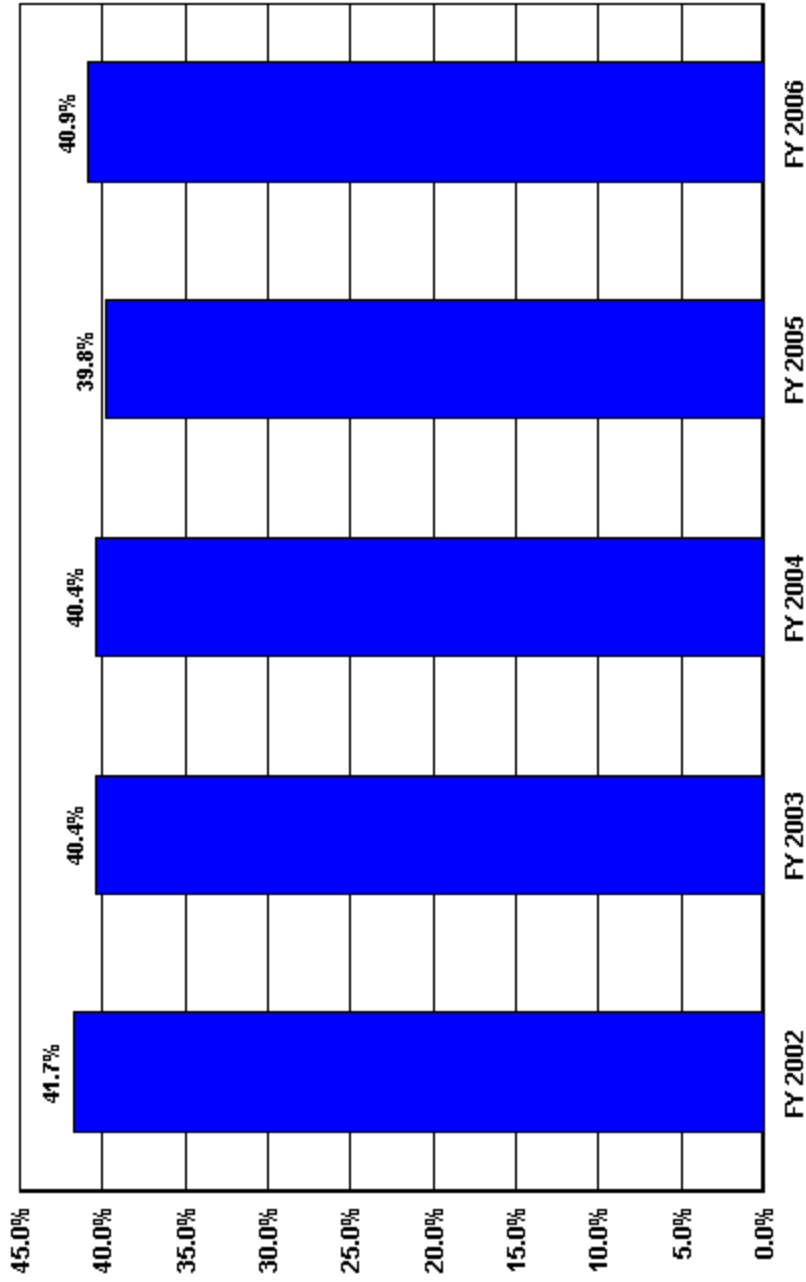
**US Department of Energy
Total Functional Support
Kansas City Plant/Honeywell, FM&T**



■ Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	188,849	195,725	208,385	214,209	208,265

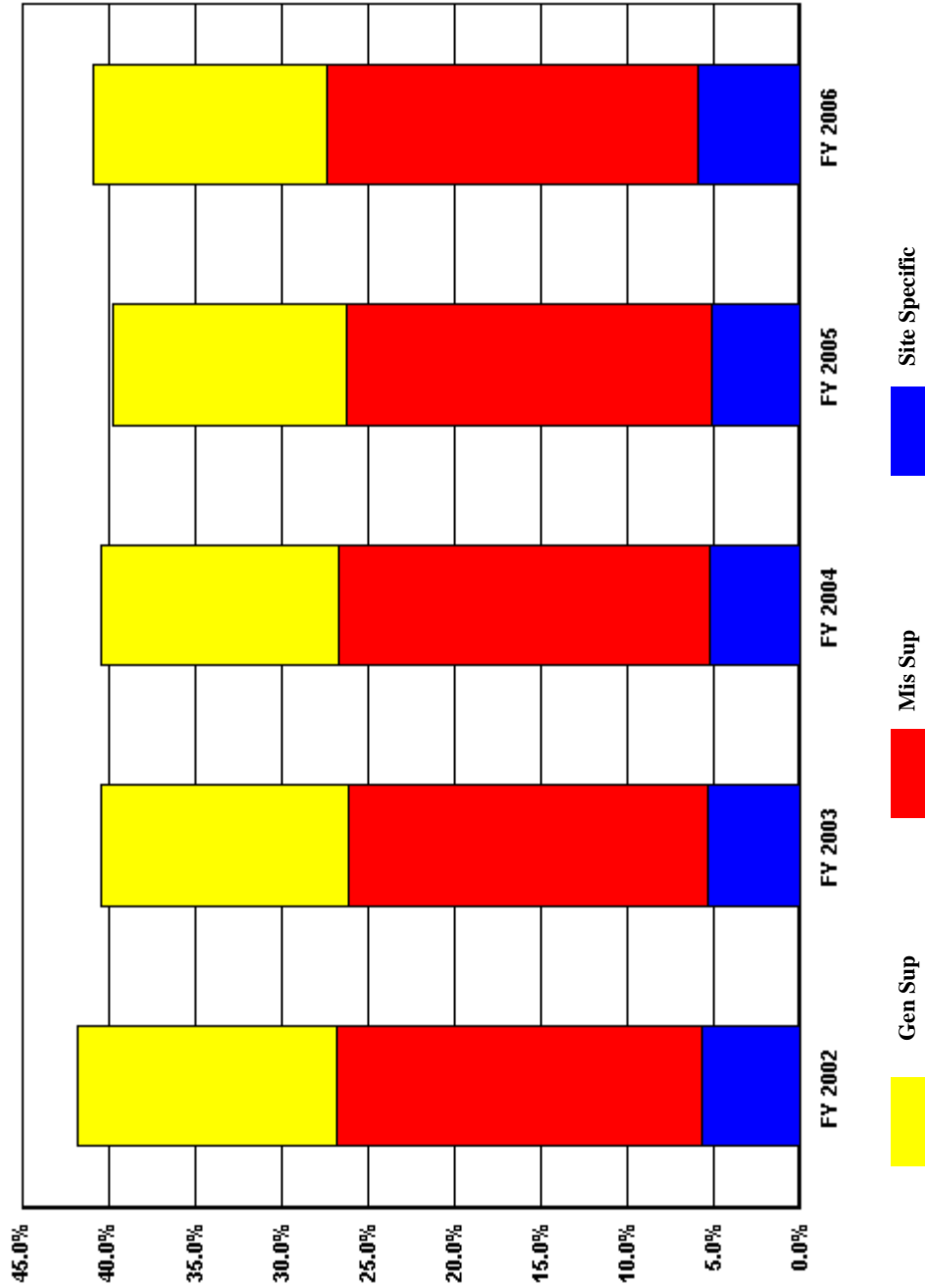
**US Department of Energy
Total Functional Support as a % of Total Costs
Kansas City Plant/Honeywell, FM&T**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	41.7%	40.4%	40.4%	39.8%	40.9%

**US Department of Energy
Percent of Support Category to Total Costs
Kansas City Plant/Honeywell, FM&T**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	14.9%	14.2%	13.7%	13.6%	13.5%
Mis Sup	21.2%	21.5%	21.0%	21.0%	21.5%
Site Specific	5.7%	5.3%	5.2%	5.2%	5.9%

SITE PROFILE
Kansas City Plant/Honeywell, FM&T

SITE OVERVIEW AND CHARACTERISTIC

Background

The Kansas City Plant (KCP) is operated by Honeywell, Federal Manufacturing & Technologies (FM&T). Our broad array of products and capabilities are closely linked with current and future efforts to ensure the safety and reliability of the stockpile. The plant produces over 85% of the components that constitute a nuclear weapon—more than 1,000 active ship entities for over 40 product families. Approximately 100,000 ship entity pieces are shipped annually. Engineers are responsible for the full spectrum of products and technologies that perform weapon functions from access authorization to delivery of energy to the nuclear explosives package. These products include items such as radars, programmers, reservoirs, joint test assemblies, trajectory sensing signal generators, firesets, and mechanical cases. Other major initiatives the plant supports are: fabrication of telemetry systems to evaluate weapon systems, fabrication of Safeguards Transporters and program activities for the Office of Secure Transportation, warehousing and shipment of hardware for the Air Force's ongoing maintenance programs, and centralized procurement of Directed Stockpile Work production material.

The KCP includes property, assets and people located in Missouri, New Mexico and Arkansas. Current employment is approximately 2,740 people. The Kansas City facility resides on 141 acres including grounds and parking lots and currently utilizes approximately 2.9 million square feet of building space (primarily within one manufacturing building). The plant provides utility services to the South Kansas City Federal Complex which includes the plant and General Services Administration (GSA) space leased to other federal agencies. The plant bills GSA for their utilities. In October 1994, the FM&T division assumed responsibility for Kirtland Operations previously operated by EG&G. Kirtland Operations is situated on four separate sites in Albuquerque, New Mexico: 20.2 fenced acres owned by the U.S. Air Force and occupied under permit to the DOE, the Craddock Facility, the Air Park Facility, and the Coyote Canyon Facility. The Kirtland Operation also provides facility support and training for Fort Chaffee, Arkansas, which supports the Office of Secure Transportation, and engineering and technical support for Los Alamos, New Mexico. There are approximately 30,000 items of equipment at the combined facilities.

Functional Support Cost Trends

The plant cost profile is influenced by program requirements and funding trends associated with Defense Programs' workload and complementary work. Total operating costs (total costs less capital/construction) have increased steadily each year from FY2002 through FY2005 primarily due

SITE PROFILE
Kansas City Plant/Honeywell, FM&T

to increased workload. The five percent decrease from FY2005 to FY2006 reflects cost reduction initiatives required due to funding constraints. During the five year period, direct mission costs increased by 36%, while total functional support costs only increased by 10%. General Support functions have decreased from 15% to 13% of operating costs, while Mission Support functions have remained at 21% during this time frame. A plant pension contribution requirement in FY2003 through FY2006 was driven by the drop in equity markets over the prior four-year period and low treasury rates (note: the last required contribution was prior to the five-year functional cost period). The pension contributions (\$24.2M in FY2004, \$22.3M in FY2005 and \$37.1M in FY2006) impacted all categories through salaried and hourly labor pricing.

Process Improvements/Cost Savings Initiatives

Kansas City Plant/Honeywell FM&T continues its implementation of the Honeywell Operating System (HOS) in alignment with Honeywell's functional leadership, core processes, policies and recommended best practices. HOS is the applications 'lean' principles to the entire enterprise removing waste in every process: a holistic approach to drive improvements in safety, quality, delivery, and cost; through full integration of Six Sigma. HOS is not about working harder - but it is about synergistically integrating processes, skills, and technology, to reduce cycle time and cost, while improving quality.

In addition to the continued HOS integration that focuses on enabling the pursuit of operational excellence and responsiveness, in the third quarter of FY 2006 Honeywell FM&T began the implementation of a Management Assurance System (MAS). The MAS is based on an industry standard process approach and upon practices that currently operate within FM&T and its parent organization. Within the low risk nature of site operations, the KCSO and FM&T jointly developed an approach for deploying federal oversight and contractor assurance that focuses on essential outcomes. These major focus areas are:

- Meeting Product Schedule
- Meeting Product Specification
- Cost Management
- Asset Management
- Meeting Contractor Standards including ES&H and National Security

Honeywell FM&T completed more than 500 continuous improvement projects totaling more than \$15M in increased productivity & reduced costs during FY06. All continuous improvement projects that yield cost savings support the cost management essential outcome.

SITE PROFILE
Kansas City Plant/Honeywell, FM&T

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

OTHER

The decrease in Other is associated with the cost of organizational restructuring which was higher during FY 2005 than in FY 2006.

LDRD / PDRD / SDRD

In FY 2006, PDRD activities were reduced significantly over FY 2005 levels as a part of plant cost reduction initiatives.

CAPITAL CONSTRUCTION

Overall funding has been reduced in this area and there have been no "new start" construction projects since FY 2003.

COST SAVINGS INITIATIVES

(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
Procurement of W76B Mandrels	1,348	The previous process for manufacturing W76B mandrels at FM&T with stereo lithography methods that already met the customer's very time-demanding needs was made even quicker and more cost-effective.	Lori Peace
Welding Qualification System	836	A system was developed that meet all qualification/specifications, complied with internal command media and quality manuals, created an easy process for operators and engineers and provided a mistake proof method for ensuring that welders had the proper qualification prior to welding. This solution also expended less time and material for operator and machine qualification.	Lori Peace
Design Plans for Laser/Optics Systems Production	855	A solution was provided that evaluated design plan options for manufacturing existing and upcoming laser/optical systems at KCP; evaluated workload forecasts for existing department; minimized costs, schedules, environmental requirements; and maintained laser safety.	Lori Peace

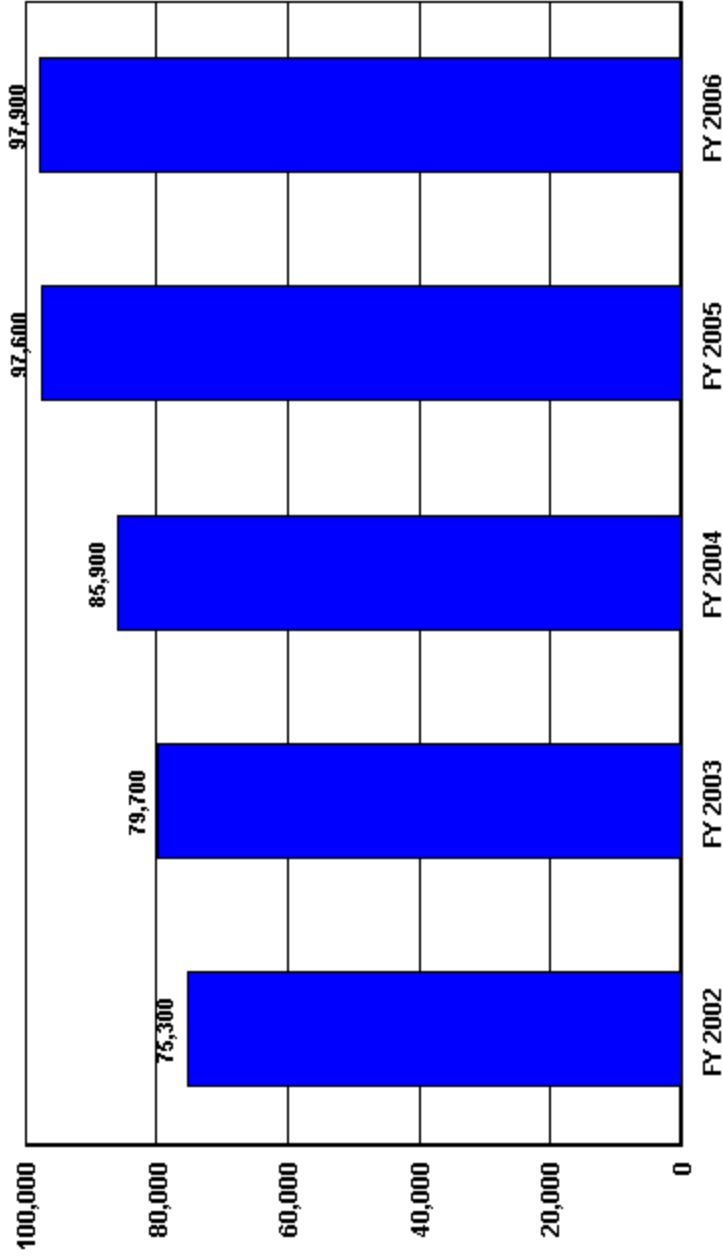
SITE PROFILE
Kansas City Plant/Honeywell, FM&T

Contaminated Fire Water Runoff Review	710	A process was incorporated that effectively and efficiently reviewed site wide contaminated fire water runoff containment issues and processes to prevent offsite release of chemicals.	Lori Peace
Load Deflection Tester Reliability	318	Project upgraded the core technology of a load deflection testing system while maintaining the durability, reliability, and accuracy specifications for the test equipment.	Lori Peace
Purchasing non-refundable tickets	890	The identified savings were originated at KCP based on internal initiatives. Honeywell began purchasing non-refundable tickets for associate travel in FY2002; this initiative reflects the utilization of an approach that was being applied at some other sites.	Lori Peace

Trends in Total Support Cost by Functional Categories
Knolls Atomic Power Lab/Lockheed Martin (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	271,600	296,500	304,300	347,700	329,300	57,700	21.2%
Capital Construction	15,900	27,300	17,300	19,300	25,700	9,800	61.6%
Total Costs Less Construction	255,700	269,200	287,000	328,400	303,600	47,900	18.7%
Total Support Costs	75,300	79,700	85,900	97,600	97,900	22,600	30.0%
Mission Direct Operation	180,400	189,500	201,100	230,800	205,700	25,300	14.0%
Mission Direct Operation as % of Total Cost	66.4%	63.9%	66.1%	66.4%	62.5%		
Capital Construction as % of Total Cost	5.9%	9.2%	5.7%	5.6%	7.8%		
Total Support Cost as % of Total Cost	27.7%	26.9%	28.2%	28.1%	29.7%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	27.7%	26.9%	28.2%	28.1%	29.7%		
TOTAL SUPPORT COST	75,300	79,700	85,900	97,600	97,900	22,600	30.0%
TOTAL GENERAL SUPPORT as % of TOTAL	8.4%	8.8%	9.1%	10.2%	11.1%		
TOTAL GENERAL SUPPORT	22,900	26,100	27,800	35,600	36,400	13,500	59.0%
EXECUTIVE DIRECTION	2,800	3,000	3,200	3,000	2,300	-500	-17.9%
HUMAN RESOURCES	3,400	3,900	4,300	6,100	4,900	1,500	44.1%
CFO	2,500	3,100	4,000	3,300	3,300	800	32.0%
PROCUREMENT	1,700	2,000	1,900	2,400	2,000	300	17.6%
LEGAL	200	500	200	300	200	0	0.0%
CENTRAL ADMIN SERVICES	1,300	1,400	1,600	1,500	1,000	-300	-23.1%
PROGRAM/PROJECT CONTROL	400	400	500	700	800	400	100.0%
INFORMATION OUTREACH	0	0	0	0	0	0	0.0%
INFORMATION SERVICES	10,600	11,800	12,100	13,800	14,300	3,700	34.9%
OTHER	0	0	0	4,500	7,600	7,600	100.0%
TOTAL MISSION SUPPORT as % of TOTAL	17.2%	16.2%	17.2%	15.8%	16.8%		
TOTAL MISSION SUPPORT	46,700	48,100	52,300	55,100	55,200	8,500	18.2%
ENVIRONMENTAL	4,600	5,300	5,900	7,600	8,800	4,200	91.3%
SAFETY AND HEALTH	11,000	11,200	11,600	12,000	11,500	500	4.5%
FACILITIES MANAGEMENT	2,600	4,300	5,500	5,200	4,500	1,900	73.1%
MAINTENANCE	12,900	10,600	12,700	13,100	11,100	-1,800	-14.0%
UTILITIES	2,600	3,000	2,900	3,000	4,100	1,500	57.7%
SAFEGUARDS AND SECURITY	7,200	8,400	8,400	9,100	9,200	2,000	27.8%
LOGISTICS SUPPORT	2,800	2,200	2,200	2,900	3,600	800	28.6%
QUALITY ASSURANCE	3,000	3,100	3,100	2,200	2,400	-600	-20.0%
LABORATORY/TECHNICAL SUPPORT	0	0	0	0	0	0	0.0%
TOTAL SITE SPECIFIC as % of TOTAL	2.1%	1.9%	1.9%	2.0%	1.9%		
TOTAL SITE SPECIFIC	5,700	5,500	5,800	6,900	6,300	600	10.5%
MANAGEMENT/INCENTIVE FEE	5,000	5,000	5,200	5,400	5,100	100	2.0%
TAXES	700	500	600	1,500	1,200	500	71.4%
LDRD / PDRD / SDRD	0	0	0	0	0	0	0.0%

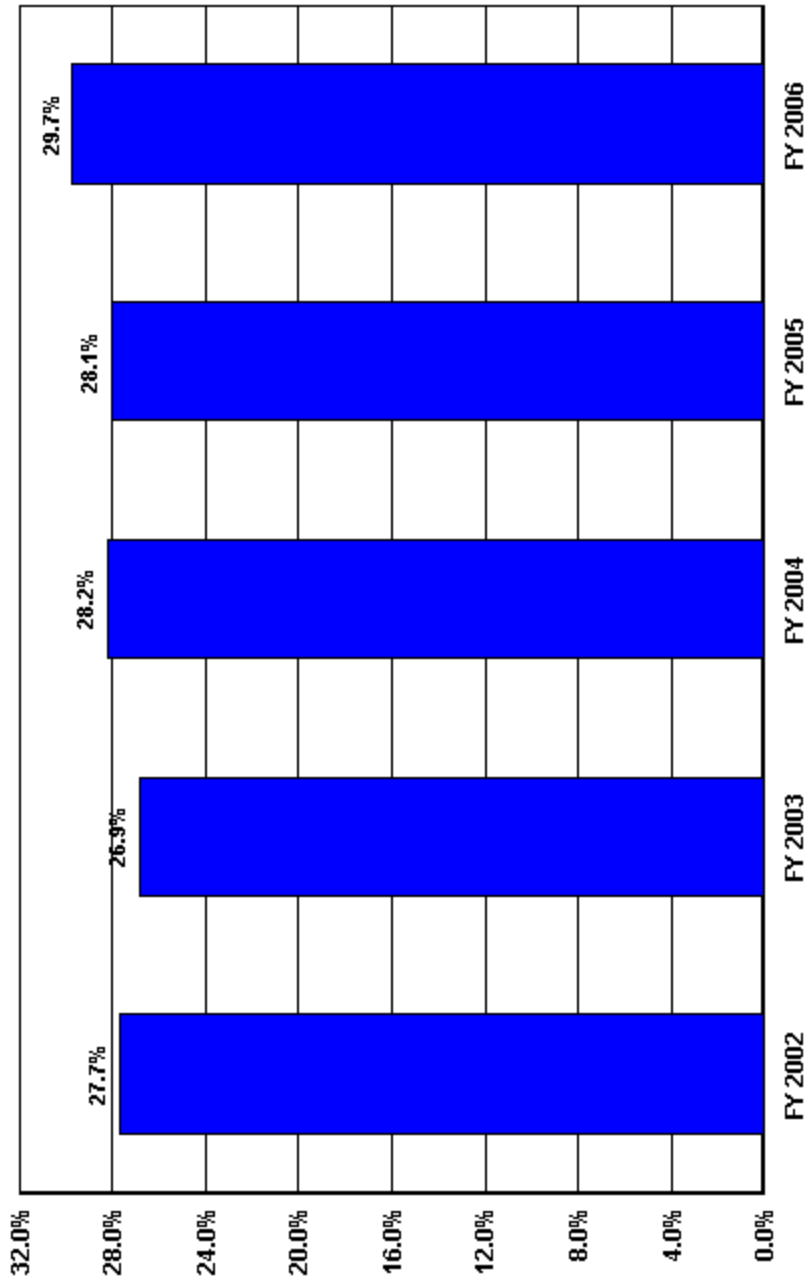
US Department of Energy
 Total Functional Support
 Knolls Atomic Power Lab/Lockheed Martin



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	75,300	79,700	85,900	97,600	97,900

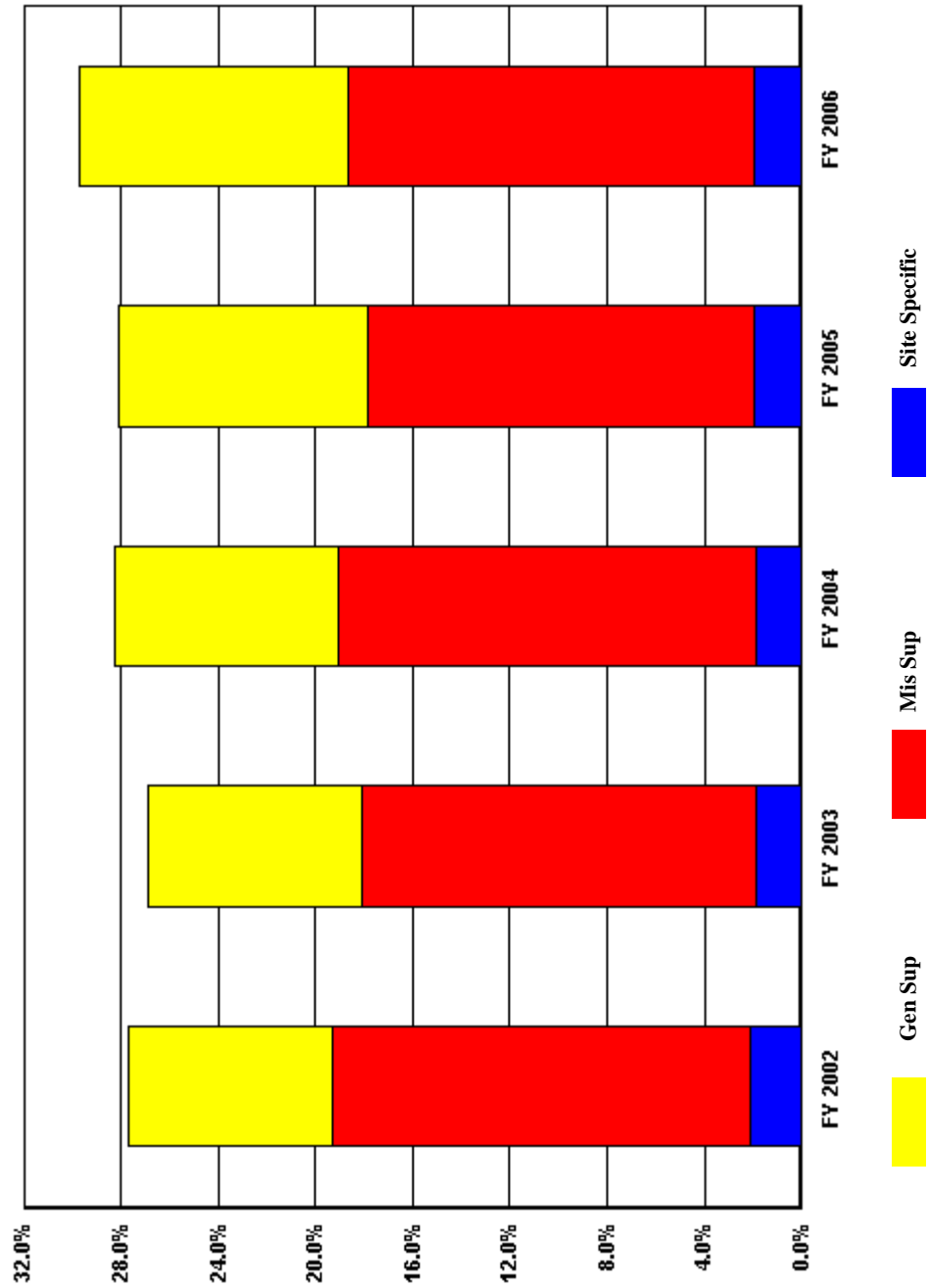
**US Department of Energy
Total Functional Support as a % of Total Costs
Knolls Atomic Power Lab/Lockheed Martin**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	27.7%	26.9%	28.2%	28.1%	29.7%

**US Department of Energy
Percent of Support Category to Total Costs
Knolls Atomic Power Lab/Lockheed Martin**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	8.4%	8.8%	9.1%	10.2%	11.1%
Mis Sup	17.2%	17.2%	17.2%	15.8%	16.8%
Site Specific	2.1%	1.9%	2.0%	2.0%	1.9%

SITE PROFILE
Knolls Atomic Power Lab/Lockheed Martin

SITE OVERVIEW AND CHARACTERISTIC

The Knolls Atomic Power Laboratory (KAPL) is operated for the Department of Energy by KAPL, Inc., a Lockheed Martin company. KAPL supports the United States Naval Nuclear Propulsion Program through development of advanced reactor plant designs, while providing design agency support of the operating fleet and training to nuclear propulsion plant operating personnel.

Beginning in March 2004, KAPL was involved in a collaborative effort between Naval Reactors and NASA to develop nuclear reactors for civilian space application. In September 2005, Naval Reactors and NASA mutually agreed to terminate their partnership.

KAPL currently employs more than 2,500 people at two major sites, in Niskayuna, NY and in West Milton, NY. The Knolls Site in Niskayuna and the Kesselring Site in West Milton are situated on approximately 170 and 3,900 acres of land, respectively. KAPL field personnel also operate out of shipyards and vendor plants in Maine/New Hampshire, Connecticut, Virginia, Hawaii, Georgia, California, Washington State, Tennessee and at the Naval Reactors Facility Site in Idaho.

KAPL was originally operated by the General Electric (GE) Company. GE received its initial contract to establish KAPL from the Manhattan Engineering District in May of 1946. KAPL's mission was shifted completely to Naval nuclear propulsion by the mid-1950s. KAPL's initial efforts for the Navy were spent developing a nuclear reactor small enough to operate inside a submarine. The ex-SeaWolf (SSN 575), which was launched in 1955, represented the first KAPL-designed reactor plant. Subsequently, KAPL designed reactors for TRITON (SSN 586), NARWHAL (SSN 671) and the research submarine NR-1. KAPL has also designed reactors for BAINBRIDGE (CGN 25) and TRUXTON (CGN 35) cruisers, the LOS ANGELES Class and VIRGINIA Class attack submarines and OHIO Class ballistic missile submarines.

KAPL currently maintains, supports and enhances the mission capability of LOS ANGELES and VIRGINIA Class attack submarines and OHIO Class ballistic missile submarines. KAPL also supports Electric Boat and Northrop Grumman Newport News in the test and construction of additional VIRGINIA Class submarines and provides design and engineering support for the future CVN 21 Class aircraft carriers.

KAPL's efforts focus on designing the world's most technologically advanced nuclear reactor plants for the U.S. Naval Nuclear Propulsion Program. Fundamental research is conducted to develop improved materials and components for naval nuclear propulsion technology.

KAPL uses its theoretical knowledge, sophisticated testing capabilities and computational power to

SITE PROFILE
Knolls Atomic Power Lab/Lockheed Martin

design new reactor and propulsion systems and components that will be used on existing and future Navy surface ships and submarines. Some additional areas KAPL focuses on are direct energy conversion, electric drive propulsion and advanced composite materials.

In addition, KAPL operates two prototype plants located at the Kesselring Site in West Milton, NY. The MARF and S8G prototypes commenced operation in 1976 and 1979, respectively, and are used to test reactors, reactor plant systems, and steam and electric plant components. The MARF and S8G prototypes are also used for training of U.S. Navy personnel as Naval nuclear propulsion plant operators. Two other prototypes located at the site, the S3G and D1G prototypes, are currently undergoing inactivation. S3G and D1G, which started operation in 1958 and 1962, respectively, were operated for training and testing until their missions were completed in the 1990s. At that time, the plants were shut down and inactivation was started as part of Naval Reactors' continuing commitment to ensure proper dismantlement and environmental remediation of formerly used facilities.

KAPL operated a second prototype site in Windsor, CT from 1972 until 1993. This site, which was originally constructed by Combustion Engineering in 1957, contained the single S1C prototype. Operational cognizance was transferred to KAPL (GE) in 1972. All structures and utilities were removed and, in October 2006, the site was released for unrestricted use.

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

EXECUTIVE DIRECTION

Lower incentive compensation (\$100) under Executive Direction and lower compensation costs (\$400) due to attrition of senior level staff related to the Space Closeout voluntary separation program.

LEGAL

Decreases in outside legal service fees (\$100) and related court costs contributed to the lower costs in the legal category.

CENTRAL ADMIN SERVICES

Outside contract costs and the need for the related administrative services contributed to the lower costs in this area.

OTHER

FY05 costs were due to a legal case settlement which was recognized when the status changed from contingent to probable, while FY06 costs are due to voluntary separation payments related to the closeout of the Space Program.

SITE PROFILE
Knolls Atomic Power Lab/Lockheed Martin

UTILITIES

Utilities cost increases are primarily due to the expiration of a contract at the end of FY05 which had set fixed utility costs in prior years.

LOGISTICS SUPPORT

Increased costs are primarily due to the higher costs and greater usage of vehicle rentals and laboratory supplies.

CAPITAL CONSTRUCTION

Increased emphasis on KSO/Knolls Site facilities improvements.

COST SAVINGS INITIATIVES

(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
Human Resources - Intern Interviewing Process	15	During FY06 KAPL continued the change to its intern interview process, started in FY05, which consists of conducting the intern interviews by phone instead of bringing intern candidates to the local area for interviews. KAPL conducted 40 intern interviews for FY06 at a DOE savings of \$370 in interviewee travel costs per interview. This reduced travel resulted in a cost savings of approximately \$14,800.	Michelle Morgan

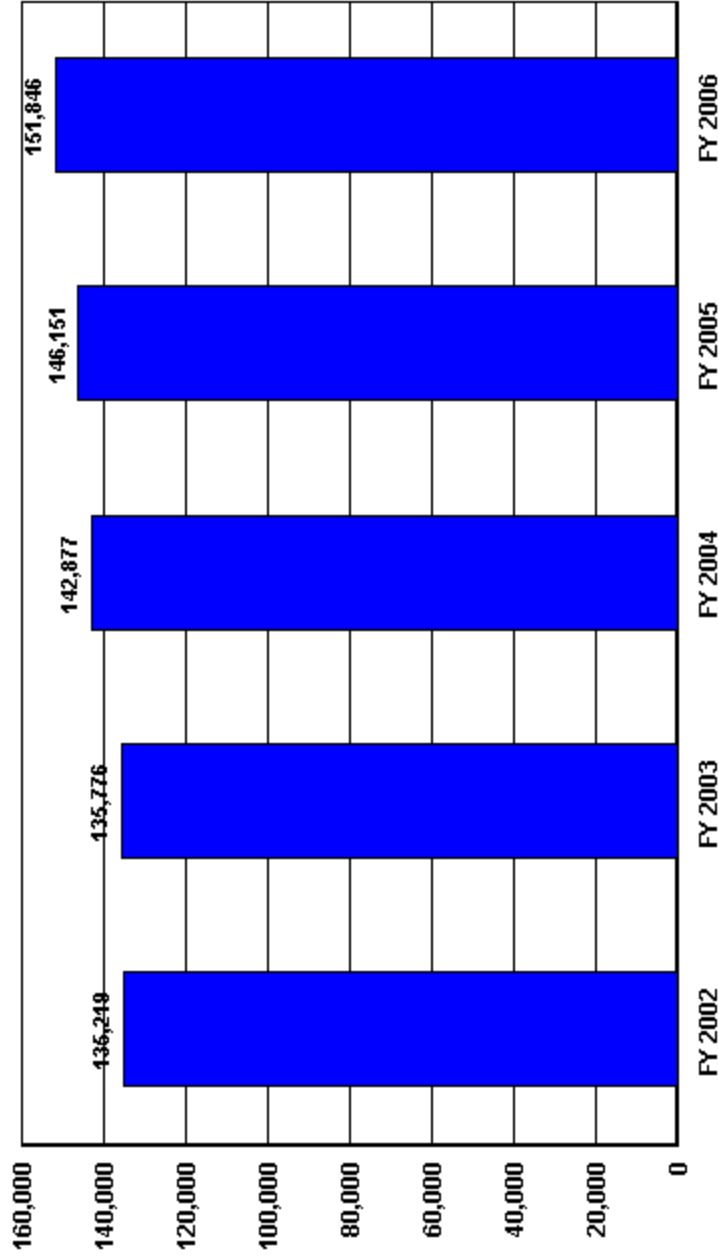
SITE PROFILE
Knolls Atomic Power Lab/Lockheed Martin

Human Resources - Remote Drug Screening	5	KAPL also continued the remote drug screen process, set up in FY05, for candidates that accepted positions and who did not need a complete physical prior to starting at KAPL. Previously candidates traveled to the area after accepting an offer to complete a physical on site. The new process allowed some of the candidates (14) to have a drug screen conducted at their location in lieu of traveling and coming onsite for the physical. The physical was then conducted in conjunction with their start date, therefore reducing the number of travel trips to the area. Total DOE savings related to remote drug screening equals \$5,180.	Michelle Morgan
Financial Operations	50	KAPL Accounting Operations streamlined the Fixed Asset accounting process through a realignment of work and the improvement of work processes. This will permit a reduction of 1.0 MY per year, and was instituted midway through FY06. This resulted in approximately a \$50K benefit for FY06.	Michelle Morgan

Trends in Total Support Cost by Functional Categories
L. Berkeley National Lab/University of California (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	478,705	456,430	503,724	523,738	517,155	38,450	8.0%
Capital Construction	65,282	52,427	59,006	82,227	55,552	-9,730	-14.9%
Total Costs Less Construction	413,423	404,003	444,718	441,511	461,603	48,180	11.7%
Total Support Costs	135,219	135,776	142,877	146,151	151,846	16,627	12.3%
Mission Direct Operation	278,204	268,227	301,841	295,360	309,757	31,553	11.3%
Mission Direct Operation as % of Total Cost	58.1%	58.8%	59.9%	56.4%	59.9%		
Capital Construction as % of Total Cost	13.6%	11.5%	11.7%	15.7%	10.7%		
Total Support Cost as % of Total Cost	28.2%	29.7%	28.4%	27.9%	29.4%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	28.2%	29.7%	28.4%	27.9%	29.4%		
TOTAL SUPPORT COST	135,219	135,776	142,877	146,151	151,846	16,627	12.3%
TOTAL GENERAL SUPPORT as % of TOTAL	11.4%	11.9%	11.8%	11.6%	12.1%		
TOTAL GENERAL SUPPORT	54,803	54,179	59,236	60,715	62,427	7,624	13.9%
EXECUTIVE DIRECTION	8,192	8,613	9,409	8,658	7,586	-606	-7.4%
HUMAN RESOURCES	3,676	4,466	5,278	5,178	4,477	801	21.8%
CFO	4,890	4,209	6,622	7,625	8,537	3,647	74.6%
PROCUREMENT	4,284	3,745	6,035	6,004	5,699	1,415	33.0%
LEGAL	1,503	1,428	1,763	2,407	2,437	934	62.1%
CENTRAL ADMIN SERVICES	5,847	5,494	5,066	4,341	4,325	-1,522	-26.0%
PROGRAM/PROJECT CONTROL	0	0	0	0	0	0	0.0%
INFORMATION OUTREACH	3,454	3,511	3,393	3,288	3,246	-208	-6.0%
INFORMATION SERVICES	20,916	21,449	20,871	21,605	23,800	2,884	13.8%
OTHER	2,041	1,264	799	1,609	2,320	279	13.7%
TOTAL MISSION SUPPORT as % of TOTAL	14.0%	15.2%	14.0%	13.5%	14.1%		
TOTAL MISSION SUPPORT	67,225	69,526	70,611	70,585	72,837	5,612	8.3%
ENVIRONMENTAL	2,159	4,508	4,658	4,724	4,422	2,263	104.8%
SAFETY AND HEALTH	9,254	8,693	7,734	7,970	8,617	-637	-6.9%
FACILITIES MANAGEMENT	16,125	16,767	16,534	18,225	18,416	2,291	14.2%
MAINTENANCE	16,322	17,004	19,443	17,351	17,849	1,527	9.4%
UTILITIES	7,947	6,724	6,817	6,422	6,134	-1,813	-22.8%
SAFEGUARDS AND SECURITY	3,259	3,165	3,652	3,486	3,973	714	21.9%
LOGISTICS SUPPORT	4,006	4,288	4,304	4,282	4,397	391	9.8%
QUALITY ASSURANCE	56	81	93	368	888	832	1,485.7%
LABORATORY/TECHNICAL SUPPORT	8,097	8,296	7,376	7,757	8,141	44	0.5%
TOTAL SITE SPECIFIC as % of TOTAL	2.8%	2.6%	2.6%	2.8%	3.2%		
TOTAL SITE SPECIFIC	13,191	12,071	13,030	14,851	16,582	3,391	25.7%
MANAGEMENT/INCENTIVE FEE	3,107	3,071	2,947	3,695	4,482	1,375	44.3%
TAXES	271	342	484	313	342	71	26.2%
LDRD / PDRD / SDRD	9,813	8,658	9,599	10,843	11,758	1,945	19.8%

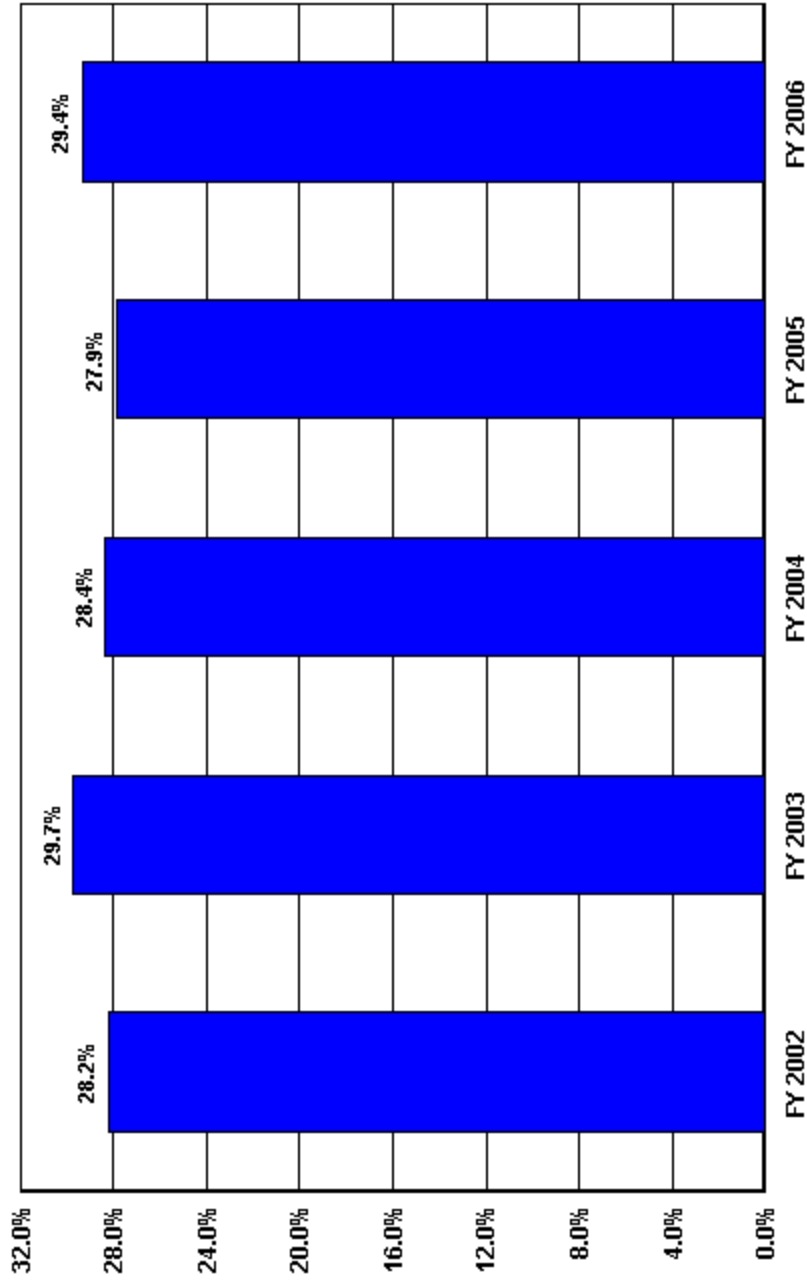
US Department of Energy
Total Functional Support
 L. Berkeley National Lab/University of California



■ Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	135,219	135,776	142,877	146,151	151,846

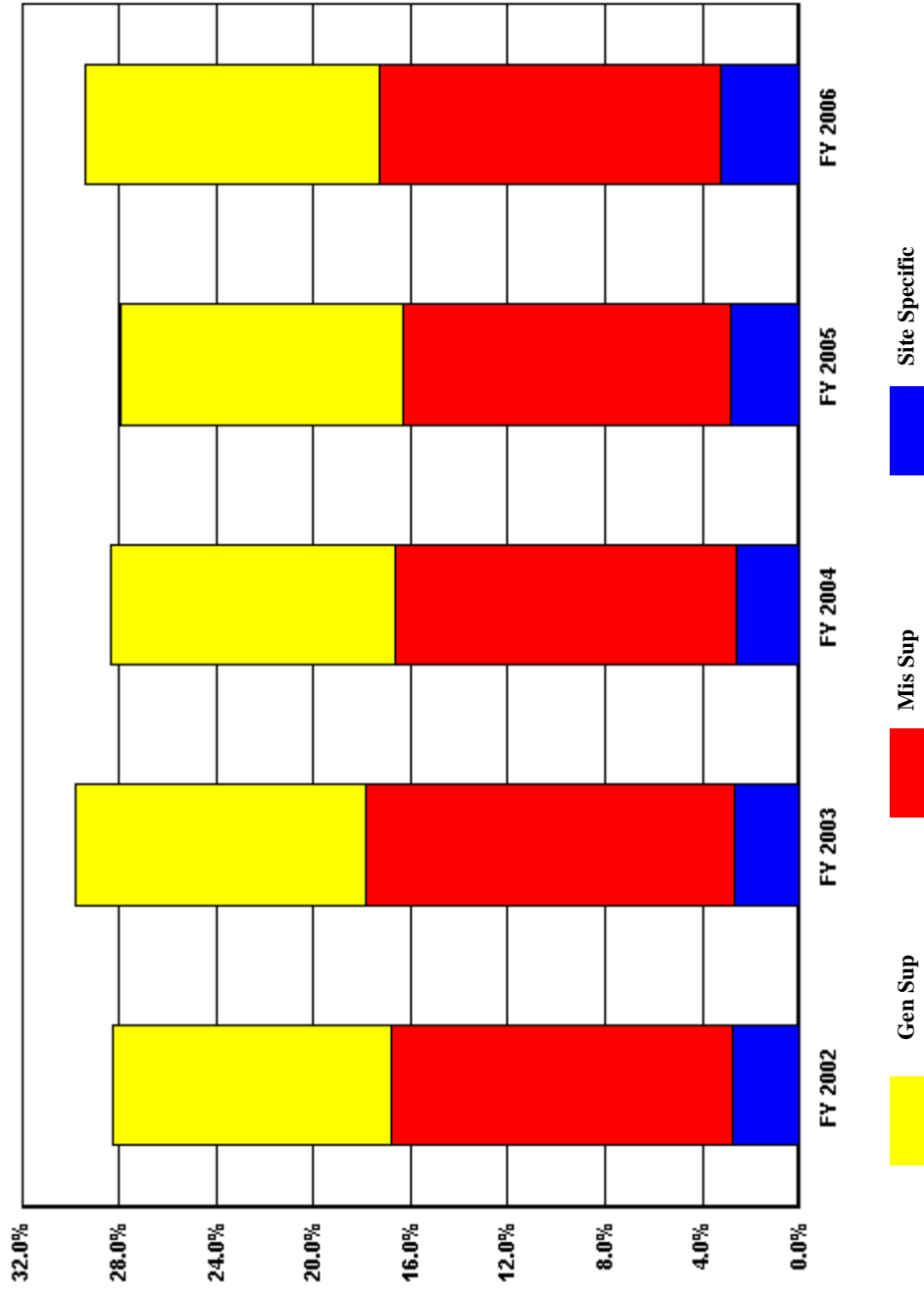
**US Department of Energy
Total Functional Support as a % of Total Costs
L. Berkeley National Lab/University of California**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	28.2%	29.7%	28.4%	27.9%	29.4%

**US Department of Energy
 Percent of Support Category to Total Costs
 L. Berkeley National Lab/University of California**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	11.4%	11.9%	11.8%	11.6%	12.1%
Mis Sup	14.0%	15.2%	14.0%	13.5%	14.1%
Site Specific	2.8%	2.6%	2.6%	2.8%	3.2%

SITE PROFILE
L. Berkeley National Lab/University of California

SITE OVERVIEW AND CHARACTERISTIC

Background:

Lawrence Berkeley National Laboratory (LBNL) is a multi-program lab engaged in basic research in a wide variety of scientific disciplines. Major scientific achievements include 11 winners of the Nobel Prize and other world-class, competitive prizes. The Lab's core competencies are in Computational Science and Engineering; Particle and Photon Beams; Bioscience and Biotechnology; the Characterization, Synthesis, and Theory of Materials; Advanced Technologies for Energy Supply and Energy Efficiency; Chemical Dynamics, Catalysis, and Surface Science; Advanced Detector Systems; and Environmental Assessment and Remediation. The Berkeley Lab provides several unique national experimental user facilities for qualified investigators: the Advanced Light Source (ALS); the National Energy Research Scientific Computing Center (NERSC); Energy Sciences Network (ESnet); and the National Center for Electron Microscopy.

LBNL is managed by the University of California and is located in Berkeley, California. LBNL occupies 160 buildings and trailers on 200 acres. It also shares several buildings on the UC Berkeley campus. Additional facilities are located in the following places due to space limitations on site: downtown Berkeley, Oakland for the NERSC facility, and Walnut Creek for the Joint Genome Institute. In FY 2006, the workforce was approximately 3,500 people, consisting of 61% Career employees, 12% Graduate Student Research Assistants & Student Assistants, 8% Postdoctoral Fellows & Researchers, 7% Faculty, and 12% other. LBNL's major DOE customer is Office of Science (SC), which accounted for 60% of Mission Direct costs, followed by work for other Agencies (Federal and Non-Federal). Other DOE programs include Energy Efficiency (EE), Fossil Energy (FE), Electric Transmission (TD), Assistant Secretary for Environmental Management (EM), and Administrator for National Nuclear Security Administration (NA).

LBNL conducts its unclassified research mission as a Tier III laboratory (no classified research or information on-site). Berkeley Lab's cyber security program addresses the needs of all computer and networking systems and is fully appropriate for systems that contain no classified information. The Laboratory's cyber security software is a powerful system for detecting network intruders and has served as a model for other laboratories.

SITE PROFILE
L. Berkeley National Lab/University of California

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

OTHER

Category 10 – Other (+44.2 %): There was an unusually large number of accounting credit write-offs in FY05 which makes FY06 larger in comparison.

QUALITY ASSURANCE

Category 18 – Quality Assurance (+141.7 %): The Assurance Office reached a full staffing level in FY06. This function was partially staffed in FY06 as it was a new contractual requirement beginning in June, FY05.

MANAGEMENT/INCENTIVE FEE

Category 20 – Management Fee (+21.3 %): Increased primarily due to a higher management fee with the new University of California Contract with DOE effective June 1, 2005.

CAPITAL CONSTRUCTION

Capital/Construction decreased by 32.4%, or \$26,675K, primarily due to the Molecular Foundry construction project nearing completion.

COST SAVINGS INITIATIVES

(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
Supply Chain Management	1,700	In the DOE contract proposal process in FY05, LBNL committed to saving \$30M over the next 5 years by implementing Supply Chain Management. In FY06, the savings for this initiative were \$1.7M from a combination of labor and commodity savings through reengineering the commodity buying process.	Lon Freeman

SITE PROFILE

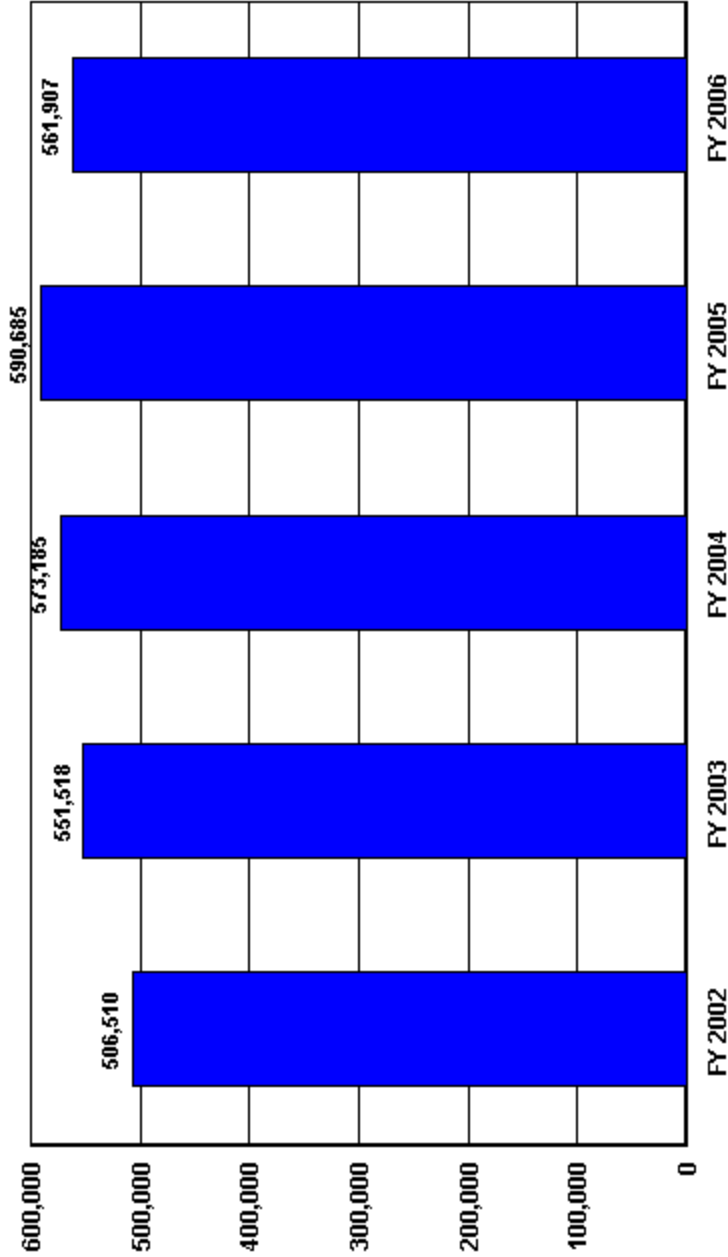
L. Berkeley National Lab/University of California

Information Technology Division Change	700	In FY06, the Information Technology Division no longer provided DSL in residences of Lawrence Berkeley National Laboratory (LBNL) employees. This change reduced support costs to the Laboratory and helped to ensure compliance with LBNL's appropriate use policies. Partial cost reimbursements are allowed based upon proper justification. This change will save approximately \$400K on an annual basis. In addition, remote access (dial-up) service was outsourced in June, 2006, to AT&T, which reduced effort and eliminated expensive telephone access charges. This reduction will save approximately \$300K on an annual basis.	Lon Freeman
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Trends in Total Support Cost by Functional Categories
L. Livermore National Lab/University of California (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	1,527,088	1,576,453	1,629,678	1,625,780	1,600,696	73,608	4.8%
Capital Construction	242,488	222,413	121,369	116,104	190,081	-52,407	-21.6%
Total Costs Less Construction	1,284,600	1,354,040	1,508,309	1,509,676	1,410,615	126,015	9.8%
Total Support Costs	506,510	551,518	573,185	590,685	561,907	55,397	10.9%
Mission Direct Operation	778,090	802,522	935,124	918,991	848,708	70,618	9.1%
Mission Direct Operation as % of Total Cost	51.0%	50.9%	57.4%	56.5%	53.0%		
Capital Construction as % of Total Cost	15.9%	14.1%	7.4%	7.1%	11.9%		
Total Support Cost as % of Total Cost	33.2%	35.0%	35.2%	36.3%	35.1%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	33.2%	35.0%	35.2%	36.3%	35.1%		
TOTAL SUPPORT COST	506,510	551,518	573,185	590,685	561,907	55,397	10.9%
TOTAL GENERAL SUPPORT as % of TOTAL	11.1%	12.4%	12.3%	12.0%	12.0%		
TOTAL GENERAL SUPPORT	169,910	196,214	199,725	194,613	191,783	21,873	12.9%
EXECUTIVE DIRECTION	19,977	20,022	19,320	17,658	18,535	-1,442	-7.2%
HUMAN RESOURCES	18,993	19,546	19,685	19,382	18,246	-747	-3.9%
CFO	7,231	6,920	7,315	7,714	7,964	733	10.1%
PROCUREMENT	15,850	17,045	16,145	16,628	15,063	-787	-5.0%
LEGAL	3,060	3,194	3,221	3,166	3,154	94	3.1%
CENTRAL ADMIN SERVICES	21,644	22,746	21,071	22,646	20,453	-1,191	-5.5%
PROGRAM/PROJECT CONTROL	2,506	3,207	3,254	3,320	3,182	676	27.0%
INFORMATION OUTREACH	18,400	19,697	18,912	18,178	19,146	746	4.1%
INFORMATION SERVICES	56,726	70,597	74,373	80,708	81,714	24,988	44.1%
OTHER	5,523	13,240	16,429	5,213	4,326	-1,197	-21.7%
TOTAL MISSION SUPPORT as % of TOTAL	18.0%	18.5%	18.9%	20.3%	19.1%		
TOTAL MISSION SUPPORT	274,828	292,313	307,599	329,657	305,100	30,272	11.0%
ENVIRONMENTAL	24,197	25,839	24,612	23,572	18,250	-5,947	-24.6%
SAFETY AND HEALTH	44,328	47,993	48,923	50,255	55,055	10,727	24.2%
FACILITIES MANAGEMENT	51,540	53,764	60,131	61,882	52,755	1,215	2.4%
MAINTENANCE	43,512	55,419	65,484	73,564	51,718	8,206	18.9%
UTILITIES	22,277	15,076	16,030	21,403	32,741	10,464	47.0%
SAFEGUARDS AND SECURITY	55,237	63,306	60,026	62,551	59,081	3,844	7.0%
LOGISTICS SUPPORT	12,874	10,441	9,835	9,815	10,244	-2,630	-20.4%
QUALITY ASSURANCE	4,613	4,675	4,930	5,912	6,262	1,649	35.7%
LABORATORY/TECHNICAL SUPPORT	16,250	15,800	17,628	20,703	18,994	2,744	16.9%
TOTAL SITE SPECIFIC as % of TOTAL	4.0%	4.0%	4.0%	4.1%	4.1%		
TOTAL SITE SPECIFIC	61,772	62,991	65,861	66,415	65,024	3,252	5.3%
MANAGEMENT/INCENTIVE FEE	14,632	14,925	13,419	13,701	13,888	-744	-5.1%
TAXES	310	199	314	414	263	-47	-15.2%
LDRD / PDRD / SDRD	46,830	47,867	52,128	52,300	50,873	4,043	8.6%

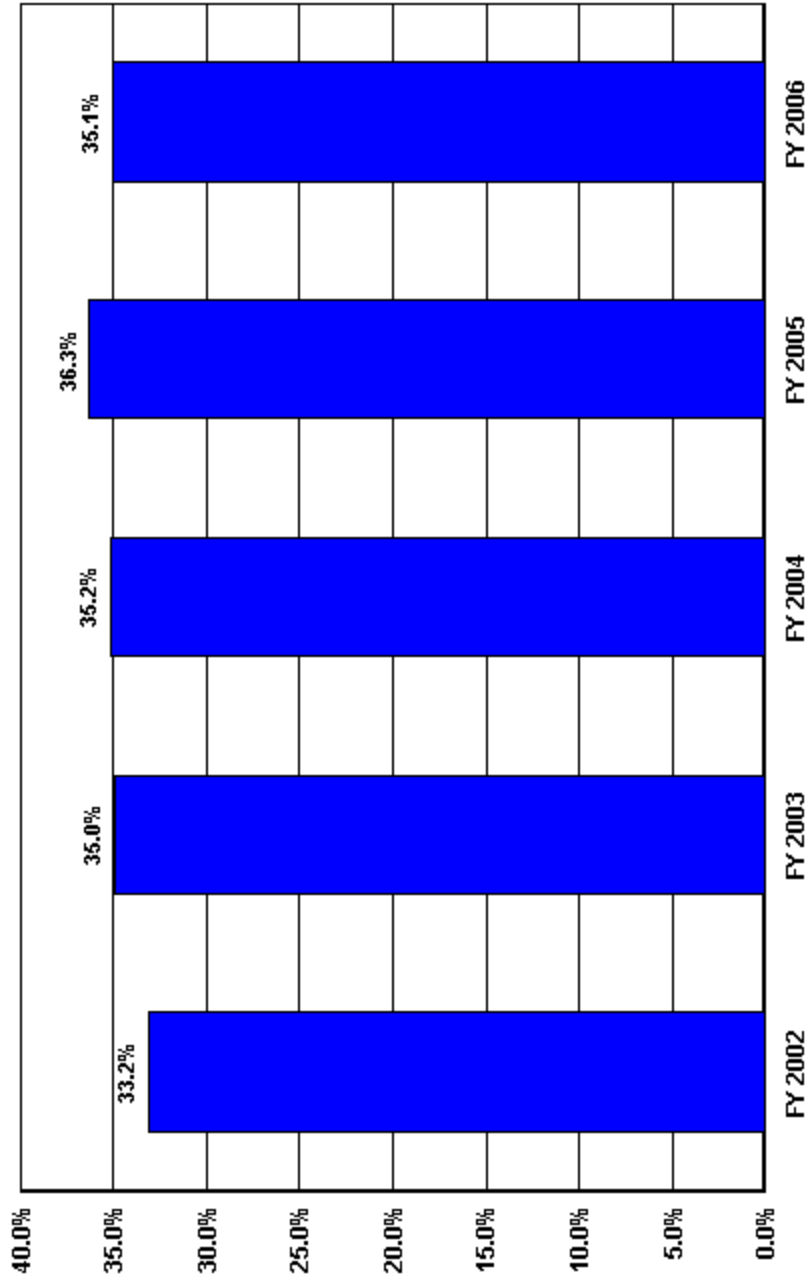
US Department of Energy
 Total Functional Support
 L. Livermore National Lab/University of California



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	506,510	551,518	573,185	590,685	561,907

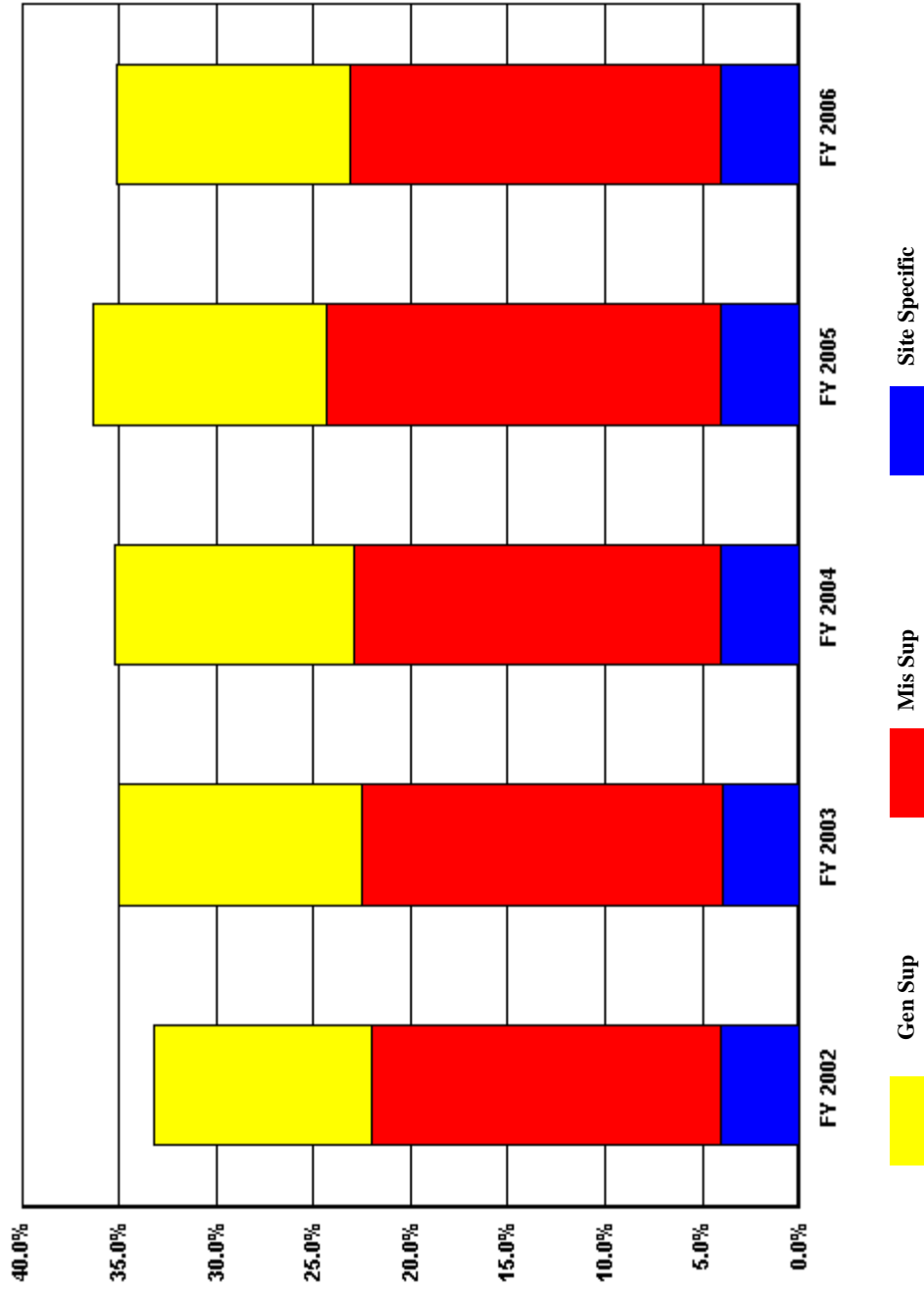
**US Department of Energy
Total Functional Support as a % of Total Costs
L. Livermore National Lab/University of California**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	33.2%	35.0%	35.2%	36.3%	35.1%

**US Department of Energy
 Percent of Support Category to Total Costs
 L. Livermore National Lab/University of California**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	11.1%	12.4%	12.3%	12.0%	12.0%
Mis Sup	18.0%	18.5%	18.9%	20.3%	19.1%
Site Specific	4.0%	4.0%	4.0%	4.1%	4.1%

SITE PROFILE

L. Livermore National Lab/University of California

SITE OVERVIEW AND CHARACTERISTIC

Background

Established in 1952, Lawrence Livermore National Laboratory (LLNL) is a government-owned, contractor-operated research and development facility managed and operated by the University of California for the National Nuclear Security Administration (NNSA) within the United States Department of Energy (DOE). LLNL is responsible for ensuring that the nation's nuclear weapons remain safe, secure, and reliable. In addition, the Laboratory also has a primary role in NNSA's mission in the prevention of the spread and use of nuclear weapons, as well as other weapons of mass destruction.

Technologies and assessment tools developed at LLNL are contributing to homeland security and the war against terrorism. With its special capabilities, the Laboratory is also able to meet enduring national needs in conventional defense, energy, environment, biosciences, and basic science.

LLNL has a diverse customer base with major efforts for DOE and NNSA program offices (Defense Programs, Defense Nuclear Nonproliferation, Science, and Environmental Restoration and Waste Management), as well as considerable work for other federal and non-federal agencies.

LLNL is a world-class leader in technical research and development. The Laboratory is home to several of the world's fastest supercomputers. BlueGene/L is the only supercomputer to exceed 100 trillion floating operations per second (teraFLOPS) and is capable of performing 280teraFLOPS or more. The ASC Purple system is now operating, and has a capability of 100 teraFLOPS. The Peleton Linux clusters are being installed and will bring 77 teraFLOPS of new computing power to Laboratory researchers.

The Laboratory met key milestones in support of Stockpile Stewardship in 2006, including the development of updated pit lifetime assessments for the LLNL stockpile warheads. LLNL also developed a design package for the Reliable Replacement Warhead (RRW) Feasibility Study based on an extensive set of simulations and experiments. The National Ignition Facility (NIF) project is 88% complete; the third bundle of 8 lasers completed operational qualification in October 2006. NIF's per-bundle performance is over 150 kilojoules.

LLNL's contributions to nonproliferation and homeland security include the development of systems to detect proliferation activities as well as radiation and biological agent detectors for homeland security. For the fourth year in a row, LLNL received at least one "R&D 100 Award" for an important advance in detection technology; including awards for a persistent surveillance system, a radiation detection system, and a pocket-size high-explosive detector. Laboratory researchers have earned 113 "R&D 100 Awards" since 1978; including seven in 2006, which is indicative of LLNL's

SITE PROFILE

L. Livermore National Lab/University of California

many other technical accomplishments.

Other recent LLNL breakthroughs in science and technology include: a supercomputer simulation of metal resolidification that won the prestigious Gordon Bell Prize, the discovery of superheavy element 118, the development of a rapid diagnostic test for livestock diseases, creation of a carbon-nanotube and silicon membrane that may offer less expensive desalination, and reconciliation of helium-3 creation in stellar evolution models with the Big Bang theory.

LLNL has approximately 8,200 University of California employees, which includes all workforce categories except contractors. LLNL's highly educated workforce includes approximately 1,711 doctorates, 1,167 masters, and 1,828 bachelor degrees. The primary LLNL site is located on one square mile, 40 miles southeast of San Francisco.

Trends

LLNL's total functional support costs have increased by approximately \$55.4M, from \$506.5M in FY 2002 to \$561.9M in FY 2006 (see the table above). During the same period, functional support costs as a percentage of total Laboratory costs have increased from 32.9% to 35.1%.

This growth in support costs is attributable to increases in Information Services, Maintenance, Safeguards & Security, and Safety & Health.

The following paragraphs highlight the DOE functional support categories where a significant change occurred in raw costs from FY 2005 to FY 2006. Each paragraph annotates the total raw costs for the functional area, the net change from the prior year, and a brief explanation of the change.

Please note that the Mission Direct Costs reflect "raw costs" (i.e., costs without distributed charges) and will not tie back to the costs incurred by Assistant Secretary.

- Costs in the Information Services category have risen due to internal reinvestments such as increased software site licenses, Automated Software Distribution, the Enterprise Project Accounting and Reporting (EPAR) project, and the People Information Project (PIP).
- LLNL's facility investments such as the LLNL Maintenance Reinvestment Program, designed to address maintenance deficiencies and reduce the ongoing deferred maintenance backlog throughout the Laboratory, have driven the Maintenance category higher.
- The rise in Safeguards & Security costs is mainly attributable to an increase in security requirements and activities as a result of the September 11, 2001 incident.
- Safety & Health increases have been mainly the result of additional compliance requirements,

SITE PROFILE
L. Livermore National Lab/University of California

such as 10CFR851 Worker Safety and Health Program Rule.

Process Improvement/Cost Saving Initiatives

Many cost savings were achieved through a Process Improvement Initiative that began in FY2004 to foster a systematic Laboratory-wide effort to examine and improve key work processes. LLNL staff members trained in process improvement methods are assisting both scientific and operational organizations that have identified key opportunities and needs for process improvement to address safety and security issues and increase operational efficiencies.

Leadership training, based on Lean Six Sigma and Atomic Weapons Establishment (AWE) process improvement methods, has been provided to over 100 LLNL leaders across all directorates. An additional 300 leaders will be trained in FY 2007. About 60 improvement process improvement projects are completed or well underway.

Protective Force Ammunition and Armament. Additional ongoing and completed process improvement study projects to increase efficiencies in the area of safety and security include: Timeliness of Priority 1-3 ES&H Manual Revisions, Issues Tracking System Upgrade, Return to Work Requirements Just In Time Training, Central Alarm Station/Secondary Alarm Station Upgrade, VISION—Clearance Termination Database and Electronic Assess Badge Request, the Joint Nevada Program Office Roll Out and Stand Up, JASPER Waste Management, Phoenix Readiness Verification, Volume 6 of the ES&H Manual—Nevada Requirements, Separation of Radioactive Waste, Occupational Health Information Business Process Analysis, and Institutional Computer System Improvements.

Nuclear Material Technology Program Unreviewed Safety Question Determination (USQD) Approval Process. Due to re-engineering of this major process, immediate cost avoidance has been realized, along with the ability for staff to focus on higher priorities due to the reduction in the number of weekly USQ review and approval meetings. Cost avoidance includes a 50% reduction for the Safety Analyst meeting (\$33K annually) and a 75% reduction for the USQ Review Meeting (\$139K annually). The cycle time for the USQ process has seen an 80% reduction, from an average time of 67 days to an average time of 14 days. As the USQ time has been reduced, people are more willing to update their documentation to better reflect current conditions and incorporate lessons learned. This has resulted in improved documentation. A full cost savings analysis of this benefit is currently underway.

NIF Project Line Replaceable Units (LRUs) Process Improvements. Process improvement was used to increase the production rate, quality and performance of NIF Project LRUs. Process improvement initiatives resulted in improved vendor performance, increased production rates, lower

SITE PROFILE

L. Livermore National Lab/University of California

labor costs and improved quality. Examples include the reduction in Flashlamp installation cycle time, optimizing the workflow in the Front End Processor Factory, optimizing the construction sequence of the Preamplifier Module (PAM), and reducing the test cycle time of Slab Cassettes by 90%. Over 100 improvement opportunities were identified in this effort representing over 80 man-years in reduction of effort to build LRUs.

Assets for Value Strategy. Additional ongoing and completed process improvement study projects to increase efficiencies in the area of business processes and systems, infrastructure management and administrative functions include: Facility and Infrastructure Investment Processes, Design-Build Space Optimization, Replacement Office Building and Space Consolidation Processes, TRR Order Limit Increase, Electronic Ordering System Agreements, Employee Termination Process, Computation Process Cost Realization, Consolidation of Computation Facilities, e-Integrated Work Sheet Business Process Development, eIWS Training and Questionnaire Integration, Institutional Roles & Responsibilities Business Process, New Employee Start Program, and ES&H Manual Web Publishing Improvements.

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

ENVIRONMENTAL

Decrease due primarily to reduced costs for the Building 251 Risk Reduction Project, which phased down in FY 2006 after the building was lowered to radiological status in FY 2005. The Environmental Program Management Charge (PMC) was deemed inappropriate for this category and moved to Mission Specific in FY06. The Environmental Impact Statement (EIS) was virtually over by the end of FY05.

MAINTENANCE

Decrease can be attributed to structural changes in FY06 FSCR, particularly those moved portions of the Facilities Infrastructure Revitalization Program (FIRP) to Mission Specific in FY06, including FIRP GPP (\$13,240K in FY05) and FIRP D&D (\$5,977K in FY05). Utility operations were moved to the Utilities category (\$6,734K in FY05).

UTILITIES

Increase due to the transfer of operations costs from Maintenance and Facilities Management (\$6,734K & \$1,032K respectively in FY05), and an increase in commodity costs for electricity and the mechanical utilities (water, gas & sewage).

TAXES

Decrease largely due to non-recurring FY05 sales tax paid on the purchase of TESA locks.

SITE PROFILE**L. Livermore National Lab/University of California**

CAPITAL CONSTRUCTION

Increase due to change in definition for Mission Specific Capital.

COST SAVINGS INITIATIVES

(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
Belt Tightening	15,000	LLNL began FY2006 with the launch of a “belt tightening” exercise in which all directorates were directed to reduce discretionary costs during the year. The result was \$15M in savings for indirect accounts; examples include a 15% reduction in travel expenses (\$2M saved), and an 18% reduction on other expenses (furniture, office equipment, software, etc.) for a \$12M savings.	Richard Schechter
Locks, Keys, and TESA Installation	500	The installation of TESA locks on Property Protection Perimeter Doors lowers LLNL’s risk factor by having these doors automatically open and secure at designated times. Approximate long-term savings is \$3M. In addition, the Locks, Keys and TESA Group (LK&TG) has implemented the Remedy electronic service request system, which has improved our ability to process and track large numbers of customer service requests more efficiently. This is saving \$300K per year. Other improvements are also increasing efficiencies and lowering costs an additional \$200K per year.	Richard Schechter

SITE PROFILE

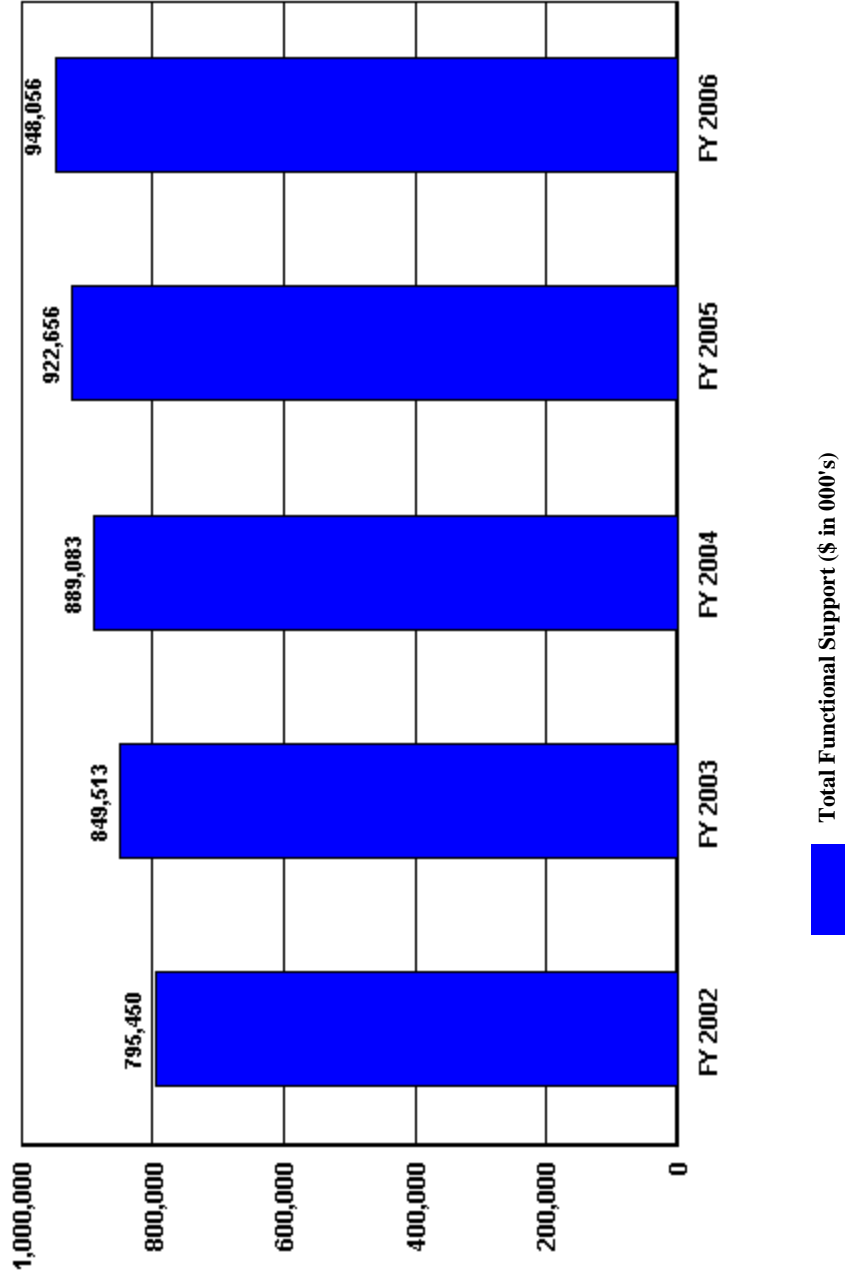
L. Livermore National Lab/University of California

Protective Force Ammunition and Armament	254	Protective Force Ammunition and Armament. In the Protective Force Division, the decision was made to use Full Metal Jacket (FMJ) ammunition over frangible ammunition for an annual cost savings \$254K. In addition, by selecting the Dillon Aero M-134 machine gun option rather than the M240 G machine gun (which was most familiar to the DOE complex) as part of LLNL's Design Basis Threat protection strategy, \$7M in costs were avoided and a higher level of protection was achieved.	Richard Schechter
Assets for Value Strategy	120	The Space Action Team (SAT) implemented an innovative strategy called Assets for Value, which provides a contractual mechanism to convert the value of equipment or building materials into an offset against payment for contracted demolition work. In FY2006, B490 Legacy Cleanup project achieved a cost reduction of \$120K (nearly 60%) using this method.	Richard Schechter
Merger of Utilities	1,200	The merger of the Utilities/Telephone (UTel) organization with Plant Engineering and Information and Communication Services (ICS) in November 2005 resulted in a cost reduction of ~\$1.2M through the elimination of duplicate overhead positions	Richard Schechter
LSD AD Office	229	When the LSD Associate Director (AD) was chosen to serve as the Laboratory's Deputy Director for Operations and the Principal Deputy AD moved into the AD position in an acting capacity, the directorate didn't fill the vacant Principal Deputy AD position for an annualized savings of \$229K.	Richard Schechter

Trends in Total Support Cost by Functional Categories
Los Alamos National Lab/University of California (\$000)
FY 2006

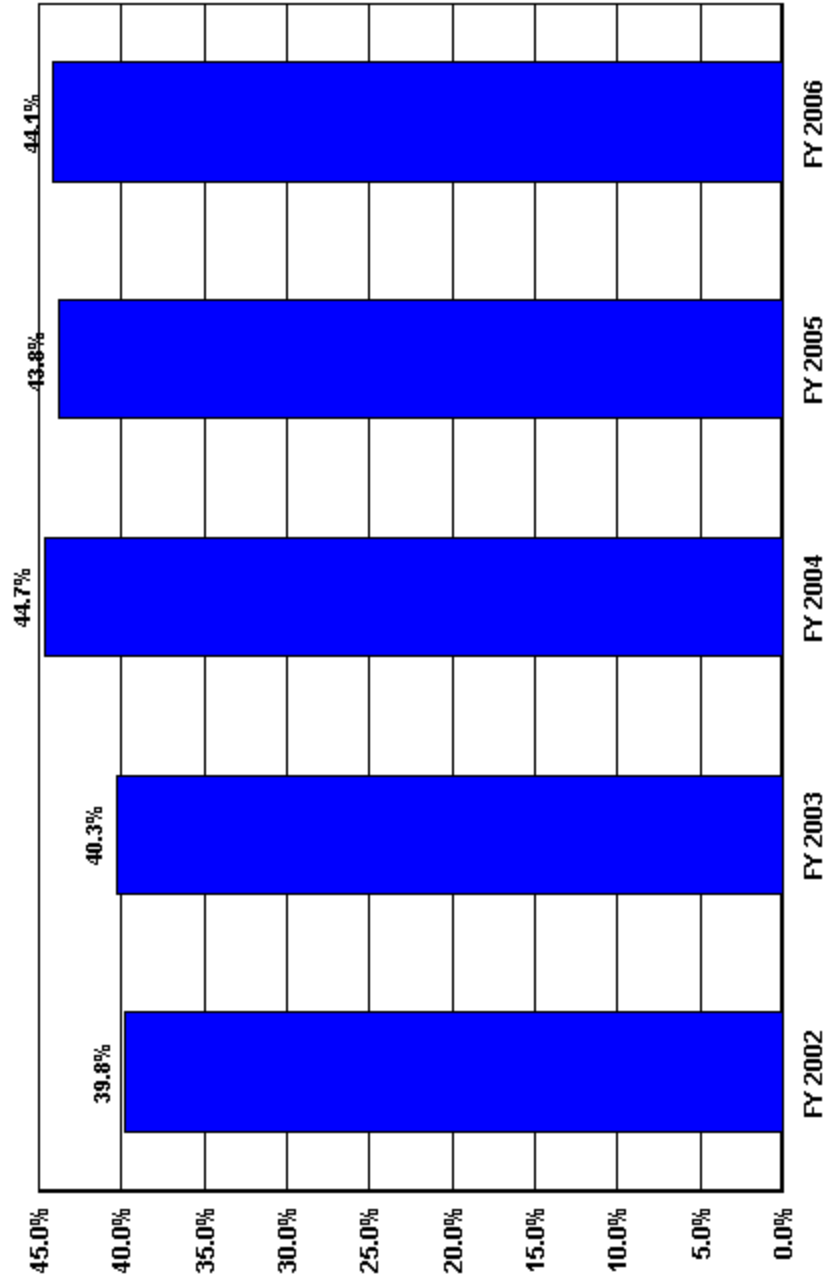
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	1,996,416	2,108,937	1,989,615	2,104,479	2,147,997	151,581	7.6%
Capital Construction	232,949	217,249	155,439	192,522	176,616	-56,333	-24.2%
Total Costs Less Construction	1,763,467	1,891,688	1,834,176	1,911,957	1,971,381	207,914	11.8%
Total Support Costs	795,450	849,513	889,083	922,656	948,056	152,606	19.2%
Mission Direct Operation	968,017	1,042,175	945,093	989,301	1,023,325	55,308	5.7%
Mission Direct Operation as % of Total Cost	48.5%	49.4%	47.5%	47.0%	47.6%		
Capital Construction as % of Total Cost	11.7%	10.3%	7.8%	9.1%	8.2%		
Total Support Cost as % of Total Cost	39.8%	40.3%	44.7%	43.8%	44.1%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	39.8%	40.3%	44.7%	43.8%	44.1%		
TOTAL SUPPORT COST	795,450	849,513	889,083	922,656	948,056	152,606	19.2%
TOTAL GENERAL SUPPORT as % of TOTAL	12.8%	13.3%	15.1%	15.0%	14.4%		
TOTAL GENERAL SUPPORT	256,484	279,694	300,813	315,966	308,872	52,388	20.4%
EXECUTIVE DIRECTION	22,708	24,063	26,984	19,489	21,417	-1,291	-5.7%
HUMAN RESOURCES	21,793	23,248	20,669	22,250	22,827	1,034	4.7%
CFO	9,708	11,268	11,636	14,614	14,740	5,032	51.8%
PROCUREMENT	12,935	17,438	20,831	22,353	18,497	5,562	43.0%
LEGAL	8,776	9,784	9,161	10,857	9,434	658	7.5%
CENTRAL ADMIN SERVICES	28,110	27,601	26,261	25,967	23,271	-4,839	-17.2%
PROGRAM/PROJECT CONTROL	18,872	15,043	15,627	17,544	14,096	-4,776	-25.3%
INFORMATION OUTREACH	20,607	20,620	19,653	18,781	33,516	12,909	62.6%
INFORMATION SERVICES	108,088	124,248	141,741	148,165	146,939	38,851	35.9%
OTHER	4,887	6,381	8,250	15,946	4,135	-752	-15.4%
TOTAL MISSION SUPPORT as % of TOTAL	22.0%	22.0%	24.0%	23.7%	23.5%		
TOTAL MISSION SUPPORT	440,047	463,681	477,570	497,897	504,667	64,620	14.7%
ENVIRONMENTAL	24,461	17,663	21,873	27,373	23,132	-1,329	-5.4%
SAFETY AND HEALTH	71,974	87,621	79,530	93,009	80,995	9,021	12.5%
FACILITIES MANAGEMENT	103,706	100,559	105,828	96,693	84,811	-18,895	-18.2%
MAINTENANCE	62,111	63,717	57,124	56,184	74,762	12,651	20.4%
UTILITIES	68,293	60,013	65,869	63,632	65,018	-3,275	-4.8%
SAFEGUARDS AND SECURITY	88,642	101,450	102,620	118,199	118,466	29,824	33.6%
LOGISTICS SUPPORT	8,823	10,872	13,476	11,747	11,958	3,135	35.5%
QUALITY ASSURANCE	9,530	17,941	26,457	24,974	38,243	28,713	301.3%
LABORATORY/TECHNICAL SUPPORT	2,507	3,845	4,793	6,086	7,282	4,775	190.5%
TOTAL SITE SPECIFIC as % of TOTAL	5.0%	5.0%	5.6%	5.2%	6.3%		
TOTAL SITE SPECIFIC	98,919	106,138	110,700	108,793	134,517	35,598	36.0%
MANAGEMENT/INCENTIVE FEE	19,455	19,031	22,790	19,448	32,616	13,161	67.6%
TAXES	0	0	0	0	15,477	15,477	100.0%
LDRD / PDRD / SDRD	79,464	87,107	87,910	89,345	86,424	6,960	8.8%

US Department of Energy
Total Functional Support
 Los Alamos National Lab/Los Alamos National Sec.



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	795,450	849,513	889,083	922,656	948,056

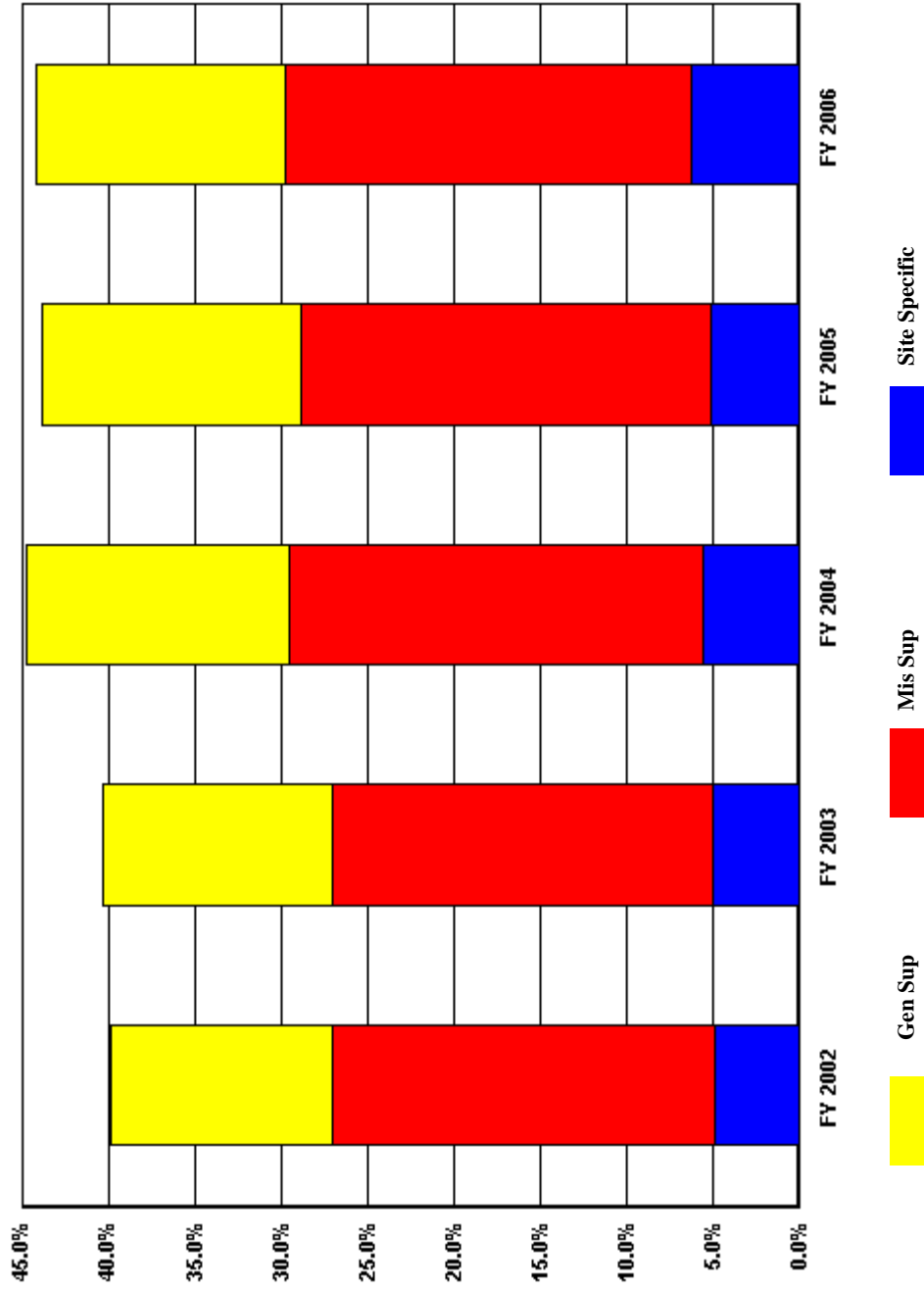
**US Department of Energy
Total Functional Support as a % of Total Costs
Los Alamos National Lab/Los Alamos National Sec.**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	39.8%	40.3%	44.7%	43.8%	44.1%

**US Department of Energy
Percent of Support Category to Total Costs
Los Alamos National Lab/Los Alamos National Sec.**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	12.8%	13.3%	15.1%	15.0%	14.4%
Mis Sup	22.0%	24.0%	23.7%	23.7%	23.5%
Site Specific	5.0%	5.6%	5.2%	6.3%	6.3%

SITE PROFILE
Los Alamos National Lab/Los Alamos National Sec.

SITE OVERVIEW AND CHARACTERISTIC

I. INTRODUCTION

On July 15, 1945, a Los Alamos physicist threw the switch that detonated the world's first atomic bomb. The resultant explosion ushered in the Atomic Age and established Los Alamos National Laboratory (LANL) as a world-class research institution. Today, the Laboratory is operated by the Los Alamos National Security, LLC (LANS) for the National Nuclear Security Administration of the U.S. Department of Energy.

Laboratory personnel work on advanced technologies to meet the needs of the twenty-first century, such as hydrogen fuel cell development, supercomputing, and applied environmental research. Yet, since its creation, the primary responsibility of the Laboratory has been to maintain the effectiveness of the nation's nuclear deterrent, including stewardship of the existing nuclear weapons stockpile, managing nuclear materials, and stemming the proliferation of weapons of mass destruction. Recently, Laboratory scientists developed a detector that is far more sensitive than x-rays and can see through lead or other heavy shielding in truck trailers or cargo containers to detect uranium, plutonium or other dense materials. The detectors are currently being used at US borders.

The Laboratory is one of the world's largest multidisciplinary institutions. The Laboratory partners with industry and education to conduct research in non-nuclear defense programs and a broad array of non-defense programs, including research in energy, biomedical science, computational science, environmental science, and materials science. The Laboratory is home to the "Q Machine" supercomputer, one of the world's most powerful computers. This computer allows scientists to visualize and predict real phenomena, from the inner workings of nuclear weapons to the course of wildfires, global weather patterns and epidemics.

Highlights for 2006: On June 1, 2006, the management and operations contract for the Laboratory was awarded to Los Alamos National Security, LLC, a for-profit, limited liability company comprised of the University of California, Bechtel, BWX Technologies and Washington Group International. The contract transition marked the first change in managing contractor since the University of California began managing the laboratory as a public service in 1943.

The National Security Science Building (NSSB) was dedicated in May, 2006. The NSSB will house 700 staff, and includes a 600-seat auditorium and lecture hall.

In July scientists at Los Alamos National Laboratory captured five 2006 R&D 100 Awards presented by R&D Magazine bringing the Laboratory's total to 103 awards since 1978. Los Alamos scientists were honored for their work on Nontoxic Explosives, Computer Visualization Tool, Charged-Particle Optics Code, Nanofabrication Process, and Computer-Language Compiler.

SITE PROFILE
Los Alamos National Lab/Los Alamos National Sec.

Location & physical size of the site: The Laboratory is located in northern New Mexico, approximately 35 miles northwest of Santa Fe, on 40 square miles (approximately 25,382 acres) of mesas and canyons. Twenty of these square miles are considered security areas with limited access. The site consists of 49 separate technical areas, a large central administrative area and many outlying research sites scattered across the mesas and canyons. In addition to office space and “light” (non-nuclear) laboratories, the Laboratory operates 11 nuclear facilities. The Laboratory maintains approximately 2,200 individual structures with 9.5 million square feet.

Number of employees: The Laboratory is the largest employer in northern New Mexico employing 9,676 full-time LANS employees, consisting of 3,361 technical staff members, 1,993 technicians, 2,656 administrative staff, 726 management employees, 344 post doctoral employees, and 596 students.

Number of contractors on site: The Laboratory employs 2,658 contractor personnel: a security force of 623, a site support workforce of 1,524, and technical and non-technical contractor employees employed throughout the Laboratory of 511.

Requirements for housing and cafeterias: The Laboratory supports one main cafeteria, two satellite cafeterias and a vending truck service for the Laboratory. The Laboratory also provides economical housing to students on short-term assignments at the Laboratory.

Transportation (buses) requirements: The Laboratory maintains a shuttle service for traveling from work-site to work-site and to carry employees to and from outlying parking areas.

Amount of work subcontracted: Of the Laboratory’s total expenditures of \$2,145M, the Laboratory spent \$973M on subcontracted activities. This subcontracted work falls into the following categories:

Materials	\$148M
Services	\$474M
Equipment	\$35M
Capital/Construction	\$121M
Site Support Services	\$146M
Travel/Miscellaneous	\$49M

Customer diversity: The following three types of customers sponsor Laboratory activities:

National Nuclear Security Administration (NNSA)	69%
Department of Energy (DOE) (non-NNSA)	17%
Non-DOE Work for Others (WFO)	14%

SITE PROFILE
Los Alamos National Lab/Los Alamos National Sec.

Levels of non-DOE work: The non-DOE Work for Others portion of the Laboratory's sponsorship is composed of the following categories:

Federal funding

Department of Defense	20%
Other Defense-Related	40%
Department of Health and Human Services	6%
Department of Homeland Security	19%
National Aeronautics and Space Administration	4%

Non-federal funding Universities and Institutions 7%

Other 4%

Gross Receipt Tax: As a for-profit company, LANS LLC is required to collect and remit gross receipts taxes directly to the State of New Mexico. (The University of California, a not-for-profit entity, was not subject to this requirement.) From June 1 — September 30, 2006, LANS LLC gross receipts tax costs was \$29,445K

II. HIGHLIGHTS OF TRENDS — Historical

LANL's total functional support costs for FY02 - FY06 have increased by \$166.6M while the percentage of total functional support costs to total site costs has increased from 39.8% to 44.1%. However, the FY06 figures include LANS gross receipts tax and contract management fee, both significantly higher than in previous years.

Total functional support costs in FY06 reflect an incremental increase of 1.3% due to payment of New Mexico gross receipts tax and the increased management fee beginning June 1, 2006 when management of LANL transitioned from a non-profit to a for-profit organization. Without these increases, total functional support costs would have been 42.8% of the total site costs.

Costs for safety and health, maintenance, utilities, and safeguards and security may appear to be out of line with "similar" sites. As described in the site profile above, the Los Alamos National Laboratory is a very large research and development facility housing special nuclear material facilities, plutonium facilities and accelerator facilities which contribute to total functional support costs.

OTHER

The *Other* category (\$6,135K) for FY 2006 consists of:)

Institutional Program (\$4,135K) and Development (\$2,000K)

SITE PROFILE
Los Alamos National Lab/Los Alamos National Sec.

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

PROCUREMENT

FY05 procurement costs were higher than FY06 reflecting two important improvement efforts that were largely completed last year. The SUP (Supply Chain Management Division) Improvement Plan and the SUP Move (relocation) had costs of about \$2,150K in FY05.

INFORMATION OUTREACH

FY06 costs reflect \$16 million paid for the support of the Los Alamos Public School District. These payments once paid directly by DOE, are now made from the Laboratory General and Administrative cost pool.

OTHER

In FY05 the Laboratory had a large legal settlement cost. The large reduction in costs between FY05 and FY06 was partially offset by smaller legal settlements in FY06.

SAFETY AND HEALTH

Several drivers are contributing to decrease in safety and health costs: reduction in packaging and transportation safety costs (associated with shipment of hazardous materials); completion of EISU (Electrical Infrastructure/Safety Upgrades) projects, reduction in S&H for Facility Operations.

FACILITIES MANAGEMENT

Decrease due primarily to the completion of major infrastructure projects in FY05. These included Cerro Grande projects and reduced costs for facility operations due to the completion of line item projects and operations in the weapons area. This category includes increases for Facilities Project staffing to meet facility needs.

MAINTENANCE

Increases primarily due to relocation of Radio Shop, increased KSL maintenance, and increased costs for facility operation and related activities.

QUALITY ASSURANCE

Increase in Meteorology & Air Quality and Water quality Hydrology regulatory and compliance requirements. In addition, increases occurred in the Contract Assurance Office due to contract transition and additional work performed by the Price Anderson Enforcement Office.

MANAGEMENT/INCENTIVE FEE

Increase reflects LANS' Management Fee beginning in June 2006.

SITE PROFILE

Los Alamos National Lab/Los Alamos National Sec.

TAXES

Increase reflects new requirement to pay New Mexico gross receipts tax beginning June 2006 when management of LANL transitioned from a non-profit to a for-profit organization. During the preparation of this report, it was discovered that during the initial implementation of the gross receipts tax payment system, approximately \$14 million dollars of gross receipts tax payments were coded in the financial system such that the FCR database spread these costs across programs and functional cost categories as an applied cost. The total amount of gross receipts tax was actually \$29.4 million. Coding to allow the FCR database to appropriately bin these tax payments is now being used and will be in place for all future functional cost report submissions.

CAPITAL CONSTRUCTION

Overall, FY06 was lower for the Laboratory's major line item projects because projects that were in process in FY05, ended in early FY06.

COST SAVINGS INITIATIVES

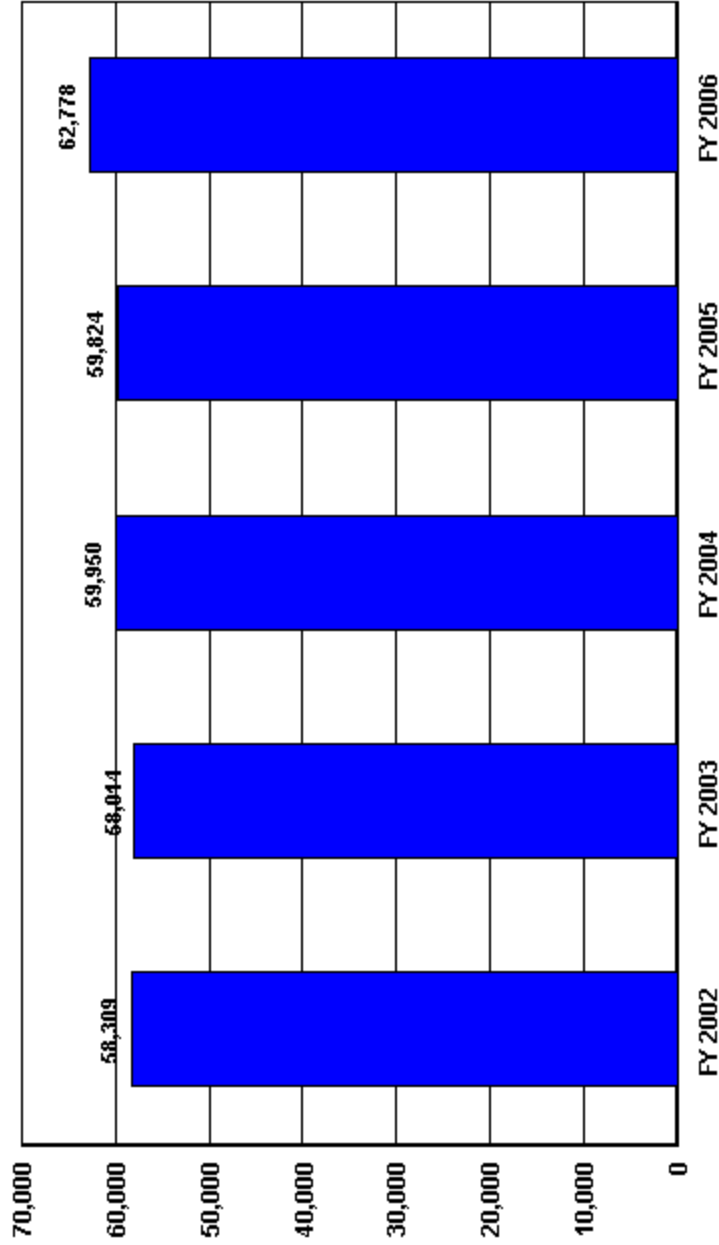
(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
(None)			

Trends in Total Support Cost by Functional Categories
National Renewable Energy Lab/Midwest Research (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	198,306	222,231	226,879	209,985	195,604	-2,702	-1.4%
Capital Construction	7,599	6,628	11,563	14,314	18,117	10,518	138.4%
Total Costs Less Construction	190,707	215,603	215,316	195,671	177,487	-13,220	-6.9%
Total Support Costs	58,309	58,014	59,950	59,824	62,778	4,469	7.7%
Mission Direct Operation	132,398	157,589	155,366	135,847	114,709	-17,689	-13.4%
Mission Direct Operation as % of Total Cost	66.8%	70.9%	68.5%	64.7%	58.6%		
Capital Construction as % of Total Cost	3.8%	3.0%	5.1%	6.8%	9.3%		
Total Support Cost as % of Total Cost	29.4%	26.1%	26.4%	28.5%	32.1%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	29.4%	26.1%	26.4%	28.5%	32.1%		
TOTAL SUPPORT COST	58,309	58,014	59,950	59,824	62,778	4,469	7.7%
TOTAL GENERAL SUPPORT as % of TOTAL	19.6%	16.9%	17.6%	18.5%	20.7%		
TOTAL GENERAL SUPPORT	38,803	37,574	39,837	38,797	40,453	1,650	4.3%
EXECUTIVE DIRECTION	3,667	3,896	4,055	4,495	5,565	1,898	51.8%
HUMAN RESOURCES	1,651	1,546	1,895	1,969	1,976	325	19.7%
CFO	1,962	2,171	2,225	2,380	2,396	434	22.1%
PROCUREMENT	2,381	2,499	2,754	2,892	2,591	210	8.8%
LEGAL	1,916	1,442	1,435	1,513	1,568	-348	-18.2%
CENTRAL ADMIN SERVICES	2,553	2,486	2,599	2,551	2,390	-163	-6.4%
PROGRAM/PROJECT CONTROL	1,061	1,198	1,455	1,380	1,499	438	41.3%
INFORMATION OUTREACH	12,834	11,644	11,656	11,290	10,772	-2,062	-16.1%
INFORMATION SERVICES	8,652	8,751	9,419	8,226	9,609	957	11.1%
OTHER	2,126	1,941	2,344	2,101	2,087	-39	-1.8%
TOTAL MISSION SUPPORT as % of TOTAL	7.2%	6.8%	6.5%	7.4%	8.6%		
TOTAL MISSION SUPPORT	14,342	15,031	14,683	15,567	16,890	2,548	17.8%
ENVIRONMENTAL	0	0	0	41	417	417	100.0%
SAFETY AND HEALTH	1,029	1,190	1,157	1,230	1,915	886	86.1%
FACILITIES MANAGEMENT	6,783	6,797	6,852	6,980	6,764	-19	-0.3%
MAINTENANCE	2,980	2,824	2,971	3,047	2,794	-186	-6.2%
UTILITIES	967	1,155	1,222	1,524	1,934	967	100.0%
SAFEGUARDS AND SECURITY	1,197	1,349	1,164	1,246	1,420	223	18.6%
LOGISTICS SUPPORT	406	789	524	538	886	480	118.2%
QUALITY ASSURANCE	719	641	508	715	504	-215	-29.9%
LABORATORY/TECHNICAL SUPPORT	261	286	285	246	256	-5	-1.9%
TOTAL SITE SPECIFIC as % of TOTAL	2.6%	2.4%	2.4%	2.6%	2.8%		
TOTAL SITE SPECIFIC	5,164	5,409	5,430	5,460	5,435	271	5.2%
MANAGEMENT/INCENTIVE FEE	5,164	5,409	5,430	5,460	5,435	271	5.2%
TAXES	0	0	0	0	0	0	0.0%
LDRD / PDRD / SDRD	0	0	0	0	0	0	0.0%

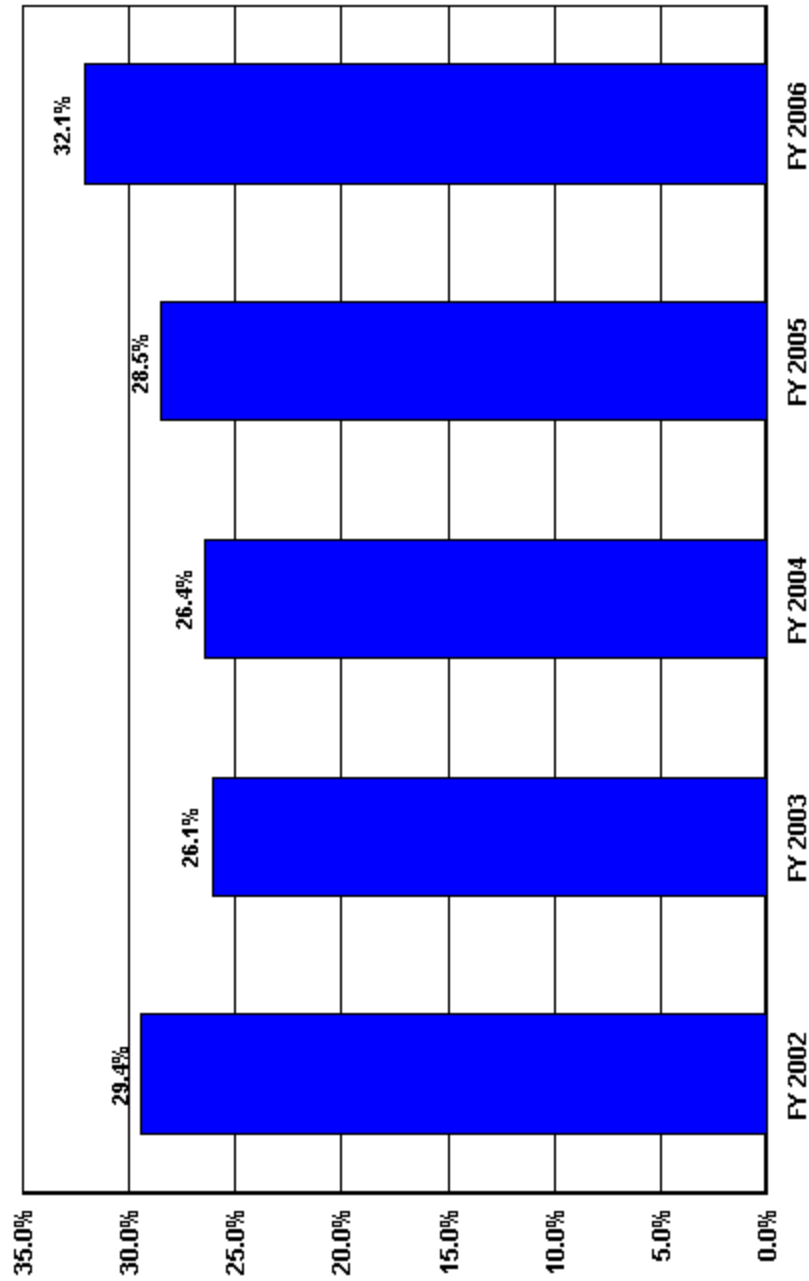
US Department of Energy
Total Functional Support
National Renewable Energy Lab/Midwest Research



■ Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	58,309	58,014	59,950	59,824	62,778

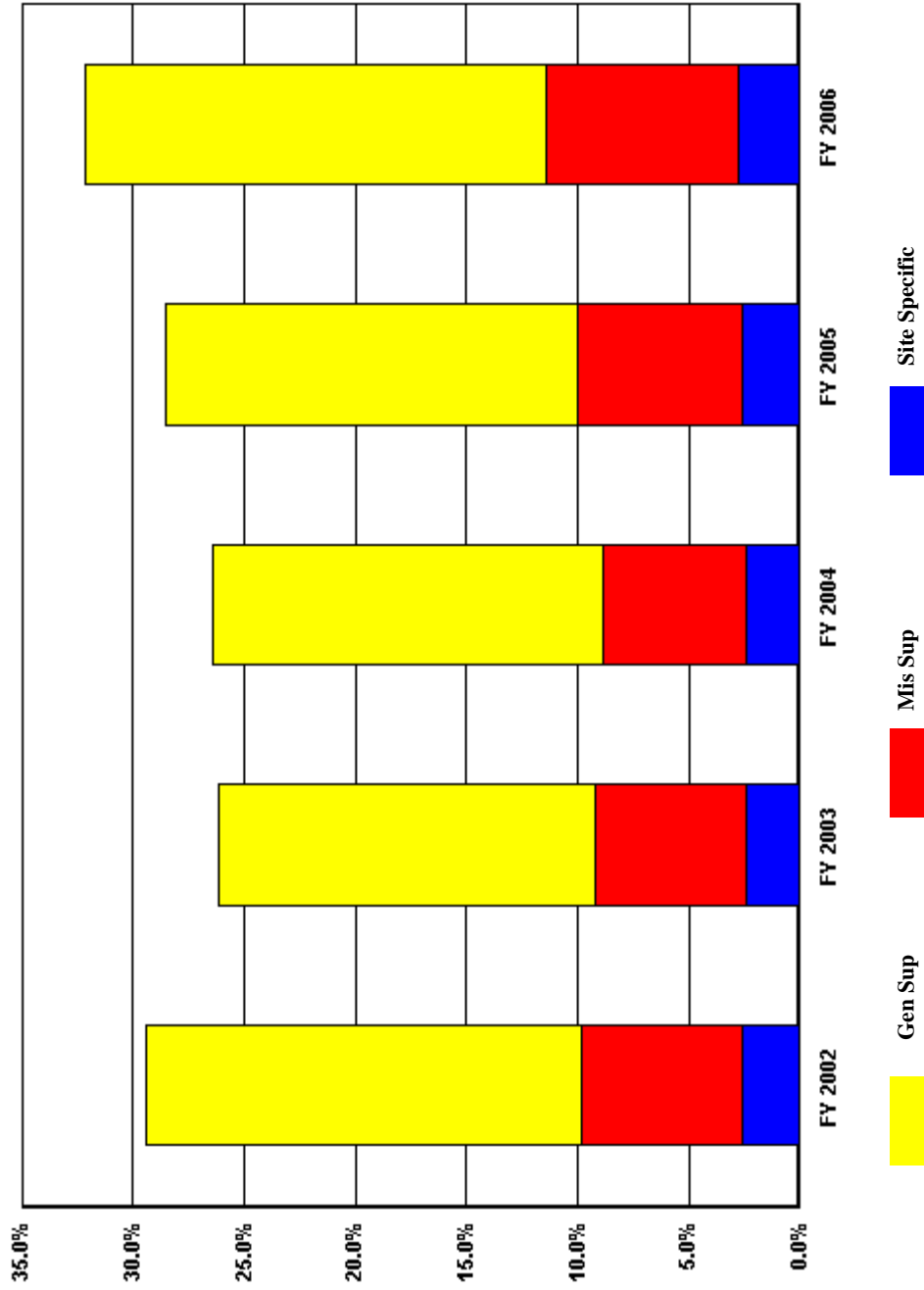
**US Department of Energy
Total Functional Support as a % of Total Costs
National Renewable Energy Lab/Midwest Research**



 Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	29.4%	26.1%	26.4%	28.5%	32.1%

**US Department of Energy
Percent of Support Category to Total Costs
National Renewable Energy Lab/Midwest Research**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	19.6%	16.9%	17.6%	18.5%	20.7%
Mis Sup	7.2%	6.8%	6.5%	7.4%	8.6%
Site Specific	2.6%	2.4%	2.4%	2.6%	2.8%

SITE PROFILE
National Renewable Energy Lab/Midwest Research

SITE OVERVIEW AND CHARACTERISTIC

The National Renewable Energy Laboratory is the only “single program” laboratory in the federal complex of laboratories dedicated to supporting renewable energy and energy efficiency technologies.

NREL operates in six separate locations; five are near Golden, Colorado, 8 miles west of Denver, and one in Washington, D.C. The Golden area locations consist of the DOE-owned South Table Mountain (STM) and National Wind technology Center (NWTC) sites incorporating 327 acres of land at the STM site and 305 acres at the NWTC site, 20 miles north of the STM site. Of the 327 acres of land at the STM site, only about 136 acres can be developed; the balance is restricted via easements. The other locations near Golden are leased facilities. NREL activities occupy about 711,000 sf of space. Of this, 451,000 sf is in DOE-owned buildings, and the balance is leased. Most of the research is conducted in DOE-owned buildings, while most of the administrative and support activities are conducted in leased buildings. The cost of leased space is a significant contributor to NREL’s reported cost of facilities, adding about \$4 million per year to this category of cost.

NREL had 888 employees on 09/30/06 and 1,072 persons on site at all its locations. The majority of NREL’s funding comes from the Office of Energy Efficiency and Renewable Energy, with lesser amounts provided by Office of Science and other DOE and non-DOE sources.

NREL’s programs include:

- Solar Energy
- Wind Energy
- Biomass
- Hydrogen, Fuel Cells, & Infrastructure
- Building Technologies
- Federal Energy Management Program
- Geothermal Energy
- FreedomCAR & Vehicle Technologies
- Distributed Energy & Electricity Reliability
- Weatherization and Intergovernmental Activities
- Chemical and Biosciences
- Materials Science
- Scientific Computing

Enabled by the new clarity and focus established through NREL’s strategic roadmap, NREL undertook a significant reorganization that aligned leadership roles and responsibilities and technical and business assets with our refined strategy.

SITE PROFILE
National Renewable Energy Lab/Midwest Research

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

EXECUTIVE DIRECTION

Executive Direction costs rose by \$1.1M due to NREL's reorganization. The Laboratory established the position of Deputy Director and created a new Associate Director position with increased emphasis on strategic Laboratory development as reflected in the increased costs in the Laboratory Development Office (\$142K) and the Strategic Development center (\$416K).

PROCUREMENT

Procurement costs decreased by approximately \$300K due to staff reductions and the temporary vacancy of the Office Director position.

PROGRAM/PROJECT CONTROL

Program/Project Control costs showed a decrease of \$175K as a result of the reallocation of costs to the Executive Direction category.

INFORMATION SERVICES

Information Services costs rose by 16.81%, restoring these costs to historical levels. Prior year costs were abnormally low due to budget constraints.

ENVIRONMENTAL

Environmental costs showed an increase of approximately \$400K as the result of a \$386K charge for a sewer tap at the permanent site and because of a reclassification of costs for recycling programs recommended by the FY05 Peer Review that were previously reported in the Maintenance category.

SAFETY AND HEALTH

Safety and Health costs rose by \$685K due to increased emphasis on employee safety and health at the Laboratory and a reclassification of fire and emergency response costs previously reported as a Facilities Management cost.

UTILITIES

Utilities costs rose by \$410K primarily due to the commissioning of the Laboratory's new Science and Technology Facility. The Laboratory also experienced utility rate increases.

SAFEGUARDS AND SECURITY

Safeguards and Security costs increased by nearly 14% due primarily to staff increases for enhanced security and the addition of a new laboratory facility.

SITE PROFILE
National Renewable Energy Lab/Midwest Research

LOGISTICS SUPPORT

Logistics Support costs showed an increase of \$350K due to a prior year misclassification of personal property management costs from the Facilities Management category.

QUALITY ASSURANCE

During the year, a portion of the Quality Assurance staff transferred to another department as part of the NREL reorganization. While the function has been preserved, the costs were not captured in this category for FY06. This problem has been addressed and will be correctly recorded in FY07.

CAPITAL CONSTRUCTION

The Laboratory completed construction of the Science & Technology Facility in FY06.

COST SAVINGS INITIATIVES

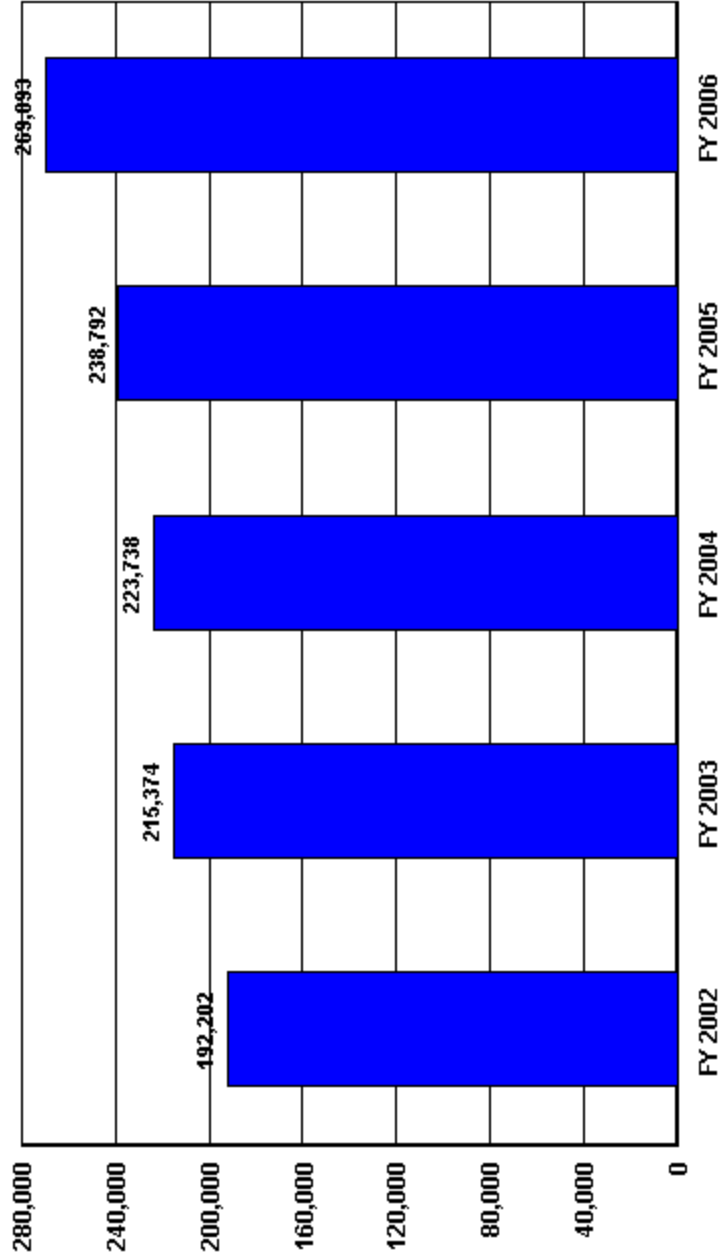
(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
Re-Compete Medical Insurance	1,000	In FY06, the Laboratory re-competed the employees' medical insurance. As a result of the re-competition NREL expects insurance costs to decrease \$1 million per year, with improved coverage.	Dick Sinning
Science & Technology Facility	93	By incorporating energy-efficiency design versus a conventional building design, NREL will save \$93K per year through lower utility costs.	Dick Sinning
Miscellaneous Utility Savings	10	Conversion of a boiler from electric to gas saved NREL approximately \$10K in FY06.	Dick Sinning

Trends in Total Support Cost by Functional Categories
Nevada/National Securities Tech & Bechtel (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	504,990	586,903	579,641	617,831	632,638	127,648	25.3%
Capital Construction	19,276	23,569	33,186	23,944	25,069	5,793	30.1%
Total Costs Less Construction	485,714	563,334	546,455	593,887	607,569	121,855	25.1%
Total Support Costs	192,202	215,374	223,738	238,792	269,893	77,691	40.4%
Mission Direct Operation	293,512	347,960	322,717	355,095	337,676	44,164	15.0%
Mission Direct Operation as % of Total Cost	58.1%	59.3%	55.7%	57.5%	53.4%		
Capital Construction as % of Total Cost	3.8%	4.0%	5.7%	3.9%	4.0%		
Total Support Cost as % of Total Cost	38.1%	36.7%	38.6%	38.7%	42.7%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	38.1%	36.7%	38.6%	38.7%	42.7%		
TOTAL SUPPORT COST	192,202	215,374	223,738	238,792	269,893	77,691	40.4%
TOTAL GENERAL SUPPORT as % of TOTAL	10.7%	10.7%	10.7%	10.5%	9.4%		
TOTAL GENERAL SUPPORT	53,978	62,866	61,883	64,719	59,613	5,635	10.4%
EXECUTIVE DIRECTION	6,607	6,359	4,489	4,594	2,726	-3,881	-58.7%
HUMAN RESOURCES	3,656	3,919	3,553	4,357	4,462	806	22.0%
CFO	3,991	4,047	4,678	4,851	4,769	778	19.5%
PROCUREMENT	2,306	3,094	3,331	4,297	3,534	1,228	53.3%
LEGAL	1,012	1,352	1,272	982	751	-261	-25.8%
CENTRAL ADMIN SERVICES	9,566	11,391	9,332	9,517	7,134	-2,432	-25.4%
PROGRAM/PROJECT CONTROL	1,719	2,329	5,127	5,998	8,075	6,356	369.7%
INFORMATION OUTREACH	1,920	2,353	2,667	2,593	2,477	557	29.0%
INFORMATION SERVICES	21,177	25,135	24,916	24,062	23,303	2,126	10.0%
OTHER	2,024	2,887	2,518	3,468	2,382	358	17.7%
TOTAL MISSION SUPPORT as % of TOTAL	21.7%	20.5%	21.5%	22.8%	28.1%		
TOTAL MISSION SUPPORT	109,529	120,128	124,846	140,689	177,792	68,263	62.3%
ENVIRONMENTAL	950	1,062	1,097	1,380	3,234	2,284	240.4%
SAFETY AND HEALTH	16,936	20,822	20,489	22,158	22,902	5,966	35.2%
FACILITIES MANAGEMENT	7,716	9,932	11,898	11,470	11,572	3,856	50.0%
MAINTENANCE	22,672	23,710	23,528	24,422	33,061	10,389	45.8%
UTILITIES	11,877	11,821	11,989	13,316	14,291	2,414	20.3%
SAFEGUARDS AND SECURITY	27,523	28,162	30,356	41,818	52,850	25,327	92.0%
LOGISTICS SUPPORT	11,174	12,153	12,359	12,721	13,254	2,080	18.6%
QUALITY ASSURANCE	3,548	3,737	4,879	5,436	5,758	2,210	62.3%
LABORATORY/TECHNICAL SUPPORT	7,133	8,729	8,251	7,968	20,870	13,737	192.6%
TOTAL SITE SPECIFIC as % of TOTAL	5.7%	5.5%	6.4%	5.4%	5.1%		
TOTAL SITE SPECIFIC	28,695	32,380	37,009	33,384	32,488	3,793	13.2%
MANAGEMENT/INCENTIVE FEE	19,613	23,213	25,539	21,321	20,913	1,300	6.6%
TAXES	5,822	5,452	6,872	7,182	7,199	1,377	23.7%
LDRD / PDRD / SDRD	3,260	3,715	4,598	4,881	4,376	1,116	34.2%

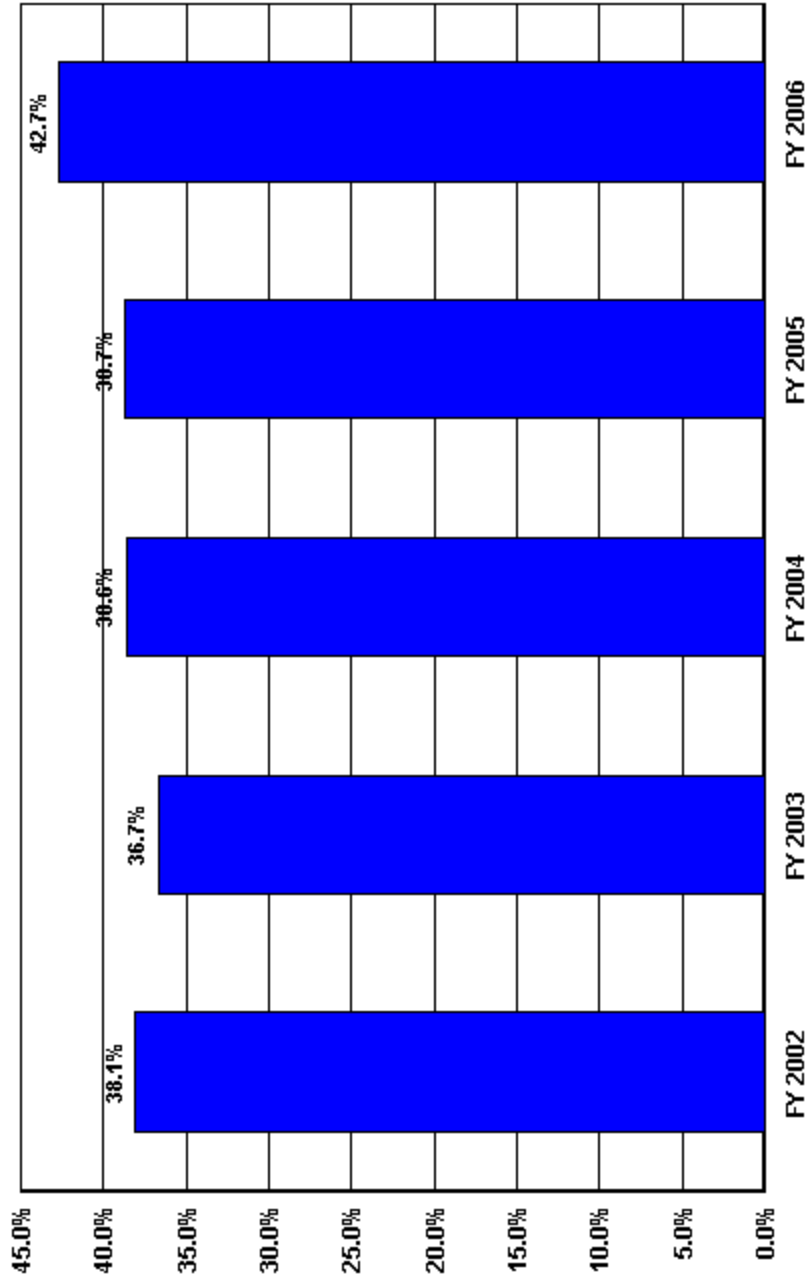
US Department of Energy
 Total Functional Support
 Nevada/National Securities Tech & Bechtel



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	192,202	215,374	223,738	238,792	269,893

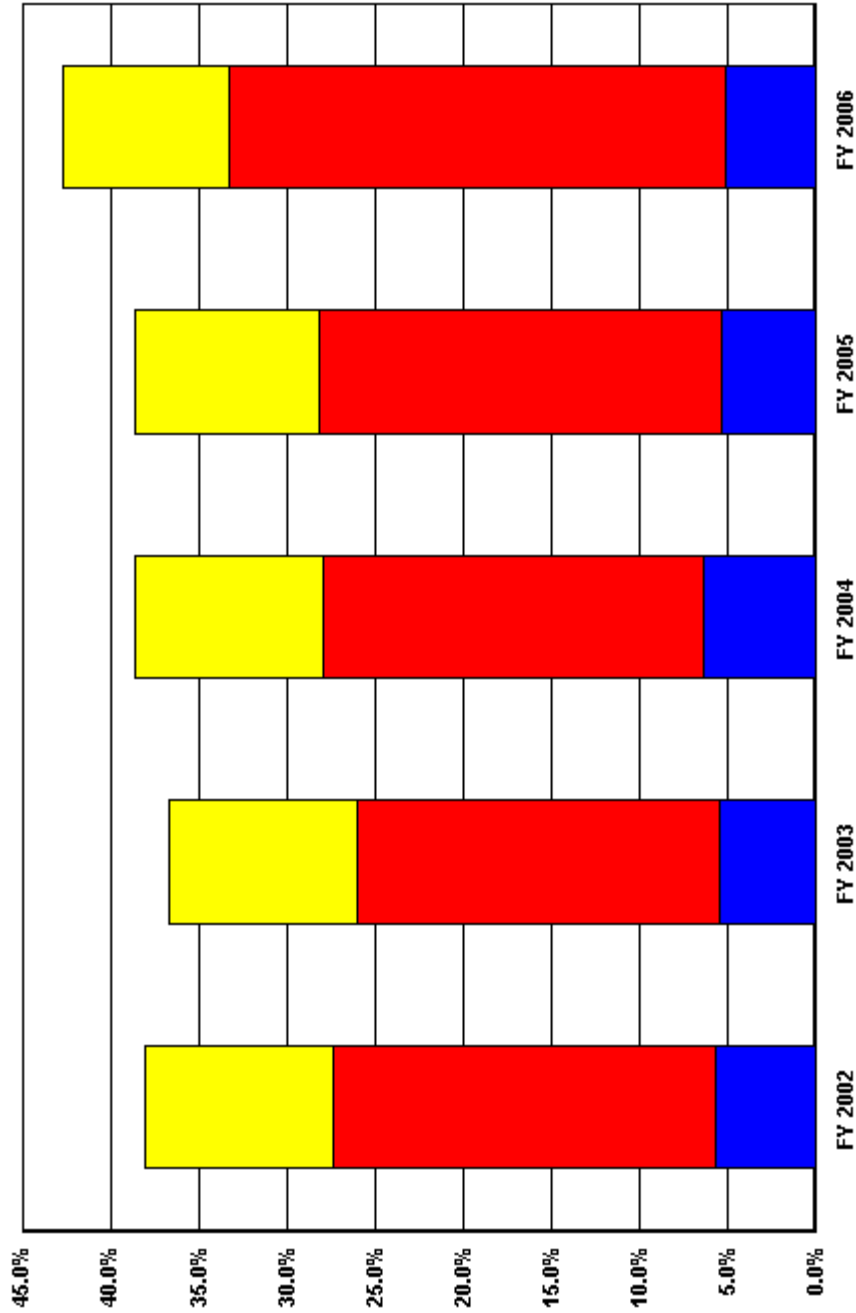
**US Department of Energy
Total Functional Support as a % of Total Costs
Nevada/National Securities Tech & Bechtel**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	38.1%	36.7%	38.6%	38.7%	42.7%

**US Department of Energy
Percent of Support Category to Total Costs
Nevada/National Securities Tech & Bechtel**



■ Gen Sup
 ■ Mis Sup
 ■ Site Specific

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	10.7%	10.7%	10.7%	10.5%	9.4%
Mis Sup	21.7%	21.5%	22.8%	22.8%	28.1%
Site Specific	5.7%	6.4%	5.4%	5.4%	5.1%

SITE PROFILE
Nevada/National Securities Tech & Bechtel

SITE OVERVIEW AND CHARACTERISTIC

Introduction

National Security Technologies (NSTec) started on July 1, 2006 pursuant to a limited liability company including Northrop Grumman, AECOM, CH2MHILL, and Nuclear Fuel Services. In FY 2006 the Nevada Test Site contract employed approximately 2,800 employees.

NSTec is the Management and Operating contractor that manages operations at the Nevada Test Site (NTS) and its related facilities and laboratories. The primary mission is to maintain the NTS for testing. Located 65 miles north of Las Vegas, the NTS is a massive outdoor laboratory and national experimental center. It is one of the largest restricted access areas in the United States covering approximately 1,375 square miles. There are 400 miles of paved roads and 300 miles of unpaved roads, two airstrips, 10 heliports, several active water wells, and an electric power transmission system. Also located within the boundaries of the Nevada Test Site is the base camp of Mercury with many of the amenities found in a small town. Housing, medical services, fire protection, law enforcement, security, and a cafeteria are all on site. There are 535 support buildings including offices, laboratories, warehouses, training facilities, a hospital, post office, fire station, sheriff's substation; and a large motor pool complete with repair facilities. The climate is that of a high desert basin with an estimated rainfall of less than seven inches and 310 days of sunshine each year. The arid desert climate allows year-round operation.

Most of the mission direct work performed at the NTS is contracted directly with the Nevada Site Office. Therefore, support costs for NSTec may appear higher than other integrated contractors. Besides the Department of Energy/National Nuclear Security Administration Nevada Site Office, NSTec partners with the Lawrence Livermore National Laboratory, Los Alamos National Laboratory, and Sandia National Laboratories on many projects. National Security Technologies also works on projects for other federal agencies such as the Defense Threat Reduction Agency, NASA, the Nuclear Regulatory Commission, and the U.S. Air Force, Army, and Navy.

NSTec is organized under a General Manager (GM) and Deputy General Manager (DGM) with 5 staff offices and 4 line divisions. This organization shortens lines of communications and focuses the attention of the workforce on the 4 core missions: Environmental Management; Experimentation & Stockpile Stewardship; Homeland Security & Defense Applications; and Operations & Infrastructure.

Environmental Management is responsible for Environmental Restoration, Program Integration, Waste Management Programs and Environmental Science and Technology Development.

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Experimentation & Stockpile Stewardship provides experimental capabilities necessary to maintain confidence in the safety and performance of weapons in the U.S. nuclear weapons stockpile. Stockpile Stewardship is also responsible for maintaining the ability to resume underground nuclear testing.

Homeland Security & Defense Applications includes several programs that involve high-hazard test and evaluation, applied engineering, and technology. Also, included in this mission is Nonproliferation Test and Evaluation Complex (NPTEC) — fully permitted to release highly hazardous chemicals in a controlled environment for experimental purposes.

Operations & Infrastructure is responsible for handling the daily site operations, site and infrastructure planning, facilities, emergency services support, and site engineering.

Business Operations, Planning & Integration, ESH&Q, and Mission Support Services provide support to the four core programs. In addition, these organizations maintain commercial management and administration, financial, management and systems, human programs and communications, and project management and control systems.

More than half of NSTec's employees work in the Las Vegas area or at the nearby Nevada Test Site. The company has satellite offices in Livermore, California (Livermore Operations) Los Alamos, New Mexico (Los Alamos Operations) as well as the Special Technologies Laboratory in Santa Barbara, California. NSTec also operates the Remote Sensing Laboratory in Nevada and its sister group located near Washington, D.C.

Highlights of Trends

- Total Functional Support Costs from FY 2002 to FY 2006 has increased an average of 5.0% per year.
- Total Functional Support Costs as a percentage of total site costs has decreased an average of 1% per year from FY 2002 to FY 2006

Other

Details of costs included in the Other category (\$2,382K in Total) are as follows:

General Insurance (\$186K)

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Housing (\$690K)
Legal Settlements (\$35K)
Elk Hills Retirement (\$590K)
Other Adjustments (\$881K)

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

EXECUTIVE DIRECTION

Community Environmental monitoring costs transferred to Environmental per peer review recommendation.

PROCUREMENT

20% decrease in Procurement FTE

LEGAL

Reduced use of outside counsel

CENTRAL ADMIN SERVICES

Costs reassigned based on Peer review finding.

PROGRAM/PROJECT CONTROL

Includes PCE Lead labor

INFORMATION SERVICES

Received Telephone credits

OTHER

Misc Adjustments decreased

ENVIRONMENTAL

Environmental costs transferred from Executive Direction per peer review recommendation

SAFETY AND HEALTH

Emergency Response costs transferred to Safety and Health per peer review recommendation.

MAINTENANCE

Costs based on new guidelines

UTILITIES

Increase of per unit cost for utilities

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SAFEGUARDS AND SECURITY

Costs include S&S provided and paid by NSO

LOGISTICS SUPPORT

Increased effort for distribution of "excess"

QUALITY ASSURANCE

PAAA increases

LABORATORY/TECHNICAL SUPPORT

Costs include support provided and paid by NSO

LDRD / PDRD / SDRD

SDRD ceiling based on spending.

COST SAVINGS INITIATIVES

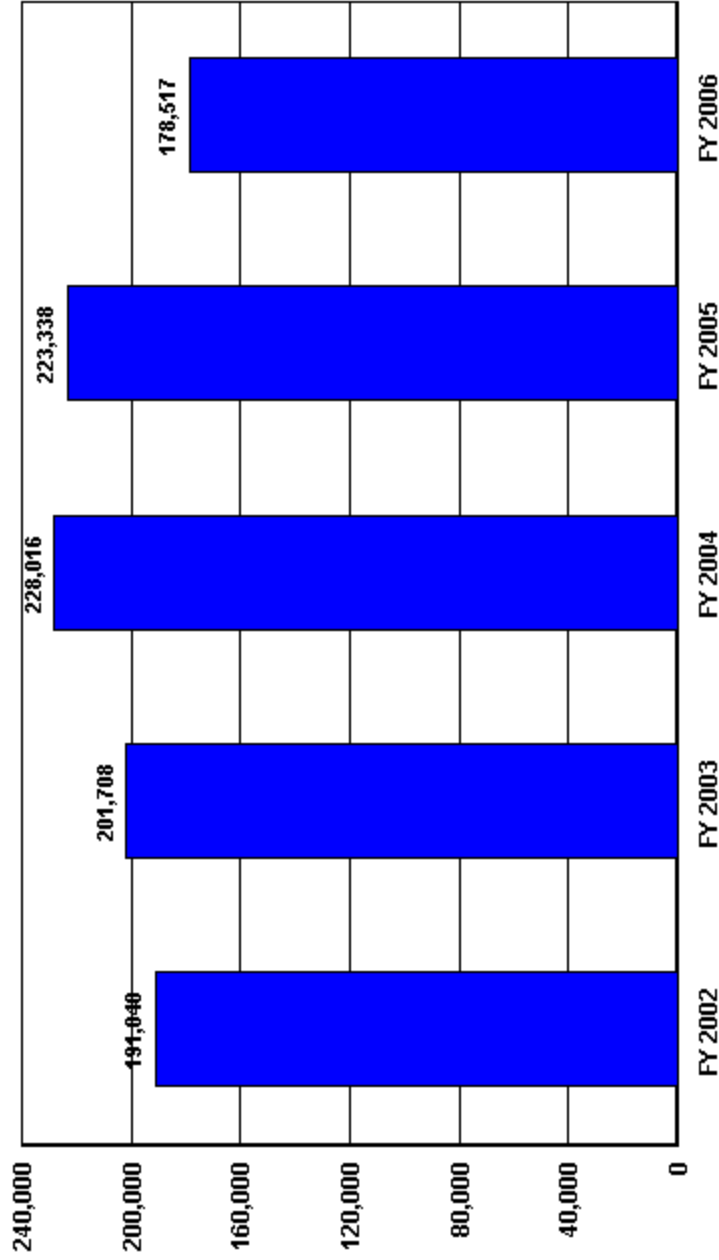
(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
Various Six Sigma program process improvements	581	Six Sigma program resulted in cost savings in the areas of Life Insurance Reports, Conducting D&D Restoration in Area 25, Alternate Dosimeter Supply, Cellular Telephone Services and Divine Strake Crater.	Stacey Mahoney
Cleanup Process at the Tonopah Test Range	7,877	A Six Sigma team looked into various alternatives to reduce the cost pertaining to corrective action unit 408 located at the Tonopah Test Range. Existing information was not adequate to reduce the approximately 16 square mile cleanup area. The team secured classified information that reduced the area for screening and cleanup to only 3 square miles.	Stacey Mahoney

Trends in Total Support Cost by Functional Categories
OREMEF/Bechtel Jacobs (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	501,221	537,019	654,843	769,055	576,829	75,608	15.1%
Capital Construction	35,273	11,242	33,306	43,948	14,060	-21,213	-60.1%
Total Costs Less Construction	465,948	525,777	621,537	725,107	562,769	96,821	20.8%
Total Support Costs	191,048	201,708	228,016	223,338	178,517	-12,531	-6.6%
Mission Direct Operation	274,900	324,069	393,521	501,769	384,252	109,352	39.8%
Mission Direct Operation as % of Total Cost	54.8%	60.3%	60.1%	65.2%	66.6%		
Capital Construction as % of Total Cost	7.0%	2.1%	5.1%	5.7%	2.4%		
Total Support Cost as % of Total Cost	38.1%	37.6%	34.8%	29.0%	30.9%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	38.1%	37.6%	34.8%	29.0%	30.9%		
TOTAL SUPPORT COST	191,048	201,708	228,016	223,338	178,517	-12,531	-6.6%
TOTAL GENERAL SUPPORT as % of TOTAL	12.9%	11.7%	8.8%	7.6%	9.9%		
TOTAL GENERAL SUPPORT	64,709	63,095	57,659	58,157	57,192	-7,517	-11.6%
EXECUTIVE DIRECTION	3,626	3,366	3,971	3,187	2,748	-878	-24.2%
HUMAN RESOURCES	9,916	11,020	7,661	9,327	10,752	836	8.4%
CFO	4,472	4,366	4,225	4,071	3,797	-675	-15.1%
PROCUREMENT	5,558	6,398	6,923	6,769	5,150	-408	-7.3%
LEGAL	1,136	1,288	1,318	1,572	2,357	1,221	107.5%
CENTRAL ADMIN SERVICES	6,883	7,527	7,299	7,684	4,116	-2,767	-40.2%
PROGRAM/PROJECT CONTROL	11,526	9,259	8,891	9,685	7,758	-3,768	-32.7%
INFORMATION OUTREACH	1,982	1,575	1,303	875	1,172	-810	-40.9%
INFORMATION SERVICES	19,535	18,248	16,062	14,985	13,462	-6,073	-31.1%
OTHER	75	48	6	2	5,880	5,805	7,740.0%
TOTAL MISSION SUPPORT as % of TOTAL	21.1%	22.3%	21.7%	19.3%	20.6%		
TOTAL MISSION SUPPORT	105,958	119,865	141,921	148,299	118,794	12,836	12.1%
ENVIRONMENTAL	6,761	7,572	7,323	4,686	4,237	-2,524	-37.3%
SAFETY AND HEALTH	43,913	51,722	56,040	63,749	54,103	10,190	23.2%
FACILITIES MANAGEMENT	1,783	2,533	3,046	6,532	5,344	3,561	199.7%
MAINTENANCE	12,294	16,004	13,400	10,610	5,644	-6,650	-54.1%
UTILITIES	17,642	15,815	17,602	19,956	19,326	1,684	9.5%
SAFEGUARDS AND SECURITY	15,440	19,105	37,674	34,332	21,834	6,394	41.4%
LOGISTICS SUPPORT	3,193	1,453	1,757	2,075	2,309	-884	-27.7%
QUALITY ASSURANCE	4,513	4,911	4,770	5,298	4,932	419	9.3%
LABORATORY/TECHNICAL SUPPORT	419	750	309	1,061	1,065	646	154.2%
TOTAL SITE SPECIFIC as % of TOTAL	4.1%	3.5%	4.3%	2.2%	0.4%		
TOTAL SITE SPECIFIC	20,381	18,748	28,436	16,882	2,531	-17,850	-87.6%
MANAGEMENT/INCENTIVE FEE	19,324	17,914	27,651	15,877	1,213	-18,111	-93.7%
TAXES	1,057	834	785	1,005	1,318	261	24.7%
LDRD / PDRD / SDRD	0	0	0	0	0	0	0.0%

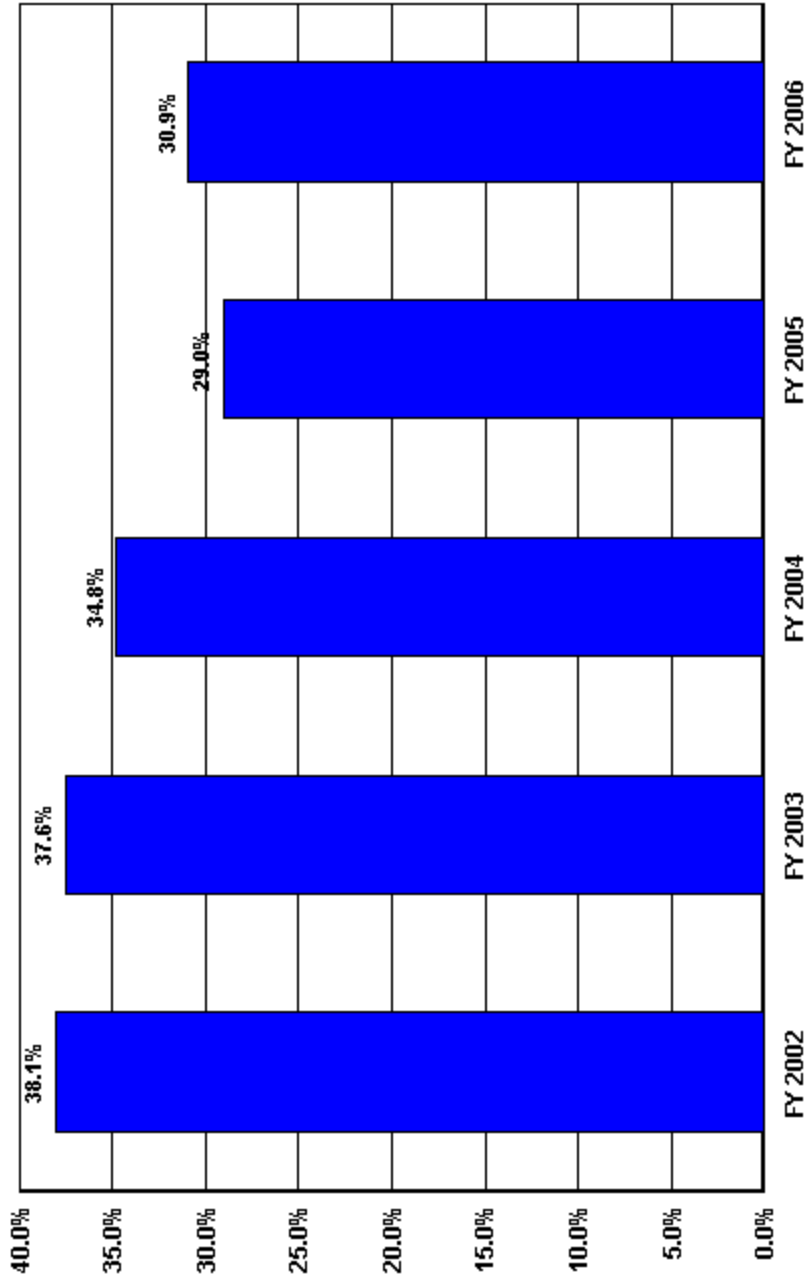
US Department of Energy
 Total Functional Support
 OREMEF/Bechtel Jacobs



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	191,048	201,708	228,016	223,338	178,517

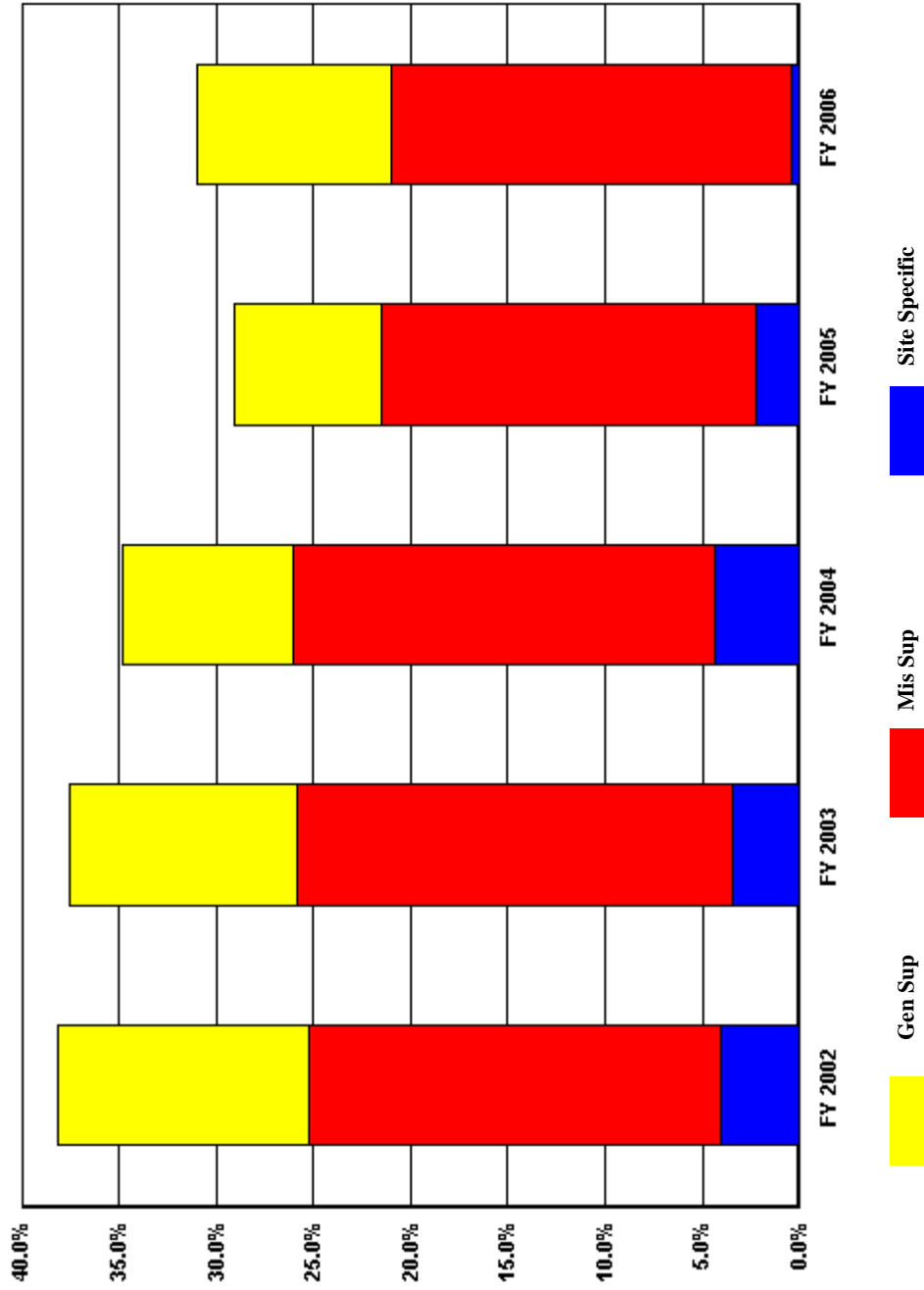
**US Department of Energy
Total Functional Support as a % of Total Costs
OREMEF/Bechtel Jacobs**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	38.1%	37.6%	34.8%	29.0%	30.9%

US Department of Energy
 Percent of Support Category to Total Costs
 OREMEF/Bechtel.Jacobs



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	12.9%	11.7%	8.8%	7.6%	9.9%
Mis Sup	21.1%	22.3%	21.7%	19.3%	20.6%
Site Specific	4.1%	3.5%	2.2%	2.2%	0.4%

SITE PROFILE
OREMEF/Bechtel Jacobs

SITE OVERVIEW AND CHARACTERISTIC

I. Background

Functional support costs for the Oak Ridge Environmental Management Enrichment Facility (OREMEF) site represent a compilation of the support costs at the Paducah, Kentucky site; the Portsmouth, Ohio site; and the East Tennessee Technology Park (ETTP) located in Oak Ridge, Tennessee. The mission is three-fold: environmental cleanup and waste management, management of depleted uranium hexafluoride, and reindustrialization of the ETTP. Physical characteristics of each site are as follows:

ETTP: Approximately 360 buildings covering 14 million square feet of space. Most buildings are over 30 years old and non-operational. Approximately 1293 Bechtel Jacobs Company employees reside at the site with an additional 1251 subcontractor and Community Reuse Organization of East Tennessee (CROET) tenants also physically located on the site.

Portsmouth: DOE is responsible for the maintenance and upkeep on approximately 72 buildings on the Portsmouth site. On June 27, 2005, this scope of work was transitioned in its entirety to new prime contractors and no longer part of the OREMEF submission. During FY 2006 BJC continued to incur support costs for closeout and transition activities during FY 2006.

Paducah: Approximately 135 buildings on 3,556 acres of land with 748 acres inside the security fence. As of June 27, 2005, the Paducah Infrastructure scope of work transitioned to a new prime contractor was no longer part of the OREMEF submission. On April 24, 2006 all remaining scope of work was transitioned to new prime contractors and no longer part of the OREMEF submission. During FY 2006 BJC continued to incur support costs for closeout and transition activities during FY 2006.

On April 1, 1998, Bechtel Jacobs Company LLC, a Managing and Integrating (M&I) contractor, replaced Lockheed Martin Energy Systems as the managing contractor for the ETTP, Paducah, and Portsmouth sites. As of the end of FY 2000, approximately 85% of the total Bechtel Jacobs work scope had been subcontracted. The subcontractors may support the missions functionally, which would be reflected in the appropriate functional category, or fixed price subcontracts may be utilized for specific scopes of work and would be reflected in the mission direct category. Approximately 6% of the Bechtel Jacobs subcontracted work scope continues to be performed by BWXT Y-12 (formerly Lockheed Martin Energy Systems, Inc.) and UT-Battelle (formerly Lockheed Martin Energy Research Corporation). Other than utilities, these costs are not reflected in the BJC functional report, but are reflected in the BWXT Y-12 and UT-Battelle reports.

SITE PROFILE
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Beginning October 1, 2003, the Oak Ridge contract became an Accelerated Cleanup Contract utilizing a cost-plus-incentive fee contract structure. Performance incentives provide the motivation to achieve accelerated cleanup at the lowest cost to the DOE. Schedule incentives include disposal of legacy low level waste and legacy mixed low level waste by September 30, 2005; closure of the Melton Valley Site at ORNL by September 30, 2006; and closure of the ETTP site by September 30, 2008. Meeting these remaining objectives will require continued innovative approaches to achieve these goals as well as streamlining processes and eliminating non-value-added requirements. The outcome of these efforts should be reflected in the functional cost trends over the next few years. The 2005 and 2006 milestones (disposal of legacy low level waste and legacy mixed low level waste and Melton Valley Site) were completed as scheduled.

II. Trends

The functional support cost increased beginning in FY 2002 to FY 2004 primarily due to increased ES&H support required by the projects, information technology, support for network separation, worker's compensation, and safeguards and security. In FY 2004 and FY 2005, the percentage of Support Costs decreased due to the change in the Oak Ridge contract to an Accelerated Cleanup contract, which requires more field work to be performed in order to meet the contract and DOE milestones. In FY 2005 and FY 2006 the functional support costs decreased as a result of the Paducah and Portsmouth sites transition activities.

The Bechtel Jacobs Company contract with DOE contains requirements that may cause the site's costs to appear out of line with other costs. While Bechtel Jacobs Company is committed to subcontracting a significant portion of the scope of work, the employees inherited from the previous contractor were transitioned to these subcontractors with substantially equivalent benefits as they had received prior to transition. This necessitates significant efforts of the part of the Human Resources, Procurement, Executive Management, Legal, and Chief Financial Officer Functions. The Human Resource function spent a great deal of time negotiating new benefits packages with new carriers because the existing carrier could not handle the requirements, which also resulted in buying out the contract with the old carrier. In addition, the Procurement Function has been required to add special clauses to each subcontract to ensure that these personnel requirements are met. The Chief Financial Officer function has been involved in setting up a separate payroll system in order to pay the subcontractors so that accurate labor data can be maintained for benefits purposes. Therefore, due to the above- mentioned circumstances, the FY 1999 functional costs may not compare favorably with those of other sites. Note that the FY 2000 functional costs have improved as the Managing and Integrating (M&I) Contractor process matured. As mentioned earlier, FY 2001 through FY 2003 support cost as a percentage of total cost stayed fairly constant and reduced in FY 2004. The

SITE PROFILE
OREMEF/Bechtel Jacobs

support cost percentage continued to reduce in FY 2005 even though total cost increased, indicating that BJC support cost do not fluctuate with cost.

III. Major Cost Saving Initiatives

The Bechtel Jacobs Company (BJC) began implementing the Six Sigma program as a problem-solving methodology that uses a systematic approach to allow an organization to improve quality quickly and effectively. It utilizes a rigorous set of statistical tools and methodologies designed to improve work quality, profitability, customer and employee satisfaction and leadership of business enterprises. BJC has combined the Six Sigma methodologies with behavioral-oriented Performance Based Leadership tools to improve the way we do business; tackle the issues that can hinder performance and drive us toward our goal of meeting business objectives and DOE expectations. BJC calculates and tracks the cost savings derived from the Six Sigma Process Improvement Projects (PIPs) on a calendar year basis. The following is a brief description of the results and cost savings associated with PIPs that generated cost savings in 2005. Cost savings are unburdened and are net of any implementation (investment) cost.

IV. Other

The Other functional category (\$5,880K Total) includes the following for FY 2006:
Termination/RIF (\$2,723K) and
Legacy Worker's Comp./Dr. Panel (\$3,157K)

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

EXECUTIVE DIRECTION

Includes Bechtel Jacobs Company Executive Management and the Six Sigma Initiatives. Historical Information: The FY 2004 increase (\$600K) was due to the addition of senior management positions to support the Accelerated Cleanup Plan. The FY 2005 decrease was due to the transitioning of Black Belts to field positions (\$300K). The FY 2006 decrease reflects moving the Closure Projects Evaluation Board (CPEB) costs to QA (\$160K).

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HUMAN RESOURCES

Training cost increases are reflected in the FY 2003 amount (~\$1.4M). The decreases (\$3.5M) in FY 2004 were a result of stabilization of Worker's Compensation Cost, decrease in training costs since most required training was developed in FY 2003, and a reduction of 10 Human Resource employees during the year. The increase in FY 2005 was due to Worker's Compensation cost (\$800K), an additional employee in Labor Relations (\$100K), accrual of the variable pay plan earned in FY 2005 (\$300K), an increase in the benefits service center in support of WFT employees (\$500K), and an increase in Human Resource management (\$160K). The increase in FY 2006 was due to Worker's Compensation Costs and Claim payments (1.4M).

CFO

The reduction in FY 2005 reflects the loss of 1.5 FTEs (\$200K) of which .5 FTE transitioned with the Paducah/Portsmouth scopes of work.

PROCUREMENT

The \$1.6 million decrease was due to Paducah and Portsmouth Transitioning.

LEGAL

The \$785,000 increase in FY 2006 was due to the addition of outside counsel costs that had been previously categorized as Mission Direct Costs.

CENTRAL ADMIN SERVICES

The \$3.6 decrease in FY 2006 was due to the reclassification of administrative service costs per the Peer Review Team.

PROGRAM/PROJECT CONTROL

The decrease in FY 2003 reflects the reclassification of the Closure Projects Evaluation Board to Executive Management and cost efficiencies. The FY 2004 decrease (\$300K) was due to the reduction of five employees during the year. Project Control cost increased in FY 2005 due to a comprehensive baseline support (5 FTEs, \$550K) and additional support required to facilitate the EVMS review (\$200K). The decrease (\$1.9M) in FY 2006 was due to Paducah and Portsmouth contract transitioning.

INFORMATION OUTREACH

The \$300,000 increase in FY 2006 was due to reclassification of Technical Integration Costs per the Peer Review Team.

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INFORMATION SERVICES

FY 2002 increases were due to continued network independence efforts and system upgrades. Reduction in FY 2003 due to decreased desktop services and decreased application enhancements, as well as reduced telephone costs. FY 2005 decreases due to reduction in application maintenance costs (\$1M) and PC maintenance and asset management (\$1.3M). Some of these decreases were due to the transition of Paducah and Portsmouth scopes of work. The FY 2006 decrease (\$1.4M) was due to removal of IT Support from Paducah and Portsmouth sites.

OTHER

The \$5.9 million increase in FY 2006 was due to reallocating Legacy Workers Compensation and RIF costs from Mission Direct.

ENVIRONMENTAL

Increases in FY 2003 were due to increased emphasis and required subcontractor oversight in the area of environmental compliance. Decreases in FY 2005 were due to the restructuring of the sampling and analysis subcontract and reduction of FTEs in environmental services (\$2.5M).

SAFETY AND HEALTH

FY 2002 through FY 2003 increases was due to continued heightened emphasis on safety and additional Health Physics support required by the projects, as well as the ISMS re-validation in FY 2003. The FY 2004 increase (\$800K) was due to the accelerated work in the field and the requirement for Radcon support. Additional Radcon support caused the increase in S&H cost in FY 2005 (\$8M) including the cost of 7 additional FTEs. The FY 2006 decrease was due to completed activities requiring Radcon (\$7M) and HP (\$2.6M) services.

FACILITIES MANAGEMENT

Since the category definition requires facility engineering, only facility engineering was included as well as some engineering management and the facilities management organizations. Changes in FY 2002 were due to increased building rental/lease and increased construction management, and FY 2003 increases were a result of engineering management. Increases in FY 2005 were due to the lease of four buildings from CROET (\$1.6M) and increases in field services and engineering management (\$1M). Additional increases were due to moves due to reorganizations and repositioning employees from buildings scheduled for demolition to other areas (\$1M). The decrease in FY 2006 was due to reduced facility management (\$400K), engineering management (\$200K), and reclassification of Information/Outreach Activities costs per the Peer Review.

MAINTENANCE

The \$5 million decrease in FY 2006 is predominantly the result of reduced costs in the areas of building maintenance, roads and grounds, and fleet maintenance at the Paducah and Portsmouth sites.

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UTILITIES

The responsibility for power and utility distribution ceased to be an ETTP responsibility on April 1, 1998. The employees associated with providing power and utilities were transferred to Y-12 (power) or OMI (utilities). In accordance with functional cost instructions, the utility cost purchased from BWXT Y-12 is included in this category, and should be deducted from the BWXT Y-12 utility category cost. FY 2004 increases were due to higher utility costs and the increased cost to maintain and manage the utility systems. FY 2005 increases were due to higher utility charges (\$2M).

SAFEGUARDS AND SECURITY

The \$12.5 million decrease in FY 2006 was due to the Paducah and Portsmouth contract transitioning.

LOGISTICS SUPPORT

In FY 2003, materials management was integrated into Infrastructure cost at ETTP and was re-classified as Maintenance (~\$1.5M). Increases in FY 2005 were due to the implementation of a Central Receiving Facility (\$300K). The FY 2006 increase (\$300K) is due to the higher prices of fuel costs.

QUALITY ASSURANCE

Increase in FY 2002 through FY 2003 was due to emphasis placed on procedures and assessments. The FY 2005 was due to moving the CPEB function from Executive Management to Quality Assurance (\$250K).

LABORATORY/TECHNICAL SUPPORT

Increased cost in FY 2005 was due to the higher number of samples required to support project activities (\$700K).

MANAGEMENT/INCENTIVE FEE

The \$14.7 million decrease in FY 2006 was due to a decision by Bechtel Jacobs to adjust target fee to minimum fee levels.

TAXES

The \$300,000 increase in FY 2006 was due to actual FY 2005 4th Quarter franchise and excise tax payments made in FY 2006.

COST SAVINGS INITIATIVES

(\$ in 000's)

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OREMEF/Bechtel Jacobs

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
Improve the Process for Subcontract Initiation	88	Prior to initiation of this PIP, the process for managing subcontract funding and vendor payments involved re-work, duplicate data entry, and incidences of data not matching between the Bechtel Procurement System (BPS) and the Accounts Payable (AP) systems. Implementation of an electronic interface between these systems resulted in a reduction of job hours in AP and eliminated re-work. Key actions included establishing a team to function as a project (with a defined scope, schedule, and budget). The team prepared the life cycle baseline guidance, established consistent business rules that were issued as a desk instruction, assigned responsibility for project/function BPS/AP to a designated person, instituted electronic controls, and performed training on the revised process. The improvements identified by the Team allowed BJC to proceed with implementing an electronic interface. Potential areas for data disconnects were identified, and by utilizing the planned controls and mistake proofing techniques, defects have been kept to an absolute minimum.	
Reduce Banking Costs	236	During Calendar Year 2001, there were 29 Benefit Accounting Bank Accounts that were maintained. Each of these accounts accrues monthly maintenance fees from the bank. The amount of the bank fee is dependent on the services provided for each account. Improvements identified by this PIP allowed BJC to consolidate and reduce the number of Bank Accounts from 29 to 12, with a corresponding reduction in banking fees.	

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<p>Improve Billing Process</p>	<p>177</p>	<p>Bechtel Jacobs Company (BJC) manages Multi-Employer Pension Plans (MEPPs) and Multi-Employer Health and Welfare Act (MEWA) benefits for both BJC and transitioned subcontractor employees. The plan administrator requires consolidated monthly contribution reports and payments. This requires invoices to and collection from the subcontractors to facilitate consolidated data and payments. The entire process is manual, and has a risk for error. An invoice to the subcontractors is created which they use to deposit the employee/employer contributions in the bank. This process is entirely manual and includes multiple data reviews intended to reduce risk of errors. Late transmittal of invoices to subcontractors may prohibit timely deposit of funds, thereby requiring use of BJC funds. The goal of this PIP was to reduce the multiple validations and to automate the invoice development process to reduce the effort required, risk of error, and facilitate timely deposits.</p>	
<p>Improve Health Physics Survey Process</p>	<p>153</p>	<p>The purpose of this PIP was to evaluate the scope and cost of conducting health physics surveys during surveillance and maintenance of ORNL buildings awaiting decontamination and decommissioning. Data analysis indicated that measurements were being made in several facilities where no results had been found over limits for six months. Reduction in non value-added surveys reduced cost and eliminated the potential exposure of technicians conducting such surveys. Other improvements included web-based reporting of survey results and ongoing, regularly scheduled reviews of survey results.</p>	

SITE PROFILE
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Managing the Waste Information Management System	2,485	This PIP was undertaken to help meet a challenge to reduce the FY 2003 budget for the Waste Information Management system. The goal was to eliminate unneeded functionality of the waste tracking database, while retaining those elements necessary to maintain compliance with applicable requirements and regulations. The team identified features that were not requirements-based and could be eliminated.	
Improve the Process for Benefit Transmittals	236	This PIP evaluated the Human Resources and Finance organizations' processes for collecting and capturing data associated with benefits administration and accounting. The team identified improvements to decrease cycle time reduce manual rework, reduce database discrepancies, and improve systems used to generate benefits invoices for subcontractors.	
Inspection Process for Surveillance & Maintenance	259	The purpose of this PIP was to evaluate the scope and cost of conducting inspections during surveillance and maintenance of ORNL buildings awaiting decontamination and decommissioning. Data analysis indicated that the majority of systems being inspected were very stable and were consistently within specification limits for the period reviewed. The team developed a statistical protocol to evaluate the inspection performance data, modified inspection check sheets, and changed inspection roles and responsibilities. Inspection data will be monitored and analyzed on an ongoing basis. The PIP allowed adjustments to inspection frequencies and therefore reduced inspection costs.	

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<p>Melton Valley Hydrologic Isolation Project</p>	<p>1,590</p>	<p>This project involves the operation of borrow areas to provide contour fill for the capping of approximately 100 acres in Melton Valley. The purpose of this PIP was to evaluate and improve the proposed borrow area operation to meet aggressive cost and schedule targets. Analysis indicated that two variables – the capacity of dump trucks and the speed of trucks from borrow area to capping site – were the most important factors in meeting cost and schedule targets. The execution plan addressed these requirements by specifying a minimum dump truck capacity in subcontract documents and upgrading the haul road to safely accommodate a 25 mph speed limit. Contingency plans were also developed to recover/accelerate the work schedule.</p>	
<p>Improving the Process for Shipping UF6 Cylinders</p>	<p>1,317</p>	<p>BJC’s work scope includes the safe storage and offsite shipment of over 6,000 cylinders containing depleted uranium hexafluoride by the end of FY 2006. The purpose of this PIP was to optimize the process for offsite shipment to meet or beat contractual cost and schedule targets. Simulation modeling identified several opportunities to accelerate the shipment process, including the use of an alternative cylinder loading process, reconfiguration of staging areas, improved access to the loading site, providing a covered area for inspections and continued operations during inclement weather, and additional equipment and operators. These improvements are anticipated to allow the project team to ship 10 cylinders per day, compared to a historical average of 4.7 per day, reducing estimated life cycle costs by \$5.6 million.</p>	

SITE PROFILE
OREMEF/Bechtel Jacobs

Optimize Medical Space	325	<p>The BJC Health Center facility was scheduled for deactivation and demolition beginning in December, 2003. Relocation of this function to another facility was needed to support the D&D schedule. The purpose of this PIP was to streamline facility space needs and reduce the costs associated with relocating the BJC Health Center facility. Data associated with specific day-to-day volume of traffic was collected and analyzed and a simulation model was developed to evaluate the facility resource needs to support both current activity and potential near-term increases. Improvements were identified for the scheduling of services provide by the Health Center, as well as addition communication on the hours of operation and the process for obtaining services. As a result, facility space needs were reduced and an existing facility location was identified.</p>	
Improve Equipment Calibration and Maintenance Proc	5	<p>The purpose of this PIP was to find ways to reduce calibration activities by 20%. Data analysis indicated that many calibrations were not needed as currently scheduled as there was no change in performance from the original check. The process of calibration requirement and completion was formalized to include the facility owner and required evaluation of each piece of equipment to identify a basis for the calibration schedule. Ultimately this process improvement reduced the number of calibration activities resulting in cost savings.</p>	

SITE PROFILE
OREMEF/Bechtel Jacobs

<p>Improve the Invoicing Process</p>	<p>185</p>	<p>The invoicing process for Technical Service Agreements (TSA) required review and revision due to recent organization changes within Procurement and Field Services. A new process was designed that addressed the organizational changes and eliminated non-value added steps to reduce the current cycle time. The revised invoicing process provided electronic submittal of performance thereby eliminating the manual input into STAR. The direct benefit was a reduced number of labor hours to process performance summaries along with elimination of input errors. Dual approval cycle of performance summaries was also eliminated along with the elimination of the invoice concurrence sheet. The cycle time of the process was reduced from 72 to 47 days.</p>	
<p>Reducing Maintenance and Software Licensing Costs</p>	<p>147</p>	<p>The Information Technology (IT) Department initiated this PIP to determine the optimal venue to reduce costs by 10% without reducing service. The process involves an intricate network of data sharing for accurate reporting of salary, taxes, benefits, charitable giving, workforce transition employees, retirees, COBRA beneficiaries, accounts receivable, accounts payable, union contract requirements, prime contract requirements, and others. The software applications supporting these functions are the Human Resource Information System (HRIS), Cyborg, and Payroll, Absence, and Labor System (PALS), all of which feed Oracle Financials, the single piece of BJC mission-critical software. Key customers include Human Resource, employees, Chief Finance Officer, insurance companies, IRS, United Way, pension accruals, and subcontractors with workforce transition employees. The team concluded that direct-hire of current subcontracted expertise would be the only suitable option.</p>	

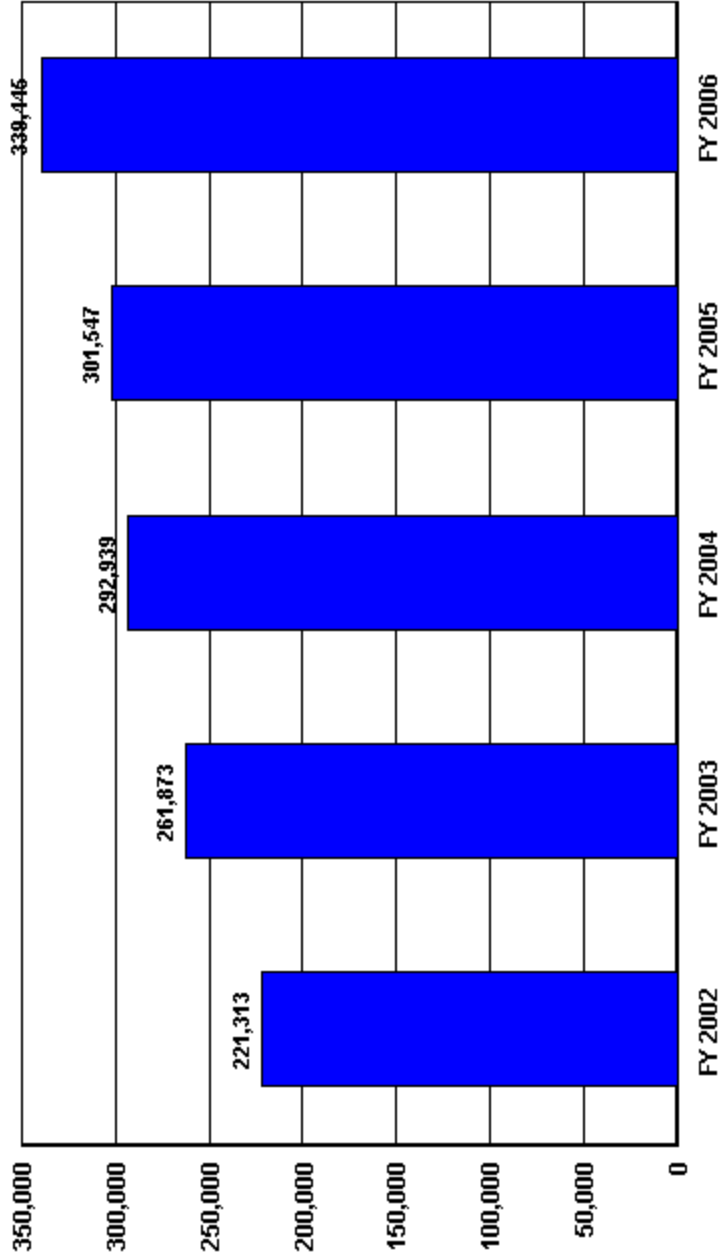
SITE PROFILE
OREMEF/Bechtel Jacobs

Radiological Surveys	573	Waste generated by the demolition activities will be disposed at one of two local landfills; EMWMF or the Y12 Sanitary/Industrial Landfill. The conveyances carrying the waste to the landfills and returning to the ETP are subject to a variety of federal and state regulations regarding radiological surveys. Currently, conveyances on an inbound route to ETTP are being surveyed for radiological contamination. After the shipments are made to the landfills, these conveyances return to the ETTP for another waste shipment. Subsequent to the conveyance arrival at the ETTP, the conveyance is surveyed.	
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Trends in Total Support Cost by Functional Categories
Oak Ridge National Lab/UT-Battelle (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	745,577	856,308	940,216	990,268	988,324	242,747	32.6%
Capital Construction	141,642	174,228	168,729	103,512	53,965	-87,677	-61.9%
Total Costs Less Construction	603,935	682,080	771,487	886,756	934,359	330,424	54.7%
Total Support Costs	221,313	261,873	292,939	301,547	339,445	118,132	53.4%
Mission Direct Operation	382,622	420,207	478,548	585,209	594,914	212,292	55.5%
Mission Direct Operation as % of Total Cost	51.3%	49.1%	50.9%	59.1%	60.2%		
Capital Construction as % of Total Cost	19.0%	20.3%	17.9%	10.5%	5.5%		
Total Support Cost as % of Total Cost	29.7%	30.6%	31.2%	30.5%	34.3%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	29.7%	30.6%	31.2%	30.5%	34.3%		
TOTAL SUPPORT COST	221,313	261,873	292,939	301,547	339,445	118,132	53.4%
TOTAL GENERAL SUPPORT as % of TOTAL	8.4%	9.4%	9.1%	9.0%	9.2%		
TOTAL GENERAL SUPPORT	62,495	80,907	85,217	89,423	90,579	28,084	44.9%
EXECUTIVE DIRECTION	5,537	12,581	12,801	13,906	13,520	7,983	144.2%
HUMAN RESOURCES	5,260	6,627	6,981	7,662	8,308	3,048	57.9%
CFO	5,057	11,232	10,731	12,016	13,133	8,076	159.7%
PROCUREMENT	2,752	4,853	5,320	5,658	6,044	3,292	119.6%
LEGAL	1,875	2,172	1,894	1,568	1,819	-56	-3.0%
CENTRAL ADMIN SERVICES	4,432	5,230	5,663	11,060	8,899	4,467	100.8%
PROGRAM/PROJECT CONTROL	1,057	2,192	1,354	1,136	1,224	167	15.8%
INFORMATION OUTREACH	7,247	8,604	9,935	9,228	10,717	3,470	47.9%
INFORMATION SERVICES	24,116	22,713	23,913	21,737	25,549	1,433	5.9%
OTHER	5,162	4,703	6,625	5,452	1,366	-3,796	-73.5%
TOTAL MISSION SUPPORT as % of TOTAL	18.9%	19.0%	19.6%	18.7%	21.8%		
TOTAL MISSION SUPPORT	140,691	162,545	184,725	184,932	215,695	75,004	53.3%
ENVIRONMENTAL	5,400	10,862	10,449	9,888	10,060	4,660	86.3%
SAFETY AND HEALTH	21,358	27,414	30,172	25,971	28,787	7,429	34.8%
FACILITIES MANAGEMENT	17,436	27,711	33,889	30,136	47,575	30,139	172.9%
MAINTENANCE	58,928	47,556	51,137	57,405	62,666	3,738	6.3%
UTILITIES	12,338	19,269	20,510	22,929	26,268	13,930	112.9%
SAFEGUARDS AND SECURITY	13,947	15,266	16,985	17,196	19,217	5,270	37.8%
LOGISTICS SUPPORT	5,597	6,067	7,421	6,572	7,300	1,703	30.4%
QUALITY ASSURANCE	3,587	5,029	4,949	4,662	5,583	1,996	55.6%
LABORATORY/TECHNICAL SUPPORT	2,100	3,371	9,213	10,173	8,239	6,139	292.3%
TOTAL SITE SPECIFIC as % of TOTAL	2.4%	2.2%	2.4%	2.7%	3.4%		
TOTAL SITE SPECIFIC	18,127	18,421	22,997	27,192	33,171	15,044	83.0%
MANAGEMENT/INCENTIVE FEE	6,959	7,056	7,043	8,184	10,700	3,741	53.8%
TAXES	301	308	1,353	1,822	2,384	2,083	692.0%
LDRD / PDRD / SDRD	10,867	11,057	14,601	17,186	20,087	9,220	84.8%

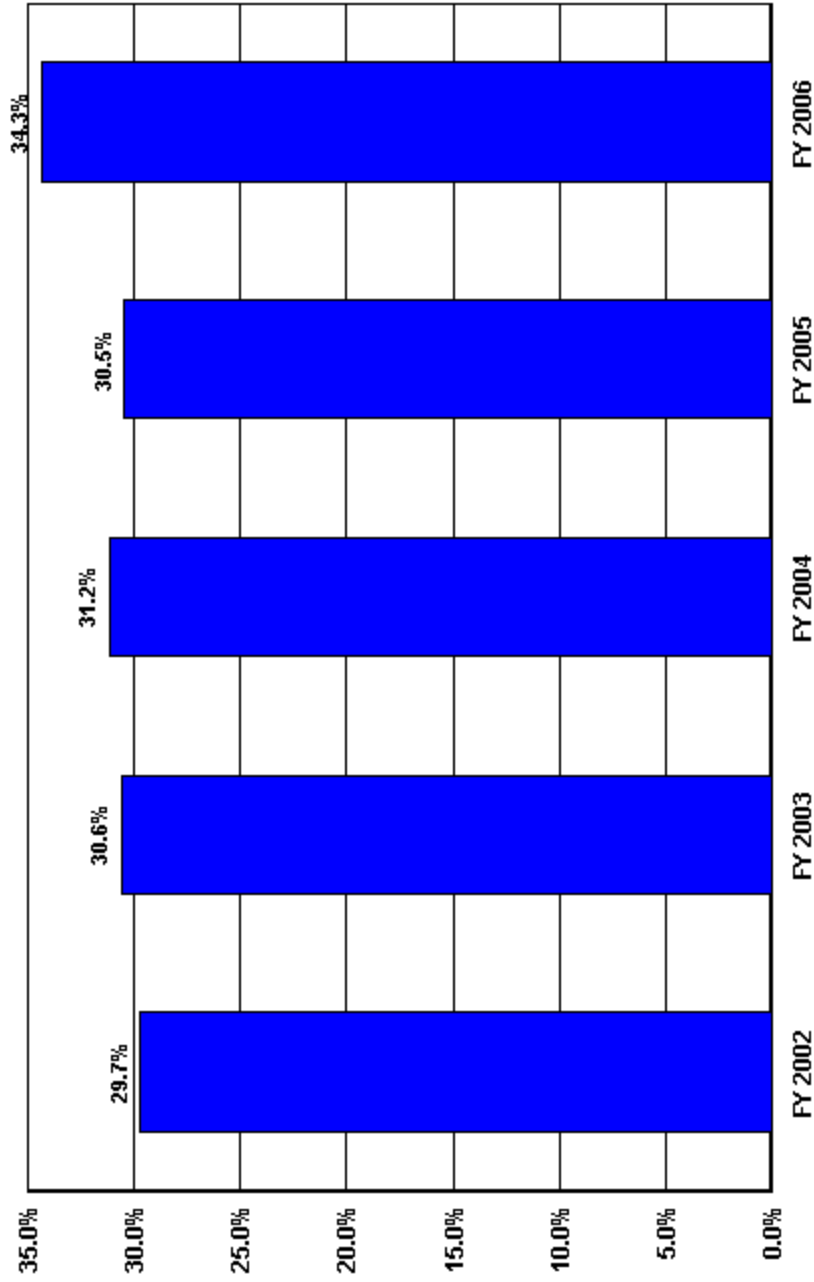
US Department of Energy
 Total Functional Support
 Oak Ridge National Lab/UT-Battelle



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	221,313	261,873	292,939	301,547	339,445

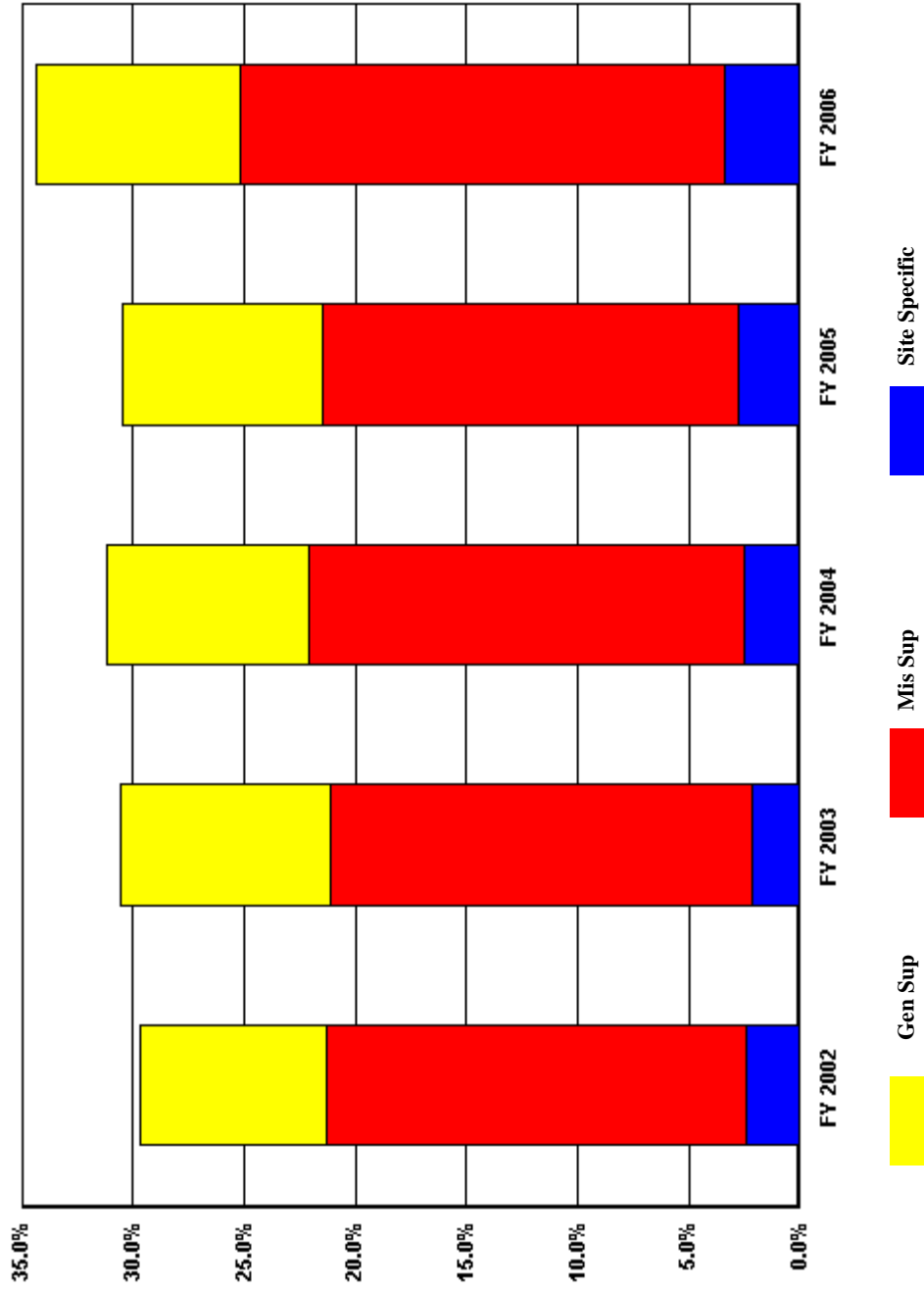
**US Department of Energy
Total Functional Support as a % of Total Costs
Oak Ridge National Lab/UT-Battelle**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	29.7%	30.6%	31.2%	30.5%	34.3%

**US Department of Energy
Percent of Support Category to Total Costs
Oak Ridge National Lab/UT-Battelle**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	8.4%	9.4%	9.1%	9.0%	9.2%
Mis Sup	18.9%	19.0%	19.6%	18.7%	21.8%
Site Specific	2.4%	2.2%	2.4%	2.7%	3.4%

SITE PROFILE
Oak Ridge National Lab/UT-Battelle

SITE OVERVIEW AND CHARACTERISTIC

Background

ORNL is a multiprogram science and technology laboratory managed for the U.S. Department of Energy (DOE) by UT-Battelle, LLC. ORNL was established in 1943 as part of the Manhattan Project to pioneer a method for producing and separating plutonium for use in the development of the atomic bomb. The Graphite Reactor served as a pilot-scale plutonium production facility for much larger reactors built in Hanford, Washington. After World War II, material irradiation research was conducted at the Graphite Reactor. During the 1950s and 1960s, ORNL conducted research in several fields related to nuclear energy and built and operated several nuclear research reactors, in addition to performing important life sciences research. With the energy crises of the early 1970s and 1980s, ORNL's activities expanded to include multiprogram research and development in support of national DOE missions.

Major programs at ORNL include materials science and engineering, analytical and separations chemistry and chemical sciences, environmental sciences, fusion science and technology, instrumentation science and technology, nuclear physics and astrophysics with radioactive ion beams, neutron science, life sciences, high-performance computing, social sciences, energy-efficient technologies for buildings, biomass energy, fossil energy, nuclear technology and safety, environmental management science, environmental technology development, life-cycle analysis and health and environmental risk assessment.

ORNL has a staff of over 4,100 contractor employees. The ORNL main site encompasses approximately 1,100 acres in the Bethel and Melton valleys, approximately 10 miles southwest of the center of the city of Oak Ridge, Tennessee, with additional facilities located on the adjacent Copper Ridge. ORNL also occupies space at the Oak Ridge Y-12 Plant and leases some space off-site. The ORNL main site currently has 335 active buildings, 62 active trailers, with approximately 4.0 million square feet of building space.

Trends

Functional Support Costs have increased over the period from FY 1999 to FY 2006 from \$192.4M in FY 1999 to \$339.4 in FY 2006. This is due mainly to increases in the Office of Science funding and Capital/Construction. Over this same time period the percentage of Functional Support costs to total costs has decreased slightly from 36% to slightly over 34%.

FY 2006 Functional Support to total costs remains artificially low due mainly to the increased

SITE PROFILE
Oak Ridge National Lab/UT-Battelle

construction line item amounts that are related to the Spallation Neutron Source (SNS). Construction for SNS should be very minimal in FY 07. It should be noted that SNS has other construction upgrades on the horizon in FY08 and beyond, but not to the dollar magnitude of the full project, of course. Another item to note that may impact functional cost in the next 5 — 10 years at ORNL is the ITER Project. The FY 07 estimate is \$60M and the FY 08 estimate is \$160M. The funding will be Major Item of Equipment (MIE).

For the FY2006 Functional Cost analysis, wage costs were distributed based on the Level 4 organization where the employee worked, thus more accurately reflecting the type of work being performed.

Legal — Shows an increase of \$454K or 25%. The Associate Director for Legal left during FY 05. The position was vacate for portion of the year and was filled during FY 06. Legal was understaffed during FY 05 — thus cost was lower in FY 05 than normal and returned to normal levels in FY 06.

Other — Shows a decrease of \$4.0M (299%) reflecting a decrease mainly in the plant expense category. This simply states that basic infrastructure maintenance in being more accurately classified as “maintenance” vs “other”.

Facilities Management - Shows an increase of 36.7% or \$17.4M. This is due to multiple reasons. The Tennessee Office Building (TOB) was coming online and with the recent experience of large buildings and moves, we better positioned ourselves to track and report on the cost of the moves and any related costs. In addition, we have gotten better at tracking infrastructure maintenance cost as “maintenance” vs “other”.

Laboratory/Tech Support — Shows a decrease of \$1.9M (23.5%) due to a decrease in subcontract support in the area of field sampling.

Management Fee - Increased \$2.5M (23.5%) due to a full year of fee at the newly negotiated UT-Battelle contract rate. The fee rate was re-negotiated in mid FY 05 and FY06 was the first year of a full 12 months under the contract.

Taxes — Increased \$561K (equates to 23.5%) due to a increase in franchise tax (\$400K increase) due to a full year of increase in fee and a \$100K increase in property taxes.

Taxes: The estimation of sales and use taxes for fiscal years 2002 - 2006 is as follows (in 000’s):

FY02:	\$8,368	FY03:	\$10,428	FY04:	\$11,583
FY05:	\$14,290	FY06:	\$12,951		

SITE PROFILE
Oak Ridge National Lab/UT-Battelle

Cost Savings Initiatives: FY2006 Operations Improvement Program (OIP) Projects

The Operations Improvement Program (OIP) is a program designed to address identified opportunities for improvement that require investments that exceed organizational and management system authorized budgets. The annual funds used for FY 2006 OIP projects across ORNL totaled \$514,165 for the following four projects:

- Facility Information Center
- Management System Maturity Pilot Project
- Laboratory Shift Superintendent (LSS) Fiber Network
- LSS Department Training

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

OTHER

The decrease of over \$4 million for Other was due to a decrease in Plant Expense Category. Basic infrastructure maintenance was more accurately classified as "Maintenance" vs. "Other".

FACILITIES MANAGEMENT

The \$17.4 million increase (36.7 percent) was caused by multiple reasons. One reason was the Tennessee Office Building (TOB) coming online. With the recent experience of large buildings and moves, ORNL was better positioned to track and report on the cost of the moves and any related costs. In addition, ORNL has gotten better at tracking infrastructure maintenance cost as "Maintenance" vs. "Other".

MANAGEMENT/INCENTIVE FEE

The Management Fee increased by \$2.5 million (23.5 percent) because it was computed for a full year at the newly negotiated UT-Battelle contract rate. The fee rate was re-negotiated in mid FY 2005 and FY 2006 was the first year of a full 12 months under the contract.

TAXES

Taxes increased by \$516,000 (23.5 percent) due to an increase in franchise tax of \$400,000 because of the full year of increase in fee (explained above). There was also a \$100,000 increase in property taxes.

COST SAVINGS INITIATIVES

(\$ in 000's)

SITE PROFILE
Oak Ridge National Lab/UT-Battelle

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
Facility Information Center	0	<p>This project consolidated and integrated information relevant to maintaining safe operations of facilities into the Facility Information Center (FIC). When fully implemented, the FIC is expected to significantly streamline operations across ORNL. The FY 2006 OIP effort met its intended goals. The goal in the area of graphical information and interactive display of facility space attributes was exceeded. While not all ORNL facilities are fully populated, goals set for those classified as being High Risk/High Priority were completed. In addition, the capability to automatically maintain the space values for ORNL facilities will reduce the manual effort required for database management as well as provide an auditable basis for the many inquiries and data calls regarding ORNL space metrics. This capability will meet and support the source document requirements for the DOE Facility Information Management System (FIMS) and the various systems for which FIMS serves as a basis.</p>	

SITE PROFILE
Oak Ridge National Lab/UT-Battelle

<p>Management System Maturity Pilot Project</p>	<p>0</p>	<p>This OIP project was a pilot project in which “Six Sigma” process improvement principles were used to improve the value and reduce the cost of selected management system processes. Approximately 25 staff members were engaged in the pilot. The five projects selected were energy management, vehicle management, visitor badging, safety, and small job estimating. All projects, except small job estimating, made it through the entire Six Sigma process and are in the control stage. Improvement gains will be identified upon completion of the control stage. The viability of Lean/Six Sigma approach as a framework for Facilities and Operations (F&O) management system improvement was confirmed. It was also apparent from the pilot study that not all F&O processes are well defined or understood by the organization, thus making the application of Lean-type tools selectively beneficial. The director of F&O has endorsed moving from the pilot stage to full implementation of a Lean/Six Sigma-like process improvement initiative during FY 2007.</p>	
<p>Laboratory Shift Superintendent Fiber Network</p>	<p>0</p>	<p>This OIP project upgraded remote monitoring and alarm communications to a fiber optic system. This upgrade improved capabilities and reduced the cost of remote monitoring and alarm communications. A communications backbone was installed that provide substantial communications capabilities between Buildings 4512 and 4500N. Costs associated with the LERC DAS were reduced by \$7200/per year. Approximately 90 new alarms and 49 new video feeds at an average cost savings of \$2400/year were also added. This project has reduced ORNL’s overall dependence on leased lines, which will impact future contracts with communications providers. The transition of HFIR and REDC to a fiber optic network was not completed as planned due to a delay in receiving fiber optic cable.</p>	

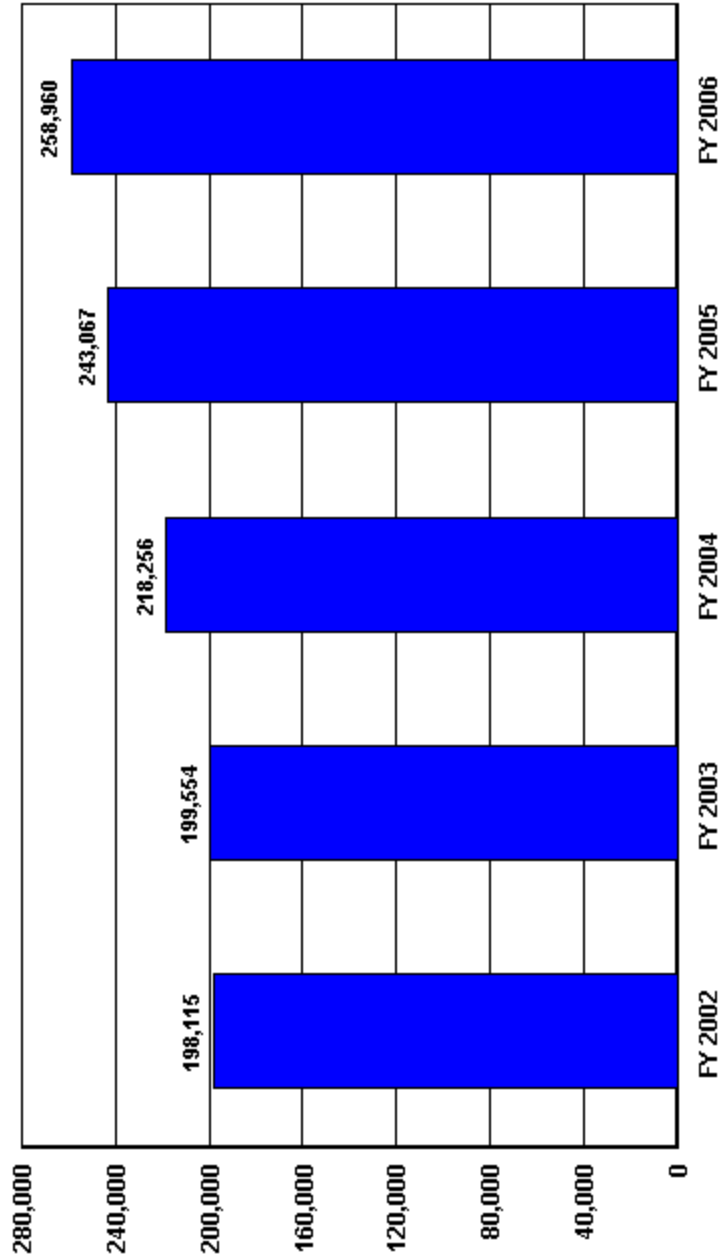
SITE PROFILE
Oak Ridge National Lab/UT-Battelle

Lab Shift Superintendent Department Training	0	Improvements to the LSS training modules were made with the development of five training modules, including lesson plans, visuals training material, and student material. Two of three emergency management packages were completed. The planned Web-based training was not completed due to late placement of a contract and subcontractor scheduling conflicts.	
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Trends in Total Support Cost by Functional Categories
Pacific Northwest National Lab/Battelle Memorial (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	530,413	564,955	614,443	719,778	734,007	203,594	38.4%
Capital Construction	10,066	12,843	11,563	17,901	20,931	10,865	107.9%
Total Costs Less Construction	520,347	552,112	602,880	701,877	713,076	192,729	37.0%
Total Support Costs	198,115	199,554	218,256	243,067	258,960	60,845	30.7%
Mission Direct Operation	322,232	352,558	384,624	458,810	454,116	131,884	40.9%
Mission Direct Operation as % of Total Cost	60.8%	62.4%	62.6%	63.7%	61.9%		
Capital Construction as % of Total Cost	1.9%	2.3%	1.9%	2.5%	2.9%		
Total Support Cost as % of Total Cost	37.4%	35.3%	35.5%	33.8%	35.3%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	37.4%	35.3%	35.5%	33.8%	35.3%		
TOTAL SUPPORT COST	198,115	199,554	218,256	243,067	258,960	60,845	30.7%
TOTAL GENERAL SUPPORT as % of TOTAL	16.8%	16.4%	15.3%	14.0%	14.7%		
TOTAL GENERAL SUPPORT	89,026	92,896	93,904	100,486	107,807	18,781	21.1%
EXECUTIVE DIRECTION	3,905	3,887	4,697	7,288	7,977	4,072	104.3%
HUMAN RESOURCES	4,740	4,935	4,887	5,353	6,224	1,484	31.3%
CFO	11,814	11,452	11,510	11,849	13,402	1,588	13.4%
PROCUREMENT	5,639	5,713	6,194	6,710	7,274	1,635	29.0%
LEGAL	1,393	941	890	955	1,054	-339	-24.3%
CENTRAL ADMIN SERVICES	3,919	4,808	6,193	5,747	6,026	2,107	53.8%
PROGRAM/PROJECT CONTROL	3,798	2,976	3,096	3,617	3,697	-101	-2.7%
INFORMATION OUTREACH	32,294	35,419	36,777	41,162	41,431	9,137	28.3%
INFORMATION SERVICES	21,524	22,765	19,660	17,805	20,722	-802	-3.7%
OTHER	0	0	0	0	0	0	0.0%
TOTAL MISSION SUPPORT as % of TOTAL	15.7%	14.4%	15.6%	15.7%	16.1%		
TOTAL MISSION SUPPORT	83,422	81,113	95,827	113,029	118,395	34,973	41.9%
ENVIRONMENTAL	3,245	4,161	4,176	3,949	4,594	1,349	41.6%
SAFETY AND HEALTH	18,710	16,497	19,385	21,936	22,425	3,715	19.9%
FACILITIES MANAGEMENT	19,882	20,273	26,851	31,403	33,544	13,662	68.7%
MAINTENANCE	9,020	9,801	11,842	13,194	14,458	5,438	60.3%
UTILITIES	9,939	8,527	6,986	6,073	7,111	-2,828	-28.5%
SAFEGUARDS AND SECURITY	8,938	10,061	11,108	17,983	16,522	7,584	84.9%
LOGISTICS SUPPORT	1,558	1,538	2,056	2,579	2,893	1,335	85.7%
QUALITY ASSURANCE	3,969	4,319	4,128	3,982	4,317	348	8.8%
LABORATORY/TECHNICAL SUPPORT	8,161	5,936	9,295	11,930	12,531	4,370	53.5%
TOTAL SITE SPECIFIC as % of TOTAL	4.8%	4.5%	4.6%	4.1%	4.5%		
TOTAL SITE SPECIFIC	25,667	25,545	28,525	29,552	32,758	7,091	27.6%
MANAGEMENT/INCENTIVE FEE	11,186	10,648	12,492	12,487	13,863	2,677	23.9%
TAXES	2,192	928	2,630	2,840	2,566	374	17.1%
LDRD / PDRD / SDRD	12,289	13,969	13,403	14,225	16,329	4,040	32.9%

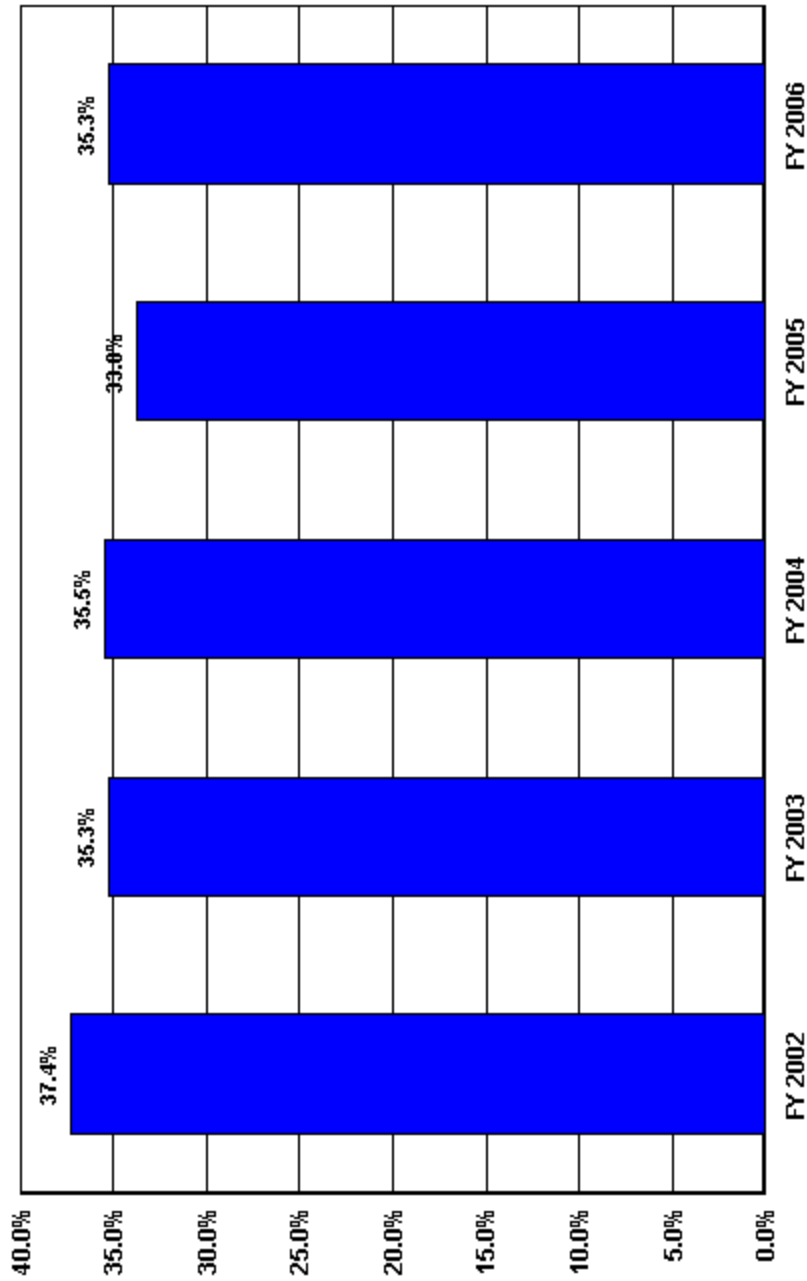
**US Department of Energy
Total Functional Support
Pacific Northwest National Lab/Battelle Memorial**



■ Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	198,115	199,554	218,256	243,067	258,960

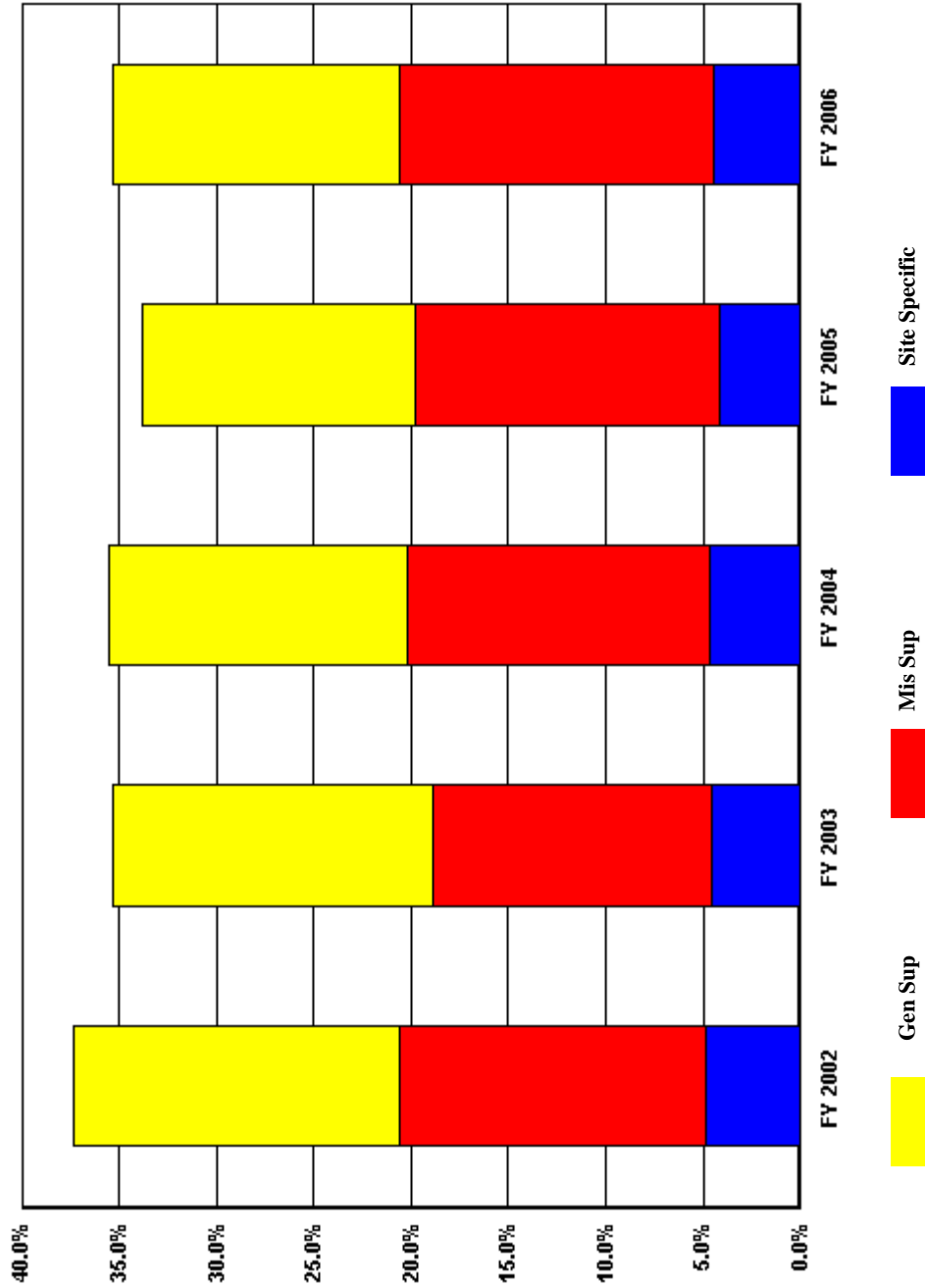
**US Department of Energy
Total Functional Support as a % of Total Costs
Pacific Northwest National Lab/Battelle Memorial**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	37.4%	35.3%	35.5%	33.8%	35.3%

**US Department of Energy
Percent of Support Category to Total Costs
Pacific Northwest National Lab/Battelle Memorial**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	16.8%	16.4%	15.3%	14.0%	14.7%
Mis Sup	15.7%	14.4%	15.6%	15.7%	16.1%
Site Specific	4.8%	4.5%	4.6%	4.1%	4.5%

SITE PROFILE
Pacific Northwest National Lab/Battelle Memorial

SITE OVERVIEW AND CHARACTERISTIC

History:

The Pacific Northwest National Laboratory (PNNL) was created in 1965 and has a broad focus in energy security, national security, and the environment. In its early days PNNL brought nuclear science and engineering expertise to the surrounding Department of Energy Hanford Site to tackle projects focused on designing reactors, fabricating reactor fuel, and protecting the environment. Since then, PNNL has evolved into a leading multi-disciplinary national laboratory providing scientific discoveries and developing innovative technologies under DOE's Office of Science. PNNL's mission focus is on the biological, chemical, computational, environmental and materials sciences; technologies to detect and mitigate weapons of mass destruction and counter acts of terrorism; and technologies for energy and environmental security. PNNL operates the Environmental Molecular Sciences Laboratory (EMSL), a user facility dedicated to providing advanced and unique resources to scientists and to educating scientists in the molecular sciences field to meet future challenges.

Special provisions of Battelle's contract with DOE allows for a unique agreement called a Use Permit. This agreement allows Battelle to utilize government owned facilities and equipment to conduct private work subject to full cost recovery to the government. As a result of the use permit Battelle has made investments in Battelle owned facilities and equipment at PNNL that are made available to work under the M&O contract and combined with government-owned facilities is referred to as a consolidated laboratory.

Mission:

PNNL performs basic and applied research to deliver energy, environmental, and national security for our nation.

PNNL's mission is being realized by executing the Laboratory's strategy, which is principally focused on sustaining PNNL as a world-class research organization by building world-class Science & Technology (S&T) capabilities and stewarding PNNL's assets. The laboratory vision focuses on six core competencies:

1. Microbial and cellular biology and applied proteomics
2. Environmental sciences in biogeochemistry, climate, and subsurface science, and integrated assessment of energy and environment
3. Analytical and interfacial chemical and materials sciences
4. Radiological sciences
5. Information analytics and visualization

SITE PROFILE
Pacific Northwest National Lab/Battelle Memorial

6. Sensing and measurement technologies and systems, for energy, national security and environmental applications

The Office of Science believes that these six competencies will enable PNNL to deliver its mission and customer focus, to perform a complementary role in the DOE laboratory system, and to pursue its vision for scientific excellence and pre-eminence in the areas of:

- Predict, manipulate and design biological systems for biofuels, bioproducts, bioremediation, and biothreat reduction.
- Predict environmental change and damage for rapid, accurate and efficient mitigation of intentional or unintentional release of contaminants.
- Control chemical and physical processes at the nanoscale to increase the performance of chemical and energy-intensive systems.
- Enhance the nation's capabilities in data-intensive, high performance computing to accelerate scientific discovery and security analysis involving very large data sets.
- Convert domestic hydrocarbons to fuels and chemicals and create carbon capture technologies that when fully implemented will decrease reliance on imported oil while sustaining the environment.
- Develop next-generation threat detection and prevention systems to reduce nuclear proliferation and terrorism.
- Deliver integrated experimental and computational resources through the Environmental Molecular Sciences Laboratory (EMSL) for discovery and technological innovation in environmental molecular sciences.

In order to deliver scientific and technical value to the nation, PNNL requires funding for staff, facilities and equipment. This document contains PNNL's cost profile for specific elements of operating cost.

HIGHLIGHTS OF TRENDS

The trend in PNNL's total Functional Support Costs as a percent of Total Costs has decreased since 2002. The percentage in 2002 was 37.4% compared to 35.3% in 2006. This represents a decrease of 2.1 percentage points or 5.6% over the course of five years.

The long term trend of support cost decreasing is bolstered by other measures such as an increase in the direct ratio (direct FTE's to total FTE's) going from 50.1% in FY02 to 51.0% in FY06. General overhead rates also declined over this period. However, the functional support cost percentage shows more volatility due to variation in subcontracts and procurements reflected in total cost, reflected in the functional cost percentage. For instance, subcontracts and procurements peaked in FY05 at 34% of total cost driving the functional support cost artificially low which returned to a more

SITE PROFILE
Pacific Northwest National Lab/Battelle Memorial

normal level of 29% of total cost in FY06. This resulted in an increase in the support cost percentage that in reality is a factor of the change in subcontract and procurement volume and not reflective of any significant increase in support cost. In fact, support costs increased 6.5% from FY05 to FY06, which was .9% less than the increase in PNNL labor rates. PNNL labor rates in FY06 increased above the norm reflecting the return to normal pension funding contributions after an extended period of minimal contributions due to outstanding performance in the investment of pension assets.

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

CFO

In total, the CFO category increased \$1,553K or 13.1%. This was driven by a incremental cost required to implement OMB Circular A-123 and the cost of a PNNL initiative to improve business process performance.

COST SAVINGS INITIATIVES

(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
Space Utilization	0	PNNL has initiated a series of activities to improve space utilization. This last fiscal year, these activities provided approximately 18,000 net square feet of lab space and 80 office workstations to address incremental space needs – equivalent to a facility of approximately 50,000 gross square feet. If this incremental space had to be leased, annual total lease costs could range from \$1M per year up to as much as \$2M per year depending on market rates.	

SITE PROFILE
Pacific Northwest National Lab/Battelle Memorial

Accounts Payable	0	<p>Electronic Invoicing Workflow – Provides the ability to electronically route, review, and approve accounts payable invoices using the same PeopleSoft workflow engine as electronic purchase requisitions. Invoices are being reviewed and approved faster than before which is positively impacting our bills paid on time measure.</p> <p>Auto Clearing House (ACH) Payments – ACH is a means for executing bank to bank transfers of funds. Completed development of processes on top of PeopleSoft Accounts Payable to use ACH to transfer payments to vendors. Vendors will be phased in over the next 12 months with the goal of eliminating as many paper check payments as possible.</p>	
Property Management and Accounting	0	<p>Off Site Property Form (formerly known as Home Use/Travel) - eliminated the paper-based HUT form, eliminated the time spent by property custodians and property reps to fill out and manage the forms on hundreds of property items.</p> <p>Wall-to-Wall Inventory – PNNL performed a wall-to-wall inventory of controlled and sensitive property (anything with a numbered property tag). In the past, this has been a manual paper-based process performed by designated Property Reps. For this inventory, we developed a web based system which allowed property custodians to view number tagged property that they are responsible for and the custodian will electronically verify the status of their property item(s).The web-based system replaced the manual “interview and clipboard” process traditionally used for inventories, saving hundreds of staff hours.</p>	

SITE PROFILE
Pacific Northwest National Lab/Battelle Memorial

B2B Purchasing	0	<p>Business-to-Business is a streamlined electronic purchasing mechanism for PNWD staff to purchase commercial, off-the-shelf items, at competitive prices from preselected suppliers. Once fully implemented, B2B will be the primary mechanism for buying routine commercial items. This purchasing mechanism provides more controls over what is bought and from whom, allows PNNL to consolidate purchases to fewer suppliers who are predominately small businesses with long history in government contracting, and will result in the Lab obtaining pricing and discounts on items routinely purchased.</p>	
Indirect FTE Management	0	<p>We have placed an emphasis on decreasing the amount of Indirect FTEs or at a minimum maintaining the same ratio as we grow. We control and measure this ratio by issuing targets for indirect FTEs and the percentage of Direct FTEs to Total FTEs within each distinct organization. In addition, we will implement a Work Force Planning process in FY07 to provide consistent review and approval to indirect hires across the Lab.</p>	

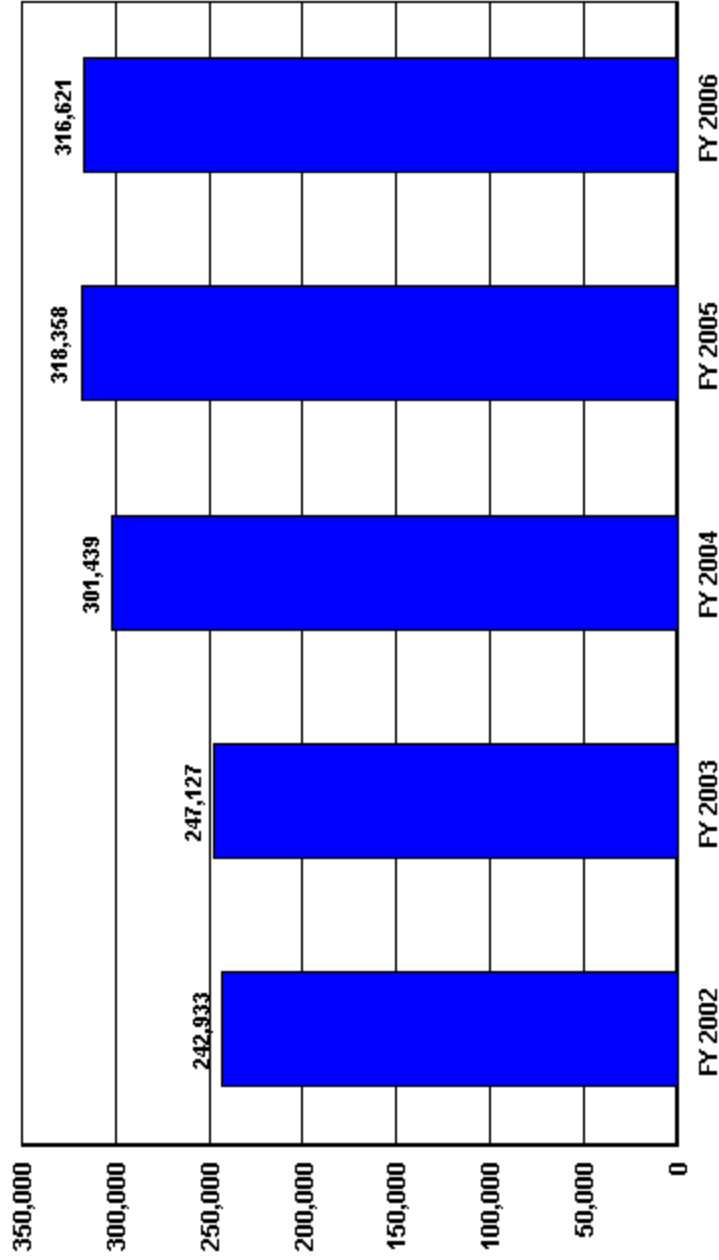
SITE PROFILE
Pacific Northwest National Lab/Battelle Memorial

<p>Identifying low priority work</p>	<p>0</p>	<p>Laboratory Management issued guidance to the Directorates to identify low priority work that equals at least 10% of their respective budgets. The process identified effort that could be terminated, delayed or outsourced and the associated risk of actions taken. In general, the challenge required each Directorate to prioritize services and identify low priority work that could be decreased or eliminated. We believe this process is core to a functional cost review as it set the stage for improving the value of the product or service while maintaining or reducing costs. The outcome of this exercise was to get managers to think about the costs associated with delivering the specified service provided and evaluate the priority of the efforts involved, determine the requirements of each activity and evaluate the risk of eliminating those efforts.</p>	
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Trends in Total Support Cost by Functional Categories
Pantex/BWXT (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	396,586	401,110	464,429	491,626	477,423	80,837	20.4%
Capital Construction	23,355	17,008	25,635	31,469	29,343	5,988	25.6%
Total Costs Less Construction	373,231	384,102	438,794	460,157	448,080	74,849	20.1%
Total Support Costs	242,933	247,127	301,439	318,358	316,621	73,688	30.3%
Mission Direct Operation	130,298	136,975	137,355	141,799	131,459	1,161	0.9%
Mission Direct Operation as % of Total Cost	32.9%	34.1%	29.6%	28.8%	27.5%		
Capital Construction as % of Total Cost	5.9%	4.2%	5.5%	6.4%	6.1%		
Total Support Cost as % of Total Cost	61.3%	61.6%	64.9%	64.8%	66.3%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	61.3%	61.6%	64.9%	64.8%	66.3%		
TOTAL SUPPORT COST	242,933	247,127	301,439	318,358	316,621	73,688	30.3%
TOTAL GENERAL SUPPORT as % of TOTAL	9.4%	9.1%	10.7%	10.9%	10.8%		
TOTAL GENERAL SUPPORT	37,166	36,560	49,619	53,552	51,405	14,239	38.3%
EXECUTIVE DIRECTION	1,186	1,163	1,259	1,243	1,555	369	31.1%
HUMAN RESOURCES	5,847	6,034	6,251	7,325	6,740	893	15.3%
CFO	3,342	4,061	5,276	5,526	4,876	1,534	45.9%
PROCUREMENT	3,432	3,014	4,682	4,594	4,090	658	19.2%
LEGAL	1,033	1,120	1,194	1,036	1,228	195	18.9%
CENTRAL ADMIN SERVICES	3,452	3,136	7,963	8,784	7,375	3,923	113.6%
PROGRAM/PROJECT CONTROL	3,986	4,003	5,911	7,996	8,177	4,191	105.1%
INFORMATION OUTREACH	468	542	1,632	1,526	1,528	1,060	226.5%
INFORMATION SERVICES	13,080	12,609	15,336	15,430	15,754	2,674	20.4%
OTHER	1,340	878	115	92	82	-1,258	-93.9%
TOTAL MISSION SUPPORT as % of TOTAL	45.2%	45.8%	48.5%	48.1%	49.3%		
TOTAL MISSION SUPPORT	179,125	183,552	225,266	236,683	235,298	56,173	31.4%
ENVIRONMENTAL	9,976	9,799	9,517	11,589	10,805	829	8.3%
SAFETY AND HEALTH	41,234	40,776	42,388	45,485	46,123	4,889	11.9%
FACILITIES MANAGEMENT	16,313	17,227	35,700	33,435	20,119	3,806	23.3%
MAINTENANCE	39,355	38,894	43,554	43,820	45,236	5,881	14.9%
UTILITIES	7,724	8,538	9,227	10,704	11,528	3,804	49.2%
SAFEGUARDS AND SECURITY	54,738	58,922	67,571	74,572	78,987	24,249	44.3%
LOGISTICS SUPPORT	6,591	5,934	7,151	7,884	9,136	2,545	38.6%
QUALITY ASSURANCE	3,194	3,462	6,235	6,333	6,755	3,561	111.5%
LABORATORY/TECHNICAL SUPPORT	0	0	3,923	2,861	6,609	6,609	100.0%
TOTAL SITE SPECIFIC as % of TOTAL	6.7%	6.7%	5.7%	5.7%	6.3%		
TOTAL SITE SPECIFIC	26,642	27,015	26,554	28,123	29,918	3,276	12.3%
MANAGEMENT/INCENTIVE FEE	21,674	21,250	23,940	25,644	27,500	5,826	26.9%
TAXES	961	621	391	1,091	888	-73	-7.6%
LDRD / PDRD / SDRD	4,007	5,144	2,223	1,388	1,530	-2,477	-61.8%

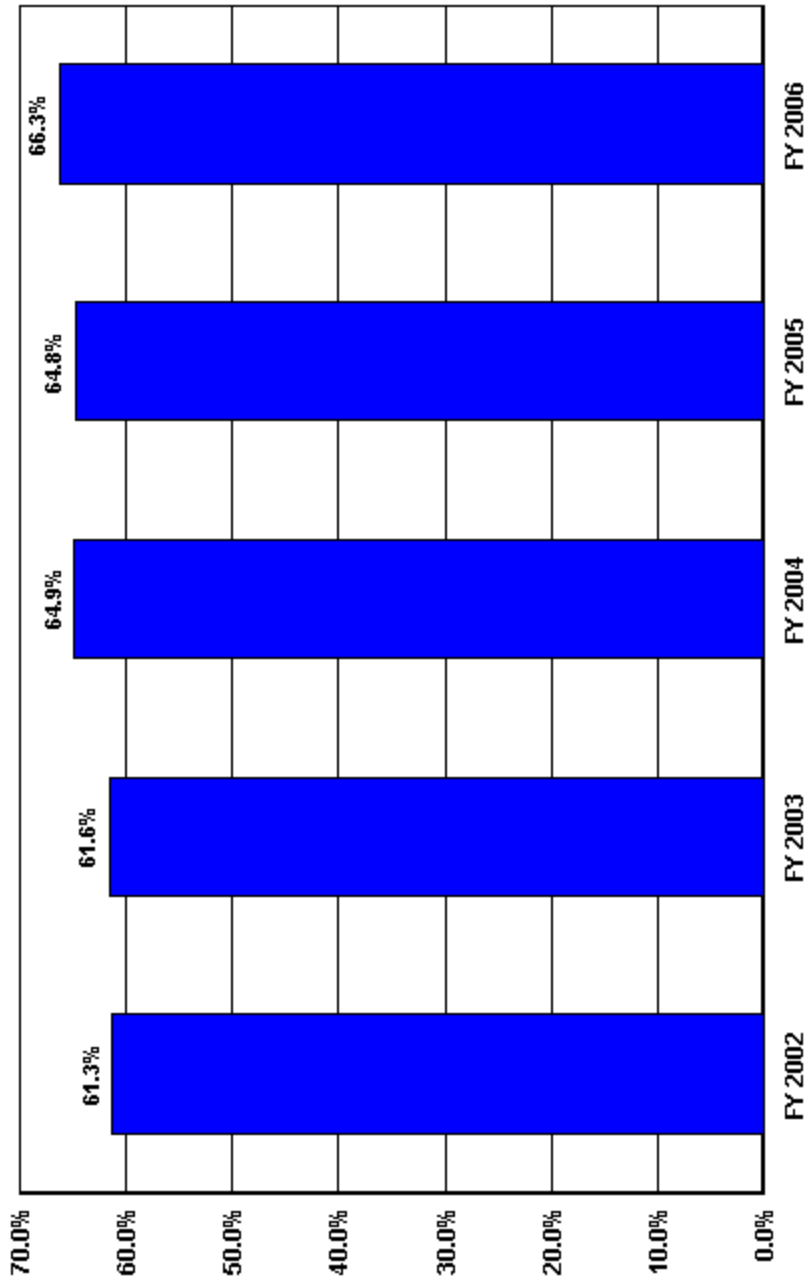
US Department of Energy
 Total Functional Support
 Pantex/BWXT



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	242,933	247,127	301,439	318,358	316,621

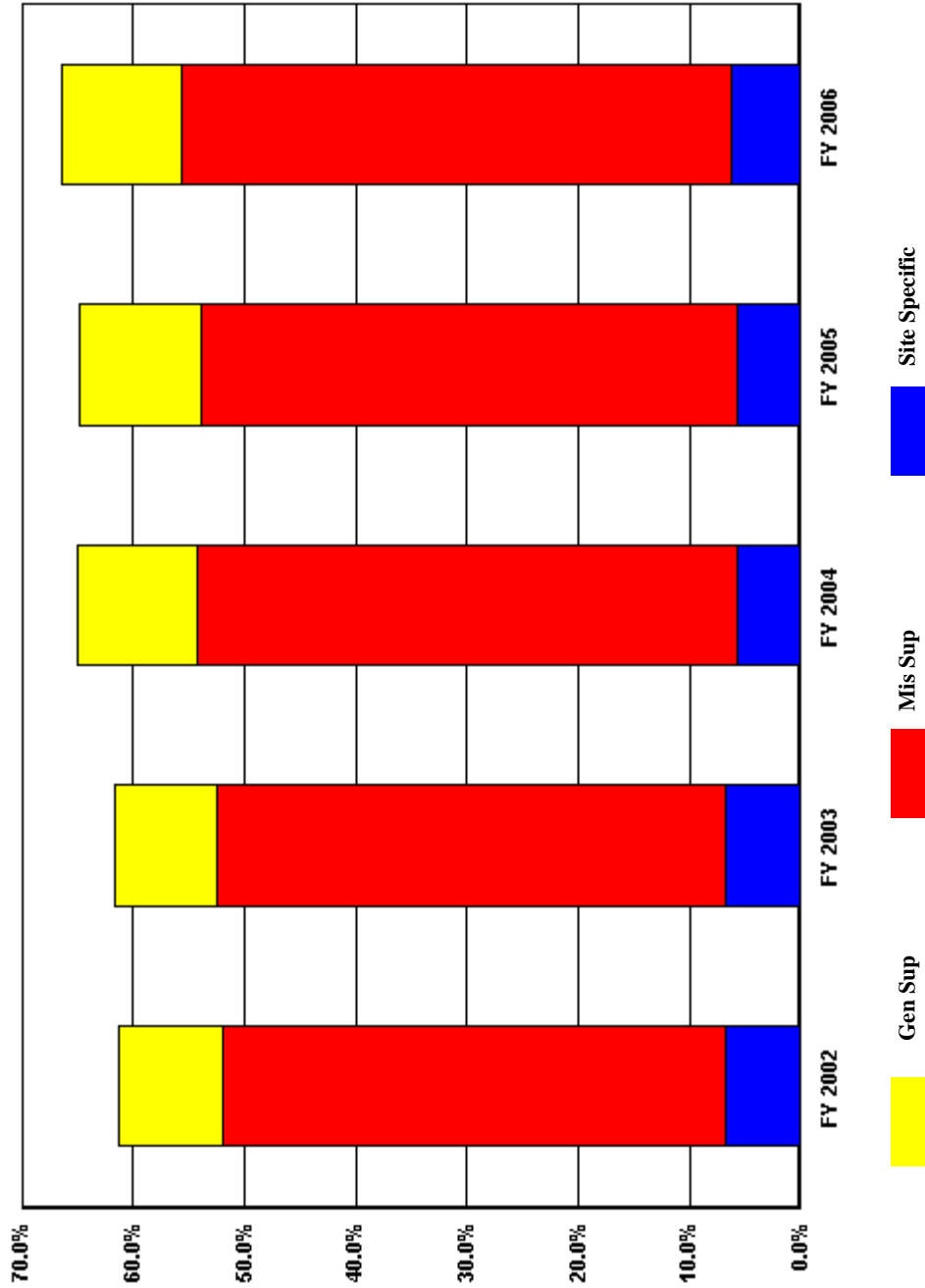
**US Department of Energy
Total Functional Support as a % of Total Costs
Pantex/BWXT**



 Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	61.3%	61.6%	64.9%	64.8%	66.3%

**US Department of Energy
Percent of Support Category to Total Costs
Pantex/BWXT**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	9.4%	9.1%	10.7%	10.9%	10.8%
Mis Sup	45.2%	48.5%	48.1%	49.3%	49.3%
Site Specific	6.7%	6.7%	5.7%	5.7%	6.3%

SITE PROFILE
Pantex/BWXT

SITE OVERVIEW AND CHARACTERISTIC

I. SITE BACKGROUND:

Pantex Plant is operated for the Department of Energy/National Nuclear Security Administration by BWXT Pantex. The site is located on 16,000 acres in Carson County northeast of Amarillo, Texas. It houses 639 buildings containing slightly over 3 million square feet and employs approximately 3,300 people. Constructed by the U.S. Army in 1942 as a conventional bomb plant, Pantex was decommissioned after World War II and sold to Texas Tech University as excess government property. In 1951, the Atomic Energy Commission reclaimed 10,000 acres of the site for nuclear weapons work. The remaining 6,000 acres were reclaimed by 1989 and are leased from Texas Tech.

Pantex assumed responsibility for weapons maintenance and modification in the mid 1960s when plants that had been performing those tasks closed. With the close of the AEC Burlington Plant in Iowa in 1975, Pantex became the nation's only assembly and disassembly point for nuclear weapons.

BWXT Pantex maintains, builds and retires nuclear weapons in support of our nation's nuclear deterrent. This mission includes:

1. Safeguarding special materials and assets
2. High explosives manufacturing and testing
3. Nuclear explosives operations
4. Analytic and scientific capabilities.

II. TRENDS:

Functional Support Costs as a percentage of total site costs have stayed relatively stable over the past five years despite the increased challenges and requirements surrounding support efforts such as infrastructure, safety and security. It should be noted that throughput at Pantex has increased 93% since FY2004 yet production costs have remained fairly stable.

Major Cost Drivers:

When comparing Pantex with other sites, it is important to note that we are an aging and unique facility with a work scope unlike any other.

Mission requirements have not varied substantially since FY2001, but increases in support costs have been driven by increased security requirements to meet Design Basis Threat, infrastructure

SITE PROFILE
Pantex/BWXT

replacement and revitalization and technology improvements aimed at improving capability and capacity.

Estimated Sales / Use Tax for FY2006 is zero. In FY2004, we began outsourcing our cafeteria and vending, thereby eliminating any sales / use tax collections.

III. IMPROVEMENTS/COST SAVINGS INITIATIVES

BWXT Pantex Six Sigma program continues to be the major force in driving BWXT Pantex toward its vision of Operational Excellence

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

EXECUTIVE DIRECTION

The increase in Executive direction is the result of the Peer Review performed in June of 2006. Six Sigma efforts were previously captured under the Quality Assurance category, but the team felt they were closer tied to Total Quality Management, which belongs in Executive Direction.

FACILITIES MANAGEMENT

The focus for FY 2006 continues to be on new construction projects and upgrades versus expense projects. In addition, the revised definitions provided for Facilities Management and Maintenance have caused a shift in how some of our routine efforts are categorized. A portion of the decrease represented here is the result of numerous projects being classified as Maintenance beginning with FY 2006 submission.

LABORATORY/TECHNICAL SUPPORT

The increase was primarily due to a change in how the efforts associated with our Analytical Chemistry department are categorized. Based on our most recent peer reviews and the resulting conversations with field personnel, a large portion of these costs have been categorized as Laboratory/Technical as opposed to Mission Direct Beginning in FY 2006.

COST SAVINGS INITIATIVES

(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT

SITE PROFILE
Pantex/BWXT

Manufacturing: Tooling Work Improvement Project	8,287	Based on FY2006 production forecasts, it was determined that the process throughput for fabrication, modification and repair of special tooling needed to double or triple to meet production requirements. The manufacturing Engineering Department along with the Production Tooling Support Department was tasked to evaluate the Tooling Factory's current processes to identify and implement improvements that would ensure that the increased demand for tooling be satisfied. Analysis results indicated that the lack of a work management system (Tooling Schedule and Qualification Process) was the key contributor to delays in processing tools through the Tooling Factory. The process improvement team developed a "Worksheet" that would schedule tools through the modification, fabrication and repair processes within the Tooling Factory. The Tooling Schedule provided a method for managing the Tooling Factory near-term workload to meet the increased customer demand.	Angie Viner
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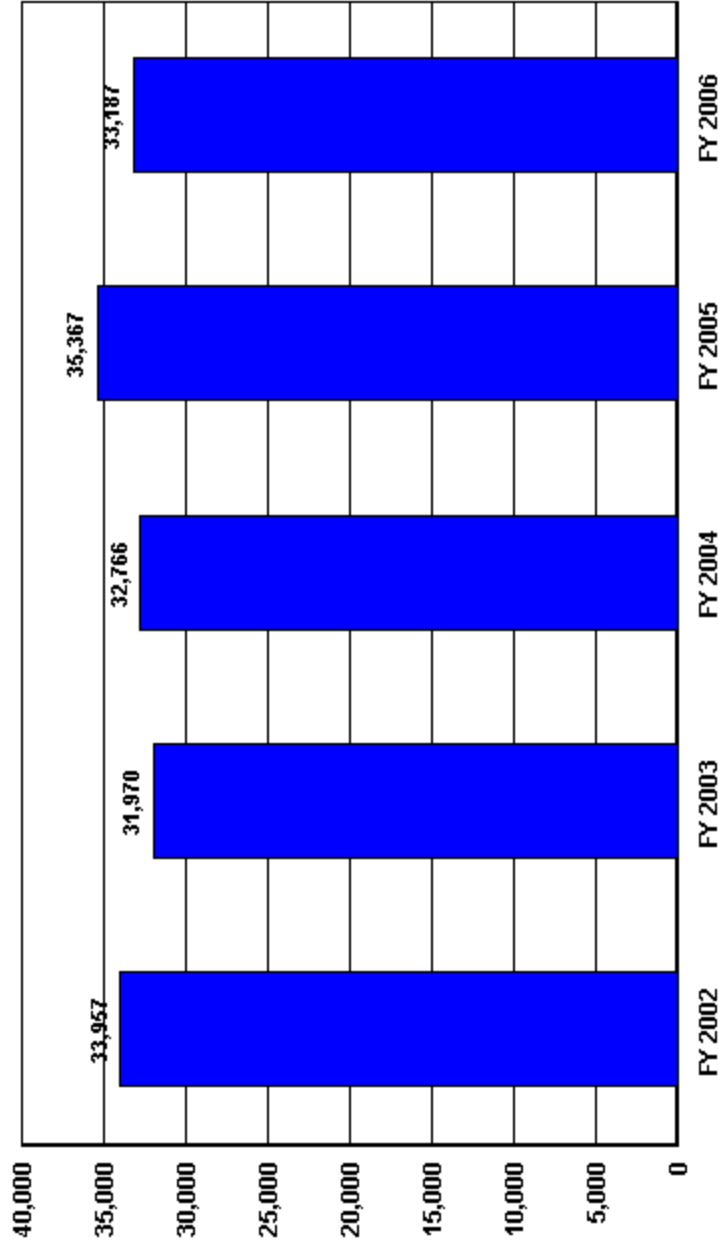
SITE PROFILE
Pantex/BWXT

<p>Classroom Training into Computer Based Training</p>	<p>142</p>	<p>The conversion of NCONFORM training from classroom courses to Computer Based Training (CBT) courses for engineering and technical personnel enabled the Quality & Performance Assurance Division (Q&PA) to reduce the amount of time required to develop, maintain, and perform training by Q&PA division personnel. Before CBT, the average classroom time per student was 4.0 hours per class with a maximum of 10 students. Several factors contributed to re-evaluating the effectiveness of classroom training: a) new requirements from QC-1, b) difficulty scheduling classroom with classified terminals for 10 students, c) limitations regarding the number and clearance status of students, d) difficulty getting the students to attend a classroom setting, and e) required length of course (four hours). This evaluation resulted in the formation of Computer Based Training (CBT) courses. The following enhancements have been noted: Classification of the course is at an OUO level vs. Secret. This means that an un-cleared employee can take this course as can a "Q" cleared employee. The average time to take the appropriate course has been reduced from four hours to approximately 45 minutes per student. Each person that interfaces with NCONFORM is required to take the appropriate course during their birth month training. This is done at their convenience (in that month) at a workstation of their choice. No Q&PAD personnel prep time is required for the CBT training courses. As a result of implementing CBT, the training is more effective, flexible, and costs less to perform.</p>	<p>Angie Viner</p>
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Trends in Total Support Cost by Functional Categories
Princeton Plasma Physics Lab/Princeton University (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	73,904	66,456	75,117	81,158	78,151	4,247	5.7%
Capital Construction	5,220	5,398	12,297	16,671	16,513	11,293	216.3%
Total Costs Less Construction	68,684	61,058	62,820	64,487	61,638	-7,046	-10.3%
Total Support Costs	33,957	31,970	32,766	35,367	33,187	-770	-2.3%
Mission Direct Operation	34,727	29,088	30,054	29,120	28,451	-6,276	-18.1%
Mission Direct Operation as % of Total Cost	47.0%	43.8%	40.0%	35.9%	36.4%		
Capital Construction as % of Total Cost	7.1%	8.1%	16.4%	20.5%	21.1%		
Total Support Cost as % of Total Cost	45.9%	48.1%	43.6%	43.6%	42.5%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	45.9%	48.1%	43.6%	43.6%	42.5%		
TOTAL SUPPORT COST	33,957	31,970	32,766	35,367	33,187	-770	-2.3%
TOTAL GENERAL SUPPORT as % of TOTAL	14.9%	16.9%	14.1%	15.8%	11.9%		
TOTAL GENERAL SUPPORT	11,016	11,205	10,595	12,847	9,266	-1,750	-15.9%
EXECUTIVE DIRECTION	786	817	809	808	824	38	4.8%
HUMAN RESOURCES	958	1,036	960	790	765	-193	-20.1%
CFO	1,294	1,333	1,405	1,307	1,253	-41	-3.2%
PROCUREMENT	655	555	635	648	671	16	2.4%
LEGAL	-78	0	0	0	0	78	100.0%
CENTRAL ADMIN SERVICES	173	214	203	204	232	59	34.1%
PROGRAM/PROJECT CONTROL	677	739	705	664	692	15	2.2%
INFORMATION OUTREACH	3,142	3,125	2,925	2,982	2,939	-203	-6.5%
INFORMATION SERVICES	3,322	2,981	2,890	2,391	2,515	-807	-24.3%
OTHER	87	405	63	3,053	-625	-712	-818.4%
TOTAL MISSION SUPPORT as % of TOTAL	27.5%	27.2%	25.7%	24.2%	26.7%		
TOTAL MISSION SUPPORT	20,331	18,065	19,271	19,620	20,871	540	2.7%
ENVIRONMENTAL	1,107	0	0	0	256	-851	-76.9%
SAFETY AND HEALTH	2,580	1,555	1,852	1,798	1,833	-747	-29.0%
FACILITIES MANAGEMENT	3,280	3,334	3,387	3,473	3,492	212	6.5%
MAINTENANCE	6,215	7,144	6,461	6,699	7,241	1,026	16.5%
UTILITIES	3,273	2,348	3,554	3,788	3,887	614	18.8%
SAFEGUARDS AND SECURITY	1,409	1,346	1,598	1,485	1,464	55	3.9%
LOGISTICS SUPPORT	844	872	797	732	826	-18	-2.1%
QUALITY ASSURANCE	497	454	626	657	775	278	55.9%
LABORATORY/TECHNICAL SUPPORT	1,126	1,012	996	988	1,097	-29	-2.6%
TOTAL SITE SPECIFIC as % of TOTAL	3.5%	4.1%	3.9%	3.6%	3.9%		
TOTAL SITE SPECIFIC	2,610	2,700	2,900	2,900	3,050	440	16.9%
MANAGEMENT/INCENTIVE FEE	2,610	2,700	2,900	2,900	3,050	440	16.9%
TAXES	0	0	0	0	0	0	0.0%
LDRD / PDRD / SDRD	0	0	0	0	0	0	0.0%

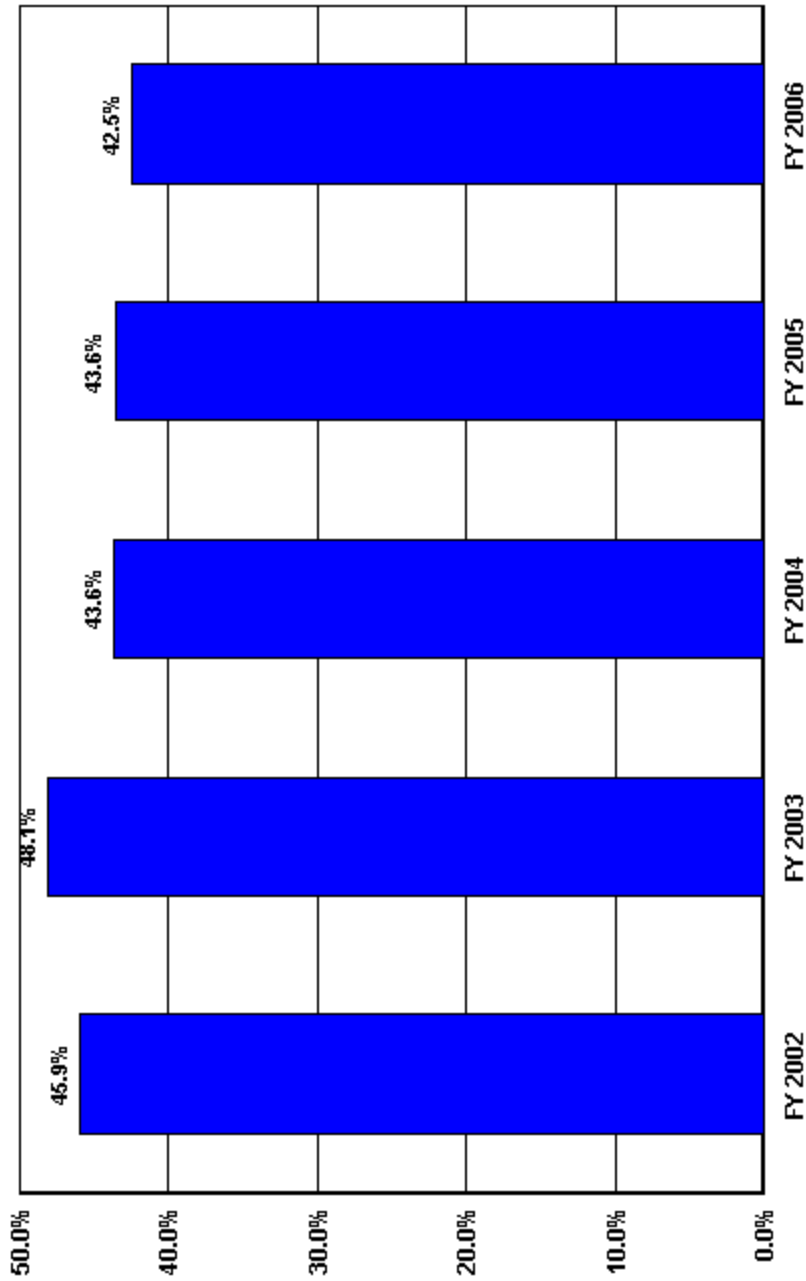
US Department of Energy
Total Functional Support
 Princeton Plasma Physics Lab/Princeton University



■ Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	33,957	31,970	32,766	35,367	33,187

**US Department of Energy
Total Functional Support as a % of Total Costs
Princeton Plasma Physics Lab/Princeton University**

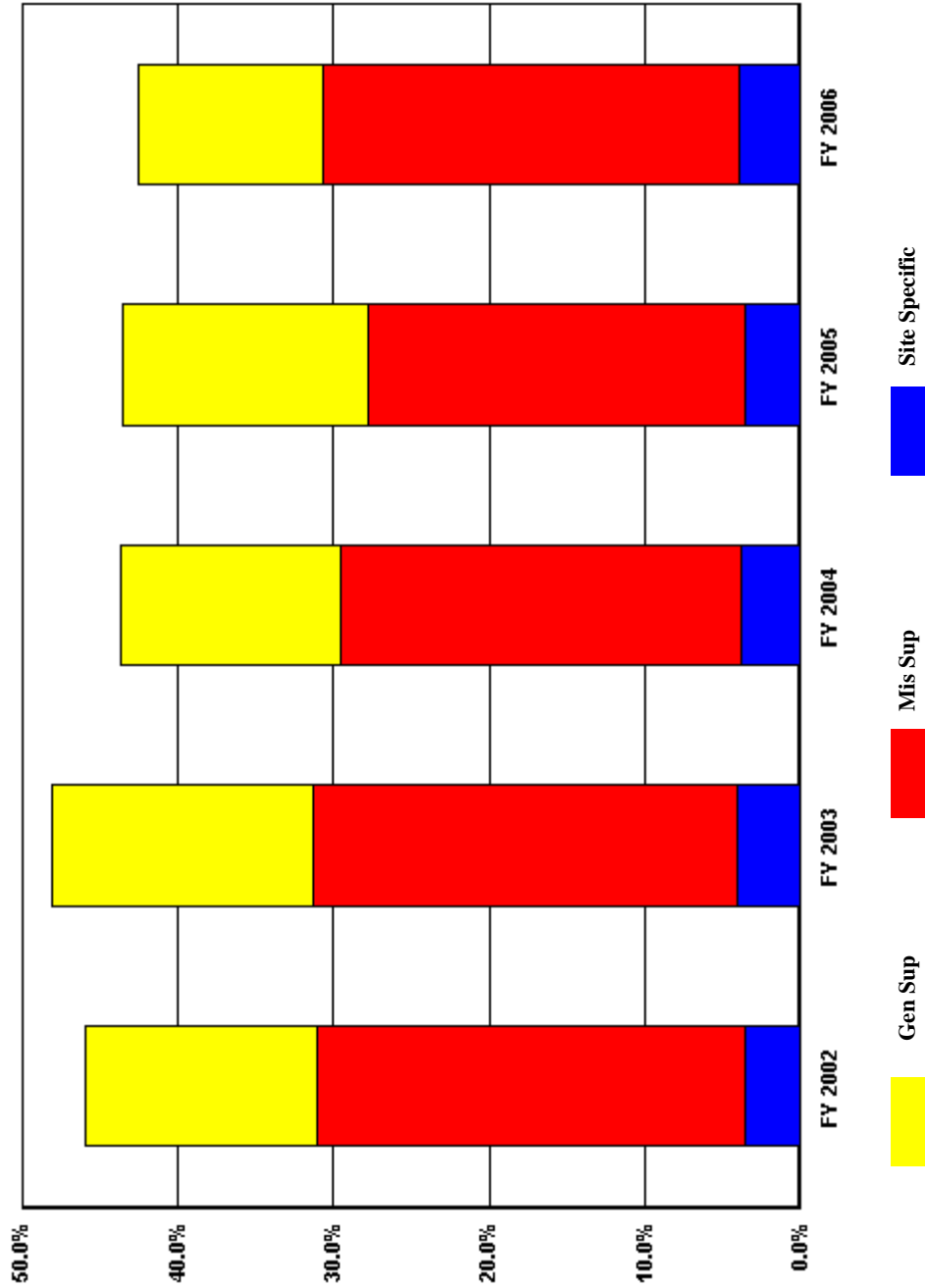


■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	45.9%	48.1%	43.6%	43.6%	42.5%

**US Department of Energy
Princeton Plasma Physics Lab/Princeton University**

Percent of Support Category to Total Costs



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	14.9%	16.9%	14.1%	15.8%	11.9%
Mis Sup	27.5%	27.2%	25.7%	24.2%	26.7%
Site Specific	3.5%	4.1%	3.6%	3.6%	3.9%

SITE PROFILE
Princeton Plasma Physics Lab/Princeton University

SITE OVERVIEW AND CHARACTERISTIC

Princeton Plasma Physics Laboratory (PPPL) is a Collaborative National Center for plasma and fusion science. Its primary mission is to develop the scientific understanding and key innovations which will lead to an attractive fusion energy source. This research program is carried out in close collaboration with other national and international institutions. Associated missions at PPPL include conducting world-class research along the broad frontier of plasma science and providing the highest quality of scientific education.

PPPL is managed by Princeton University. The Laboratory is sited on 88 acres of Princeton University's James Forrestal Campus, about four miles from the main campus. There are two sites at the Laboratory: C-Site that houses most of the Laboratory's workforce and the smaller experimental devices; and D-Site which is the site of the National Spherical Torus Experiment (NSTX) that began operations in FY1999. D-Site was initially constructed for the Tokamak Fusion Test Reactor (TFTR) that ceased operations in FY1997. TFTR was decommissioned between FY2000 and FY2002, on schedule and under budget. Design and fabrication of a new fusion device, the National Compact Stellarator Experiment, commenced in FY2003 with first plasma planned for FY2009. PPPL's FY2006 funding was approximately \$83 million, of which approximately \$77.2 million was provided from the Office of Fusion Energy Sciences (including \$5.5 million for ITER (a global initiative to build the world's most advanced magnetic fusion experimental facility) provided via ORNL), approximately \$3.5 million from other DOE programs, and approximately \$2.0 million from other federal agencies, non-federal sponsors and other DOE laboratories. The Laboratory costed approximately \$79.5 million during FY 2006 (\$78 million excluding the cost of work performed for PPPL by other DOE contractors). As of September 30, 2006, the number of regular and limited duration employees at PPPL was 420, not including approximately 12 subcontractors, 37 graduate students, and visiting research staff.

II. ANALYSIS OF CHANGE IN SUPPORT COSTS FROM PRIOR YEARS

PPPL's Total Functional Support Costs decreased from FY2002 (\$34.0 million) to FY2003 (\$32.0 million). This decrease is directly in response to the change in Total Mission Direct Costs due to the completion of the decontamination and decommission (D&D) of TFTR in FY2002. Total Mission Direct Costs decreased significantly in FY2003, by approximately \$7.3 million, largely as a result of lower D&D costs being only partially offset by increased NSTX costs. Total Functional Support Costs increased slightly in FY2004 (\$32.8 million). Although PPPL's Total Costs increased by \$8.6 million in FY 2004 as a result of an increase in funding for a number of PPPL's fusion projects, there was not a significant increase in Total Functional Support Costs (\$.8 million increase from FY 2003). For FY2005, Total Functional Support Costs were \$35.4 million, an increase of \$2.6 million over FY2004. However, PPPL conducted a Voluntary Separation Program (VSP) in FY2005 and the

SITE PROFILE
Princeton Plasma Physics Lab/Princeton University

\$2.9M in severance costs associated with this program was included in the “Other” General Support category.

Excluding these severance costs, the Total Functional Support Costs for FY2005 were \$.3 million less FY2004. Total Mission Direct Costs remained relatively flat from FY2004 (\$30.1 million) to FY2005 (\$29.8 million); however, Capital/Construction costs increased by \$4.4 million from FY2004 to FY2005, primarily due to the increased spending on the NCSX MIE project of approximately \$4.0 mi

OTHER category

Breakdown of the FY 2006 “Other” (-\$625K in Total) General Support Category:

Severance/termination (\$67K)

Labor Rate Variance — Overhead Staff (-\$43K)

Miscellaneous (-\$649K)

In FY2006, PPPL reversed \$497K of costs for unidentified liabilities, with DOE-CH concurrence, following a full analysis/reconciliation of the Letter of Credit and various balance sheet accounts that was completed by PPPL in FY2006. As part of this analysis, PPPL examined its vendor records and other related files to determine that it had accounted for all outstanding liabilities. PPPL and DOE-CH believe that this unidentified liability may have developed prior to PPPL becoming an integrated contractor.

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

ENVIRONMENTAL

The completion of the TFTR D&D project resulted in a \$1.1 million decrease in Environmental costs in FY2003.

COST SAVINGS INITIATIVES

(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT

SITE PROFILE
Princeton Plasma Physics Lab/Princeton University

5 year contract with Verizon, Inc.	36	<p>Negotiated a 5-year contract with Verizon, Inc., saving \$180 thousand over the contract's total term.</p> <p>PPPL evaluated a number of alternative approaches for acquiring voice communications, including partnering with Princeton University. The fact that PPPL was looking at alternative approaches for acquiring voice communication services provided us with valuable leverage over Verizon, Inc., who was the incumbent provider. Since the service was already in place, the incremental cost to Verizon, Inc. of providing services to PPPL was relatively small compared to the revenue that they would receive from this contract. PPPL was able to successfully utilize this leverage to negotiate a more favorable rate structure with Verizon, Inc.</p>	Marie Iseicz
Transitional agreement with Microsoft Inc.	400	<p>Negotiated a favorable transitional agreement with Microsoft, Inc. saving approximately \$400 thousand in FY2006/07.</p> <p>Microsoft, Inc. had negotiated a "federal price structure" with the DOE to allow the DOE's national laboratories to purchase software licenses from Microsoft, Inc. at prices that were more favorable than Microsoft's standard "commercial" pricing schedule. However, the federal pricing schedule negotiated by the DOE was more costly than the academic pricing that PPPL was receiving through Princeton University. The terms of the agreement between the DOE and Microsoft required all national laboratories, including those who had previously enjoyed Microsoft's educational pricing structure to transition to the federal pricing schedule. PPPL was able to negotiate a two year transition period with Microsoft, thus allowing the Laboratory to save \$200 thousand per year by delaying the implementation of the higher federal pricing schedule.</p>	Marie Iseicz

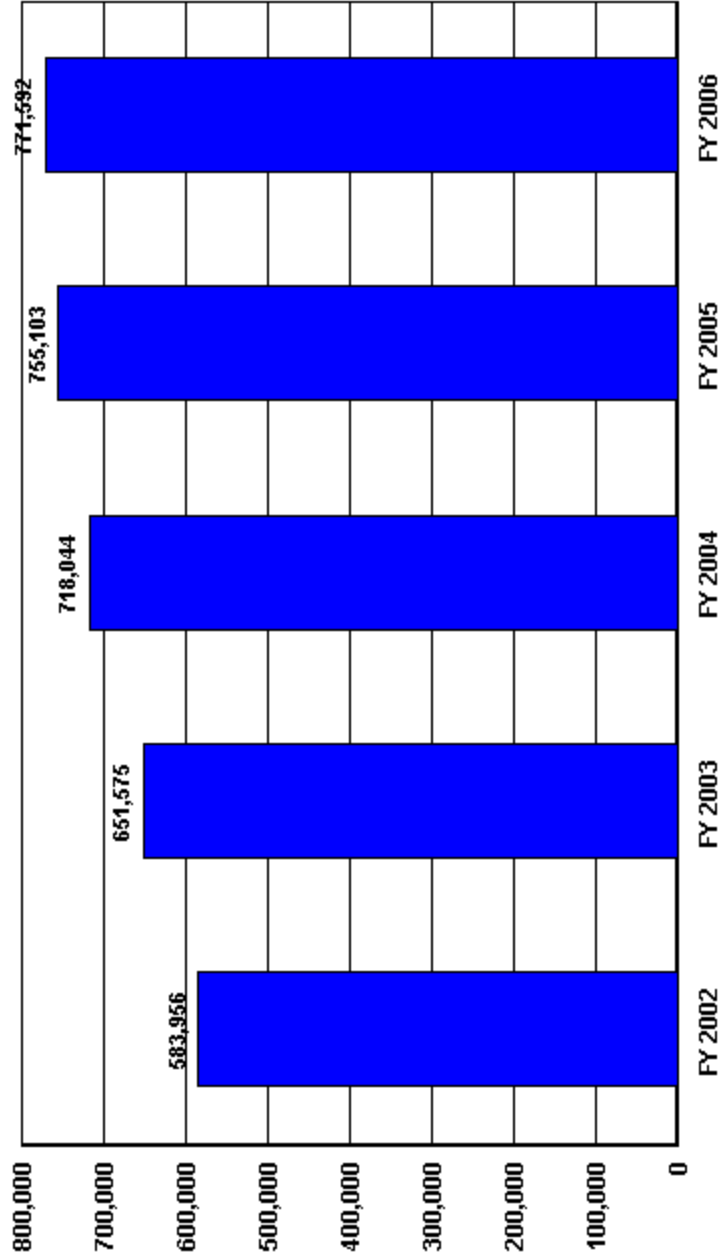
SITE PROFILE
Princeton Plasma Physics Lab/Princeton University

Energy Conservation studies	200	<p>Various energy conservation studies and initiatives; initiatives implemented in FY2006 resulted in approximately \$200K in cost savings.</p> <p>Initiatives included:</p> <ul style="list-style-type: none"> • Reducing steam pressure to as low as possible. • Connecting more areas of the Laboratory to the Building Automation System to control temperatures and shut off lights during unoccupied periods. • Lighting retrofits. • Increased monitoring of HVAC equipment to maximize heat transfer efficiency • Replacing inefficient equipment with new high efficiency units. • Upgrading the high performance computing cluster to take advantage of lower energy use by the newer processors. 	Marie Iseicz
Business Operations entry level hiring	120	<p>Business Operations Department's Entry –Level Hiring and Career Development Program</p> <p>This program generated savings of approximately \$120K in FY2006. The key element of this initiative is to hire, and then develop, recent college graduates as replacements for more experienced staff that attrite.</p>	Marie Iseicz

Trends in Total Support Cost by Functional Categories
Sandia National Lab/Lockheed Martin (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	1,698,645	1,944,556	2,193,341	2,273,769	2,272,618	573,973	33.8%
Capital Construction	94,291	192,109	264,797	219,298	212,445	118,154	125.3%
Total Costs Less Construction	1,604,354	1,752,447	1,928,544	2,054,471	2,060,173	455,819	28.4%
Total Support Costs	583,956	651,575	718,044	755,103	771,592	187,636	32.1%
Mission Direct Operation	1,020,398	1,100,872	1,210,500	1,299,368	1,288,581	268,183	26.3%
Mission Direct Operation as % of Total Cost	60.1%	56.6%	55.2%	57.1%	56.7%		
Capital Construction as % of Total Cost	5.6%	9.9%	12.1%	9.6%	9.3%		
Total Support Cost as % of Total Cost	34.4%	33.5%	32.7%	33.2%	34.0%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	34.4%	33.5%	32.7%	33.2%	34.0%		
TOTAL SUPPORT COST	583,956	651,575	718,044	755,103	771,592	187,636	32.1%
TOTAL GENERAL SUPPORT as % of TOTAL	14.0%	13.0%	12.4%	12.4%	12.6%		
TOTAL GENERAL SUPPORT	237,175	253,663	272,516	282,871	286,403	49,228	20.8%
EXECUTIVE DIRECTION	24,464	25,817	23,574	24,124	24,311	-153	-0.6%
HUMAN RESOURCES	27,061	28,780	28,412	29,143	30,707	3,646	13.5%
CFO	12,388	9,223	10,431	11,006	11,563	-825	-6.7%
PROCUREMENT	10,096	14,223	14,728	15,638	17,311	7,215	71.5%
LEGAL	5,640	5,501	5,315	6,043	6,777	1,137	20.2%
CENTRAL ADMIN SERVICES	14,208	14,942	15,745	15,953	15,552	1,344	9.5%
PROGRAM/PROJECT CONTROL	34,491	35,904	46,087	55,332	55,893	21,402	62.1%
INFORMATION OUTREACH	13,209	14,762	15,215	15,697	13,084	-125	-0.9%
INFORMATION SERVICES	94,905	103,679	113,066	105,703	111,657	16,752	17.7%
OTHER	713	832	-57	4,232	-452	-1,165	-163.4%
TOTAL MISSION SUPPORT as % of TOTAL	12.0%	11.9%	12.1%	12.2%	12.7%		
TOTAL MISSION SUPPORT	203,035	230,616	266,071	276,616	287,639	84,604	41.7%
ENVIRONMENTAL	1,362	1,022	1,585	1,707	11,262	9,900	726.9%
SAFETY AND HEALTH	32,040	33,805	32,944	39,140	50,408	18,368	57.3%
FACILITIES MANAGEMENT	71,259	88,261	95,093	102,712	74,448	3,189	4.5%
MAINTENANCE	32,406	30,530	37,278	37,511	46,462	14,056	43.4%
UTILITIES	21,157	20,875	19,036	21,180	25,979	4,822	22.8%
SAFEGUARDS AND SECURITY	30,630	43,143	67,242	61,118	64,373	33,743	110.2%
LOGISTICS SUPPORT	14,181	12,342	12,063	12,523	13,359	-822	-5.8%
QUALITY ASSURANCE	0	638	830	725	1,348	1,348	100.0%
LABORATORY/TECHNICAL SUPPORT	0	0	0	0	0	0	0.0%
TOTAL SITE SPECIFIC as % of TOTAL	8.5%	8.6%	8.2%	8.6%	8.7%		
TOTAL SITE SPECIFIC	143,746	167,296	179,457	195,616	197,550	53,804	37.4%
MANAGEMENT/INCENTIVE FEE	18,367	23,143	24,288	24,726	26,045	7,678	41.8%
TAXES	53,958	57,128	63,575	68,883	67,578	13,620	25.2%
LDRD / PDRD / SDRD	71,421	87,025	91,594	102,007	103,927	32,506	45.5%

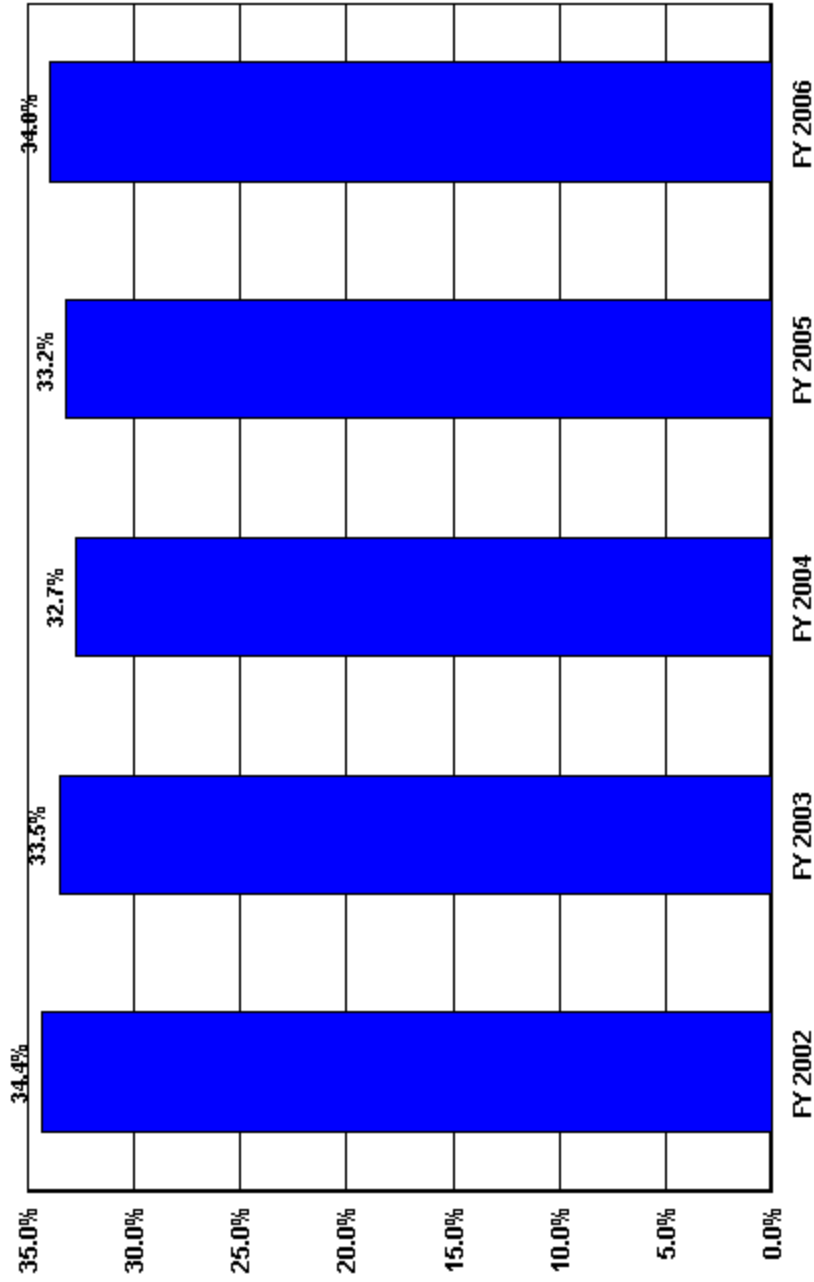
US Department of Energy
 Total Functional Support
 Sandia National Lab/Lockheed Martin



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	583,956	651,575	718,044	755,103	771,592

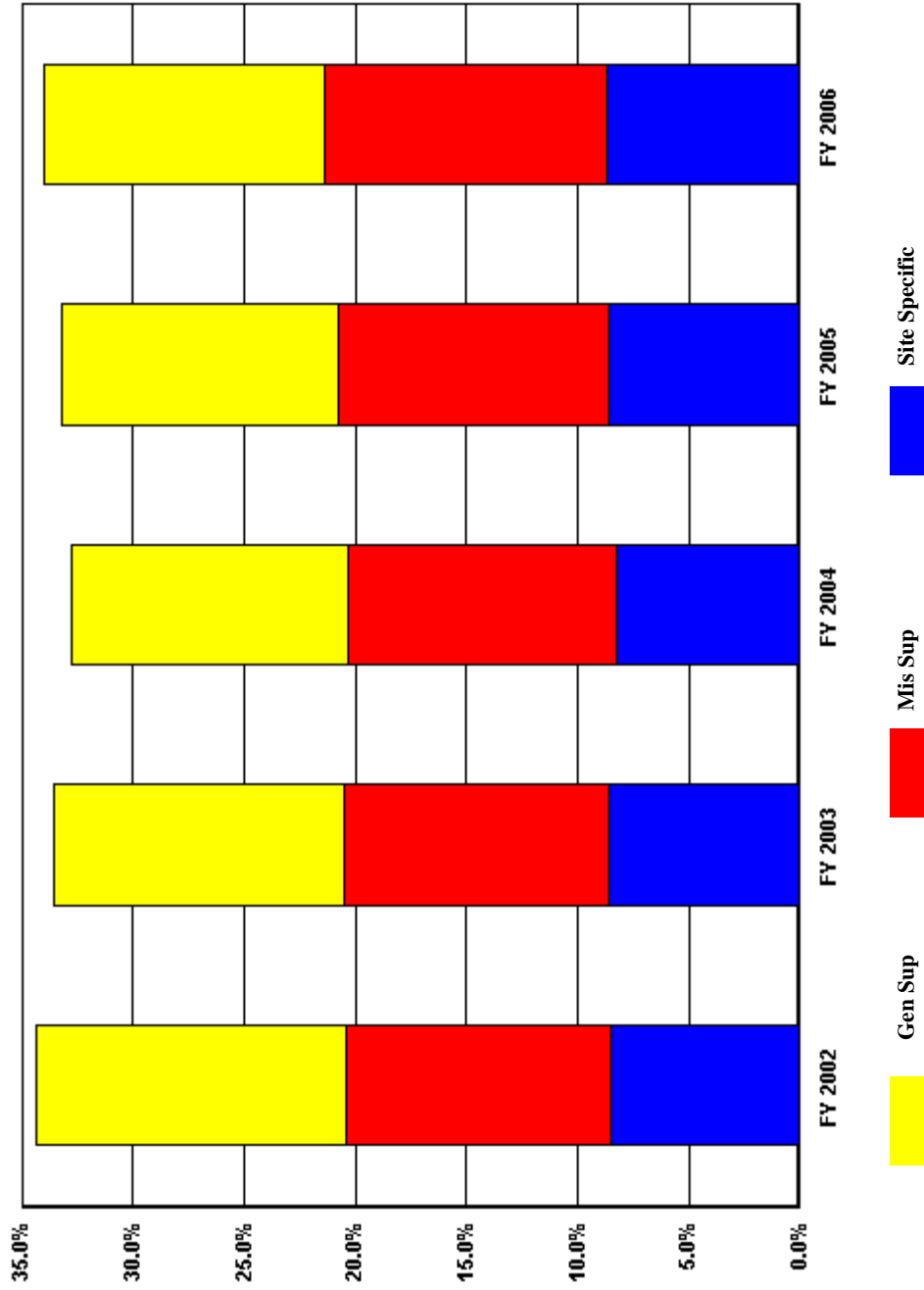
**US Department of Energy
Total Functional Support as a % of Total Costs
Sandia National Lab/Lockheed Martin**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	34.4%	33.5%	32.7%	33.2%	34.0%

**US Department of Energy
Percent of Support Category to Total Costs
Sandia National Lab/Lockheed Martin**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	14.0%	13.0%	12.4%	12.4%	12.6%
Mis Sup	12.0%	12.1%	12.2%	12.2%	12.7%
Site Specific	8.5%	8.6%	8.2%	8.6%	8.7%

SITE PROFILE
Sandia National Lab/Lockheed Martin

SITE OVERVIEW AND CHARACTERISTIC

BACKGROUND

Sandia is a National Security Laboratory operated for the U.S. Department of Energy by the Sandia Corporation, a Lockheed Martin Company. We design all non-nuclear components for the nation's nuclear weapons, perform a wide variety of energy research and development projects, and work on assignments that respond to national security threats -- both military and economic. We encourage and seek partnerships with appropriate U.S. industry and government groups to collaborate on emerging technologies that support our mission.

Mission Statement

Sandia National Laboratories provides scientific and engineering solutions to meet national needs in nuclear weapons and related defense systems, energy security, and environmental integrity, and to address emerging national challenges for both government and industry. As a Department of Energy National Laboratory, Sandia works in partnership with universities and industry to enhance the security, prosperity, and well being of the nation.

Attributes of SNL — FY06 approximations

4 major sites (Albuquerque, NM; Livermore, CA; Tonopah Test Range, NV; Kauai Test Range, HI)
Acres of land — 188,327
Number of buildings — 1,185
Building square footage — 6,452,000
Number of buildings leased — 22
Leased building square footage — 313,000
Employees — 8,600

PROCESS IMPROVEMENTS

- Productivity gains were made in FY2006 by streamlining and/or automating the various functions below:
 - Certified payroll system
 - Logistics business intelligence reporting
 - Procurement card reconciliation
 - Sandia Delegated Representative training
 - Contract Audit contract closeout

SITE PROFILE
Sandia National Lab/Lockheed Martin

FY2006 PEER REVIEW: EXPLANATION OF CORRECTIVE ACTION
TAKEN ON RECOMMENDATIONS

1. Specified Facilities Management areas have been reclassified to the appropriate functional support cost category.
2. The Corp. Managed Fleet has been reclassified to the appropriate functional support cost category.
3. Bulk Mail has been reclassified to the appropriate functional support cost category.
4. The CA Technical Library has been reclassified to the appropriate functional support cost category.
5. PAAA has been reclassified to the appropriate functional support cost category.
6. Corporate Investigations has been reclassified to the appropriate functional support cost category.
7. Specified Environmental related projects have been reclassified to the appropriate functional support cost category.

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

OTHER

The decrease is due to the implementation of procurement card accruals in FY05.

ENVIRONMENTAL

Increase is due to implemented changes recommended in the April 2006 peer review.

SAFETY AND HEALTH

Increase is due to additional requirements.

FACILITIES MANAGEMENT

Decrease is due to implemented changes recommended in the April 2006 peer review.

MAINTENANCE

Increase is due to implemented changes recommended in the April 2006 peer review

SITE PROFILE
Sandia National Lab/Lockheed Martin

UTILITIES

Increased cost of natural gas caused utility expense increase.

QUALITY ASSURANCE

Increase is due to implemented changes recommended in the April 2006 peer review.

COST SAVINGS INITIATIVES

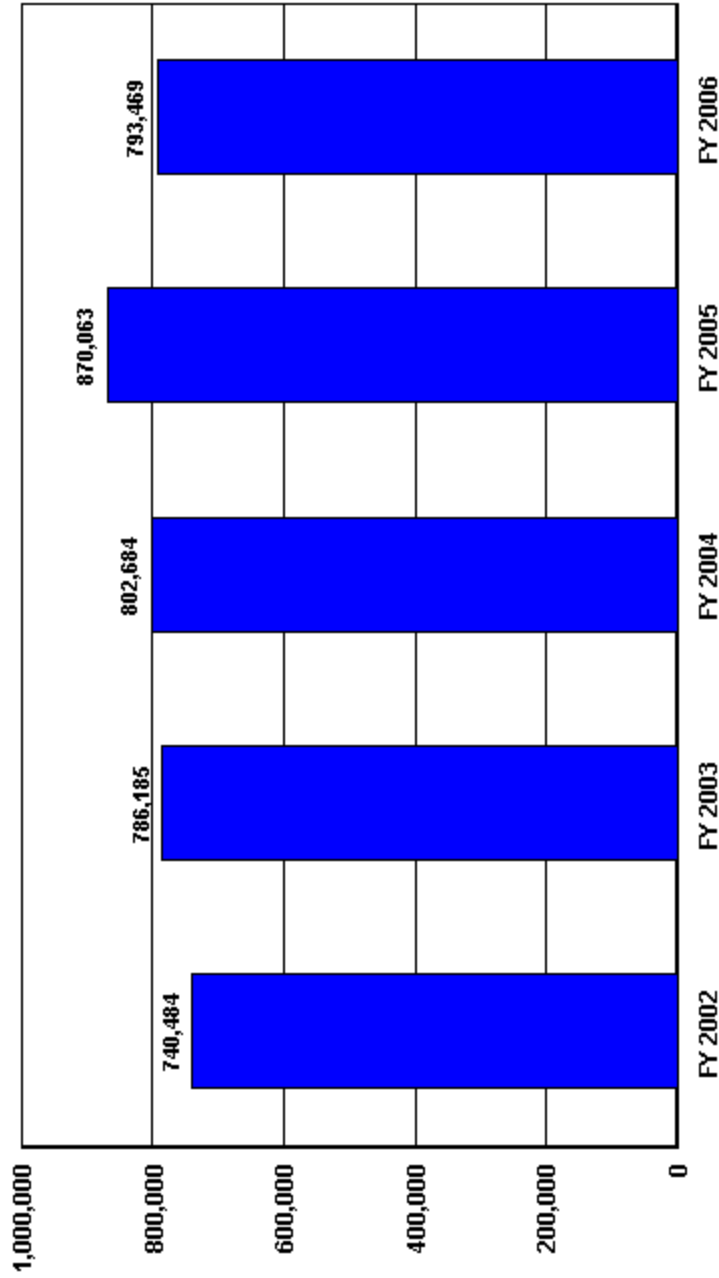
(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
Tax Credits	2,408	Sandia's tax accounting professionals identified tax credits with the State of New Mexico to create a tax refund.	Louis Griego

Trends in Total Support Cost by Functional Categories
Savannah River/Westinghouse & Wackenhut (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	1,503,323	1,593,028	1,531,255	1,597,448	1,675,307	171,984	11.4%
Capital Construction	183,300	161,509	104,796	68,871	71,042	-112,258	-61.2%
Total Costs Less Construction	1,320,023	1,431,519	1,426,459	1,528,577	1,604,265	284,242	21.5%
Total Support Costs	740,484	786,185	802,684	870,063	793,469	52,985	7.2%
Mission Direct Operation	579,539	645,334	623,775	658,514	810,796	231,257	39.9%
Mission Direct Operation as % of Total Cost	38.6%	40.5%	40.7%	41.2%	48.4%		
Capital Construction as % of Total Cost	12.2%	10.1%	6.8%	4.3%	4.2%		
Total Support Cost as % of Total Cost	49.3%	49.4%	52.4%	54.5%	47.4%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	49.3%	49.4%	52.4%	54.5%	47.4%		
TOTAL SUPPORT COST	740,484	786,185	802,684	870,063	793,469	52,985	7.2%
TOTAL GENERAL SUPPORT as % of TOTAL	11.5%	11.4%	11.0%	13.5%	10.9%		
TOTAL GENERAL SUPPORT	172,990	181,502	168,899	215,593	182,919	9,929	5.7%
EXECUTIVE DIRECTION	8,186	7,133	7,095	7,361	8,036	-150	-1.8%
HUMAN RESOURCES	13,051	13,462	13,778	13,669	13,123	72	0.6%
CFO	13,379	14,180	13,205	13,353	12,517	-862	-6.4%
PROCUREMENT	13,719	14,861	11,711	15,158	16,331	2,612	19.0%
LEGAL	4,205	6,089	4,222	3,626	3,932	-273	-6.5%
CENTRAL ADMIN SERVICES	18,334	20,417	18,799	19,123	12,376	-5,958	-32.5%
PROGRAM/PROJECT CONTROL	37,681	37,366	37,819	41,920	36,538	-1,143	-3.0%
INFORMATION OUTREACH	5,381	4,072	5,073	5,607	5,107	-274	-5.1%
INFORMATION SERVICES	56,040	59,190	48,312	47,256	42,981	-13,059	-23.3%
OTHER	3,014	4,732	8,885	48,520	31,978	28,964	961.0%
TOTAL MISSION SUPPORT as % of TOTAL	32.5%	32.0%	33.2%	33.7%	29.7%		
TOTAL MISSION SUPPORT	489,303	509,105	508,494	538,724	498,226	8,923	1.8%
ENVIRONMENTAL	26,430	27,340	24,972	21,673	18,693	-7,737	-29.3%
SAFETY AND HEALTH	125,613	114,215	110,972	126,978	130,196	4,583	3.6%
FACILITIES MANAGEMENT	35,288	45,227	41,137	39,318	28,822	-6,466	-18.3%
MAINTENANCE	109,168	120,135	123,801	133,417	106,184	-2,984	-2.7%
UTILITIES	43,359	45,700	45,437	46,521	51,594	8,235	19.0%
SAFEGUARDS AND SECURITY	74,830	81,536	86,495	87,924	91,697	16,867	22.5%
LOGISTICS SUPPORT	21,957	23,602	21,828	28,307	25,801	3,844	17.5%
QUALITY ASSURANCE	25,788	21,719	24,552	24,182	21,178	-4,610	-17.9%
LABORATORY/TECHNICAL SUPPORT	26,870	29,631	29,300	30,404	24,061	-2,809	-10.5%
TOTAL SITE SPECIFIC as % of TOTAL	5.2%	6.0%	8.2%	7.2%	6.7%		
TOTAL SITE SPECIFIC	78,191	95,578	125,291	115,746	112,324	34,133	43.7%
MANAGEMENT/INCENTIVE FEE	78,191	95,505	124,870	115,746	111,206	33,015	42.2%
TAXES	0	73	421	0	610	610	100.0%
LDRD / PDRD / SDRD	0	0	0	0	508	508	100.0%

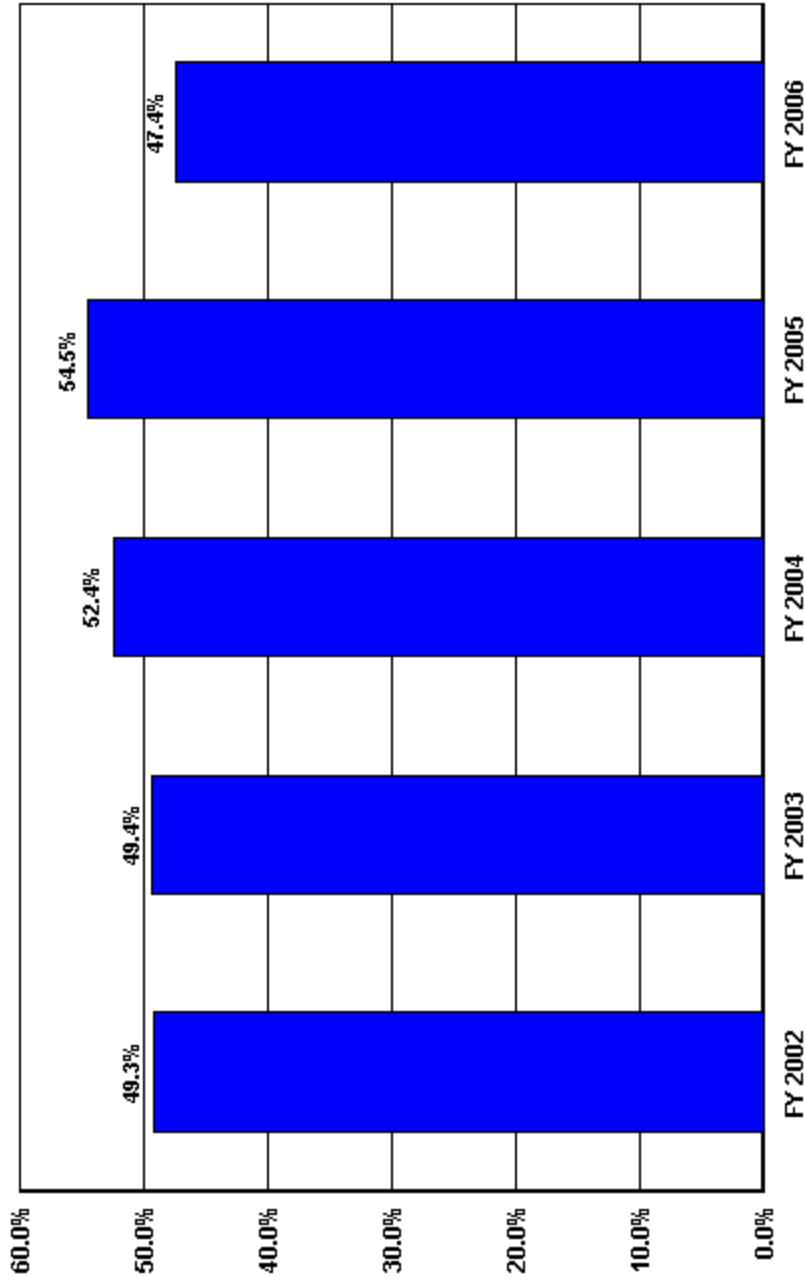
US Department of Energy
Total Functional Support
 Savannah River/Westinghouse & Wackenhut



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	740,484	786,185	802,684	870,063	793,469

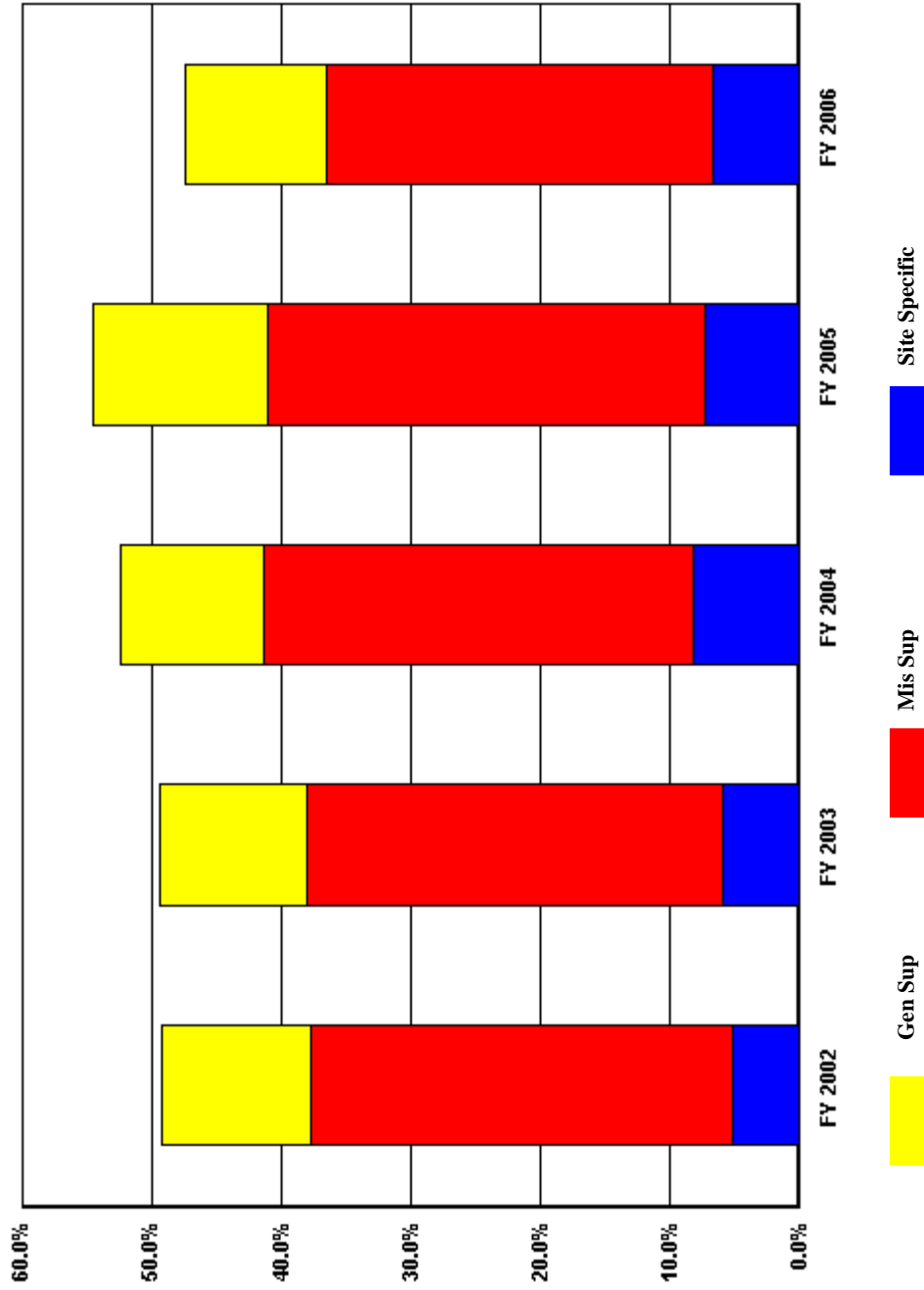
**US Department of Energy
Total Functional Support as a % of Total Costs
Savannah River/Westinghouse & Wackenbut**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	49.3%	49.4%	52.4%	54.5%	47.4%

**US Department of Energy
Percent of Support Category to Total Costs
Savannah River/Westinghouse & Wackenhut**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	11.5%	11.4%	11.0%	13.5%	10.9%
Mis Sup	32.5%	32.0%	33.2%	33.7%	29.7%
Site Specific	5.2%	6.0%	8.2%	7.2%	6.7%

SITE PROFILE
Savannah River/Westinghouse & Wackenhut

SITE OVERVIEW AND CHARACTERISTIC

I. BACKGROUND

The Savannah River Site (SRS) is a unique site comprised of blended and interdependent missions critically linked to both Department of Energy (DOE) and National Nuclear Security Administration (NNSA) strategic goals.

Several DOE Office of Environmental Management (EM) facilities, such as the H Canyon Complex and site waste treatment facilities are also processing NNSA legacy nuclear materials including highly enriched uranium and waste from the tritium facilities. Other NNSA missions are being evaluated or planned such as the Mixed Oxide Fuel (MOX) and the Pit Disassembly and Conversion Facility.

Common infrastructure, waste handling and treatment facilities serve these and other smaller entities such as the United States Forestry Service and the University of Georgia Ecology Laboratory, also located at SRS. At present, the landlord infrastructure of the site is provided by EM and EM missions currently comprise approximately 78% of the site's efforts.

The complex covers 198,344 acres, or 310 square miles in three counties in South Carolina, bordering the Savannah River. The site was constructed during the early 1950s to produce basic materials used in nuclear weapons, primarily tritium and plutonium-239.

At FY06 year-end, 10,404 full time equivalent (FTEs) personnel were employed on site. This included 8,104 FTEs for Washington Savannah River Company (WSRC) (includes the four major contractors) and 816 Wackenhut Services, Incorporated (WSI) FTEs.

II. TRENDS

The SRS Functional Support Cost Report combines costs for WSRC and WSI into an integrated report. Total Functional Support Costs for SRS increased by 7.2% or \$53M from FY02 to FY06. This compares to an increase in the consumer price index of 14.2% over the same period. As a percent of total site costs, Functional Support Costs decreased from 49.3% in FY02 to 47.4% in FY06. Overall, the FY06 actual costs are within 5% of plan.

During the past four years, emphasis has been placed on:

- consolidation of materials and operations,
- elimination of hazards with high control costs,
- reduction of "hotel loads" associated with maintaining the operational status of nuclear facilities

SITE PROFILE
Savannah River/Westinghouse & Wackenhut

with redundant capabilities, and

- reduction of landlord infrastructure.

This emphasis has resulted in the decommissioning 737,000 square feet of buildings and facilities in FY05 and an additional 973,000 square feet in FY06. These changes have allowed SRS to focus more personnel on missions while absorbing increased costs for work force restructuring and pension contributions.

General Support

The overall change from FY02 to FY06 was an increase of 5.7% (\$10M). This net increase reflects the issues discussed above and a combination of other increases and decreases with significant changes highlighted.

1. Other (\$29M) FY02-FY06 trends show the significant increase in cost associated with workforce restructuring and increased inventory write-offs associated with the Decontamination & Decommissioning (D&D) Program.

Mission Support

This area reflected an upward trend from FY02 to FY06 of 1.8% (\$8.9M). There were major decreases in several categories that partially offset the overall increase. The significant change for the trend period was an increase in Safeguards & Security of 22.5% (\$16.9M). The WSI increase was \$11M and the WSRC increase was \$5.9M. These increases are primarily due to increased staffing associated with K Area Material Storage (KAMS), heightened security and related preventive measures such as Design Basis Threat (DBT), and PU Stabilization. In addition to the increased staffing, WSI-SRS entered into a new Collective Bargaining Unit Agreement with the Union in FY02, which included annual wage increases over the contract period.

Site Specific

Management/Award/Incentive Fee increased 42.2% (\$33M) from FY02 to FY06. WSRC's contract has gone through a significant evolution since FY02. The most recent changes, completed in FY03, resulted in increased fee opportunities as a result of the contractor accepting significantly increased risk associated with cleanup activities.

III. ANALYSIS OF CHANGE IN SUPPORT COSTS FROM PRIOR YEAR

SITE PROFILE
Savannah River/Westinghouse & Wackenhut

General Support

The overall change from the prior year is a decrease of 15.2% (\$32.7M). The following information explains the significant changes from the prior year's costs:

1. Other decrease of 34.1% (\$16.5M). This category is primarily work force restructuring (WFR) cost and reflects the FY05 WFR of 1185 employees and the FY06 WFR of 639 employees.
2. Central Administrative Services decrease of 35.3% (\$6.7M) reflects the reduction of 73 heads in document control and records management organizations from FY05 to FY06. This was caused by the reduction of backlogs to manageable levels, a reduction in the number of document control satellite locations, and other related efficiencies.

Mission Support

Reflects a 7.5% (\$40.5M) decrease caused primarily by decreases in Facilities Management and Maintenance, partially offset by increases and decreases in other areas.

- Facilities Management decreased 26.7% (\$10.5M) and Maintenance decreased 20.4% (\$27.2M) from FY05 to FY06 due to realignment of personnel after the work force restructuring and completion of the deactivation and demolition of certain facilities. In addition, classification changes to comply with the revised Functional Cost definitions contributed to the changes.
- Laboratory/Technical Support decreased 20.9% (\$6.3M)

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

CENTRAL ADMIN SERVICES

Central Administrative Services decrease of 35.3% (\$6.7M) reflects the reduction of 73 heads in document control and records management organizations from FY05 to FY06. This was caused by the reduction of backlogs to manageable levels, a reduction in the number of document control satellite locations, and other related efficiencies.

OTHER

Decrease of 34.1% (\$16.5M). This category is primarily work force restructuring (WFR) cost and reflects the FY05 WFR of 1185 employees and the FY06 WFR of 639 employees.

FACILITIES MANAGEMENT

Facilities Management decreased 26.7% (\$10.5M) from FY05 to FY06 due to realignment of personnel after the work force restructuring and completion of the deactivation and demolition of certain facilities. In addition, classification changes to comply with the revised Functional Cost definitions contributed to the changes.

SITE PROFILE
Savannah River/Westinghouse & Wackenhut

MAINTENANCE

Maintenance decreased 20.4%(\$27.2M)from FY05 to FY06 due to realignment of personnel after the work force restructuring and completion of the deactivation and demolition of certain facilities. In addition, classification changes to comply with the revised Functional Cost definitions contributed to the changes.

LABORATORY/TECHNICAL SUPPORT

Laboratory/Technical Support decreased 20.9% (\$6.3M) There was an increase in these costs during FY05 due to increases in analytical service services, sampling analyses and technical support services for accelerated cleanup and mission activities. The decrease in FY06 reflects a leveling off of this effort and a concurrent reduction in headcount, combined with some classification changes.

TAXES

HQ guidance for the FY 2006 Functional Cost report emphasized the Taxes functional category as one that is frequently under reported. WSRC undertook a special analysis of the taxes account and confirmed that WSRC does not pay Sales and Use Taxes, nor property taxes, nor payments in lieu of taxes. As part of this review, we did identify some costs that should have been classified as Taxes that were not in the FY 2005 report. This resulted in an increase from \$0 in FY05 to \$610K in FY06.

LDRD / PDRD / SDRD

LDRD was first Congressionally authorized for Savannah River National Laboratory in FY 2006.

COST SAVINGS INITIATIVES

(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
Analytical	561	Convert Laboratory data management systems. Reduce number of Analytical Methods for soil and Quality Assurance and Quality Control samples. Reduce soil testing at the Mixed Oxide Project. Reduce the cost of lead sampling for Decommissioning and Demolition purposes.	Michele Pennington

SITE PROFILE
Savannah River/Westinghouse & Wackenhut

Construction	3,165	Air Compressor maintenance for Construction Fabrication Shops. FY 2006 Construction design Integration - CD1. Improve process for obtaining jumper components. Improve rigging wrench time. Reduce Construction craft training main-hours. Reduce cost of construction execution plans. Reduce cost of performing air balancing.	Michele Pennington
Decommissioning and Demolition	4,309	Improve cost and schedule effectiveness to disposition concrete pad at 420-D. Reduce the number of Radiological exposure areas, simplify D&D scope. T/D area subcontracting strategy.	Michele Pennington
Design Engineer Functions	5,106	CD1 process in design engineering. Design optimization, Design Basis Threat, DBT04 Project K-area. Design optimization, Modular Caustic Side Solvent Extraction Unit reach rods. Design optimization, Tank 48 opportunities. Design optimization, Tank 48 opportunities (2). Design optimization, Waste Transfer Line Safety Class Control Design. Fluid Service category productivity. Reduction of Relief Valve Design Revisions.	Michele Pennington
Nuclear Material Management	87	Nuclear material management manpower and shift optimization.	Michele Pennington
Procurement	107	Developing alternate supplier requalification methods. Receiving inspection and documentation process improvements.	Michele Pennington
Project Management	424	Project design and construction services cost management process improvement process. Reduce cost of MOX site preparation support. Standardization of estimating labor installation unit rates.	Michele Pennington
Regulatory	12,876	K sludge land application site and Par Pond sludge application site. R reactor seepage basin. Sludge Application site cleanup.	Michele Pennington

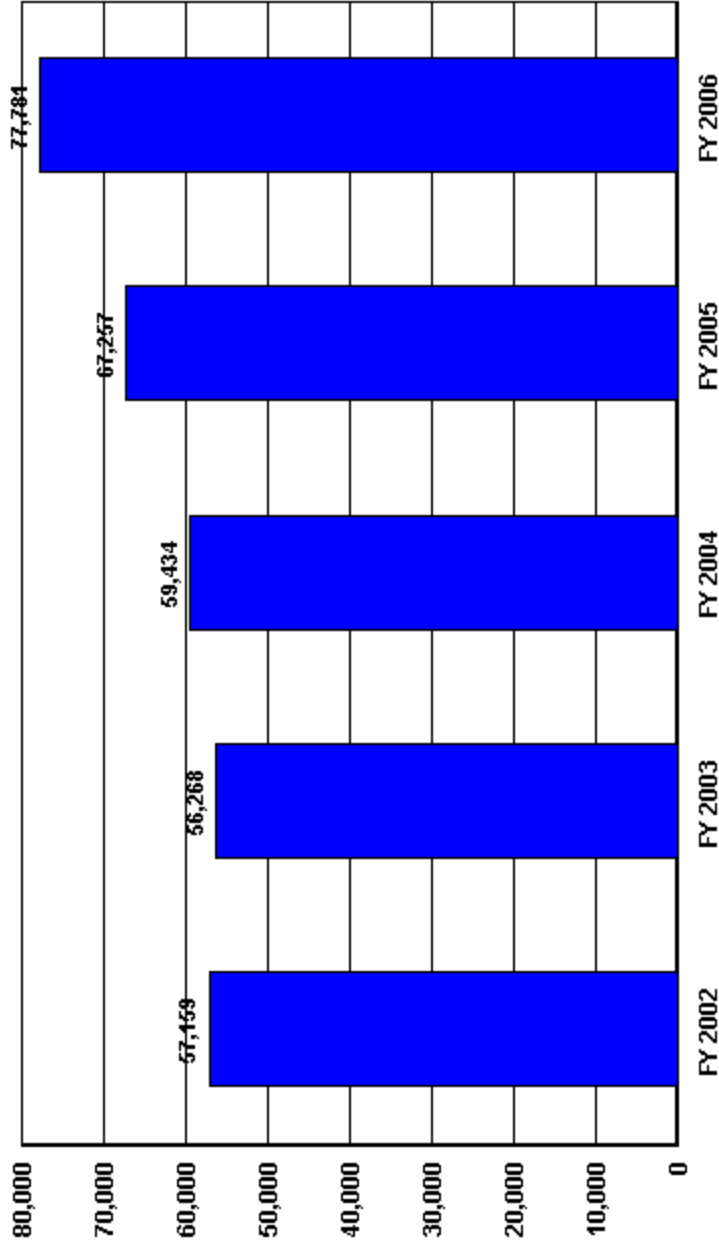
SITE PROFILE**Savannah River/Westinghouse & Wackenhut**

Site Management	2,476	Chemical Management Program assessment. Improved General Services Administration vehicle utilization. Improved intermittent absence process for FY 2006. Increase quality of lead recycled. Optimize radiological control Source Check Process. Reduce calibration of new measuring and testing equipment. Reduce change costs on construction fixed priced contracts. Reduce cost of disposing of respiratory equipment. Reduce cost at the Burma Road C & D landfill. Reduce False Fire Alarms in FY 2006. Reduce incomplete and inaccurate computer re	Michele Pennington
Solid Waste	7,810	Increase acceptability of Transuranic Waste Drums available for shipment to Waste Isolation Pilot Plant - Project Level. Increase throughput rate for Transuranic Waste Drum Repackaging at F/H Laboratory. Optimize Transuranic Visual Examination Facility throughput. Shift alignment in Solid Waste Remediation Facilities.	Michele Pennington

Trends in Total Support Cost by Functional Categories
Stanford Linear Accelerator Center/Stanford Univ. (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	235,352	238,531	263,766	269,840	319,781	84,429	35.9%
Capital Construction	46,418	55,195	63,028	65,295	97,193	50,775	109.4%
Total Costs Less Construction	188,934	183,336	200,738	204,545	222,588	33,654	17.8%
Total Support Costs	57,159	56,268	59,434	67,257	77,781	20,622	36.1%
Mission Direct Operation	131,775	127,068	141,304	137,288	144,807	13,032	9.9%
Mission Direct Operation as % of Total Cost	56.0%	53.3%	53.6%	50.9%	45.3%		
Capital Construction as % of Total Cost	19.7%	23.1%	23.9%	24.2%	30.4%		
Total Support Cost as % of Total Cost	24.3%	23.6%	22.5%	24.9%	24.3%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	24.3%	23.6%	22.5%	24.9%	24.3%		
TOTAL SUPPORT COST	57,159	56,268	59,434	67,257	77,781	20,622	36.1%
TOTAL GENERAL SUPPORT as % of TOTAL	10.9%	10.7%	10.1%	10.2%	9.2%		
TOTAL GENERAL SUPPORT	25,735	25,590	26,693	27,626	29,436	3,701	14.4%
EXECUTIVE DIRECTION	2,910	2,759	2,898	3,013	3,442	532	18.3%
HUMAN RESOURCES	2,330	2,168	2,455	2,555	2,739	409	17.6%
CFO	3,555	4,205	4,565	5,057	5,054	1,499	42.2%
PROCUREMENT	2,053	1,974	1,802	1,980	2,192	139	6.8%
LEGAL	98	99	102	104	103	5	5.1%
CENTRAL ADMIN SERVICES	927	619	730	768	868	-59	-6.4%
PROGRAM/PROJECT CONTROL	1,293	1,284	1,259	1,075	1,149	-144	-11.1%
INFORMATION OUTREACH	2,841	2,793	3,123	3,147	3,396	555	19.5%
INFORMATION SERVICES	6,773	6,414	6,404	6,289	6,250	-523	-7.7%
OTHER	2,955	3,275	3,355	3,638	4,243	1,288	43.6%
TOTAL MISSION SUPPORT as % of TOTAL	13.4%	12.9%	12.4%	14.7%	15.1%		
TOTAL MISSION SUPPORT	31,424	30,678	32,741	39,631	48,345	16,921	53.8%
ENVIRONMENTAL	2,163	2,235	3,559	2,876	3,403	1,240	57.3%
SAFETY AND HEALTH	5,802	5,330	5,775	7,609	8,305	2,503	43.1%
FACILITIES MANAGEMENT	2,312	1,980	2,182	2,334	3,316	1,004	43.4%
MAINTENANCE	6,374	6,346	7,040	7,097	10,341	3,967	62.2%
UTILITIES	10,619	10,533	8,964	14,641	17,994	7,375	69.5%
SAFEGUARDS AND SECURITY	1,859	1,922	2,023	2,121	2,115	256	13.8%
LOGISTICS SUPPORT	2,086	2,153	3,005	2,759	2,667	581	27.9%
QUALITY ASSURANCE	209	179	193	194	204	-5	-2.4%
LABORATORY/TECHNICAL SUPPORT	0	0	0	0	0	0	0.0%
TOTAL SITE SPECIFIC as % of TOTAL	0.0%	0.0%	0.0%	0.0%	0.0%		
TOTAL SITE SPECIFIC	0	0	0	0	0	0	0.0%
MANAGEMENT/INCENTIVE FEE	0	0	0	0	0	0	0.0%
TAXES	0	0	0	0	0	0	0.0%
LDRD / PDRD / SDRD	0	0	0	0	0	0	0.0%

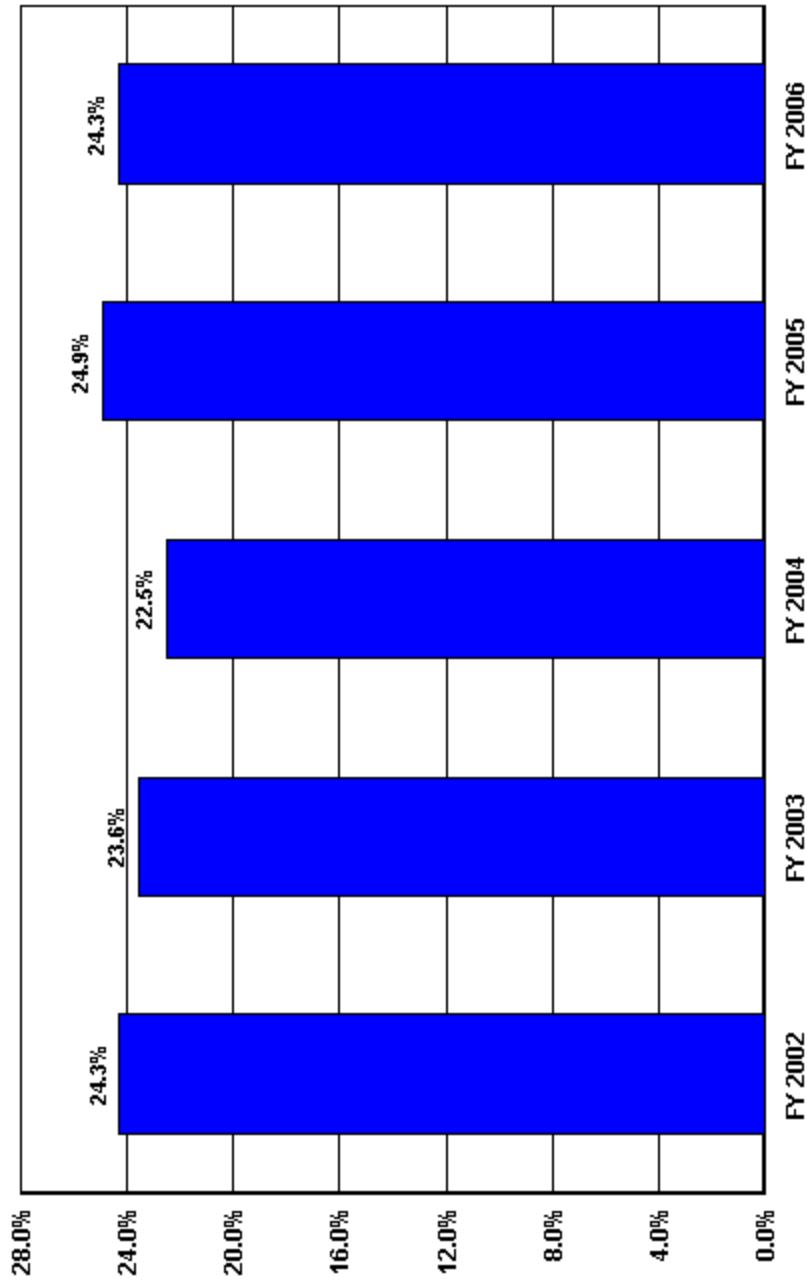
US Department of Energy
Total Functional Support
 Stanford Linear Accelerator Center/Stanford Univ.



■ Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	57,159	56,268	59,434	67,257	77,781

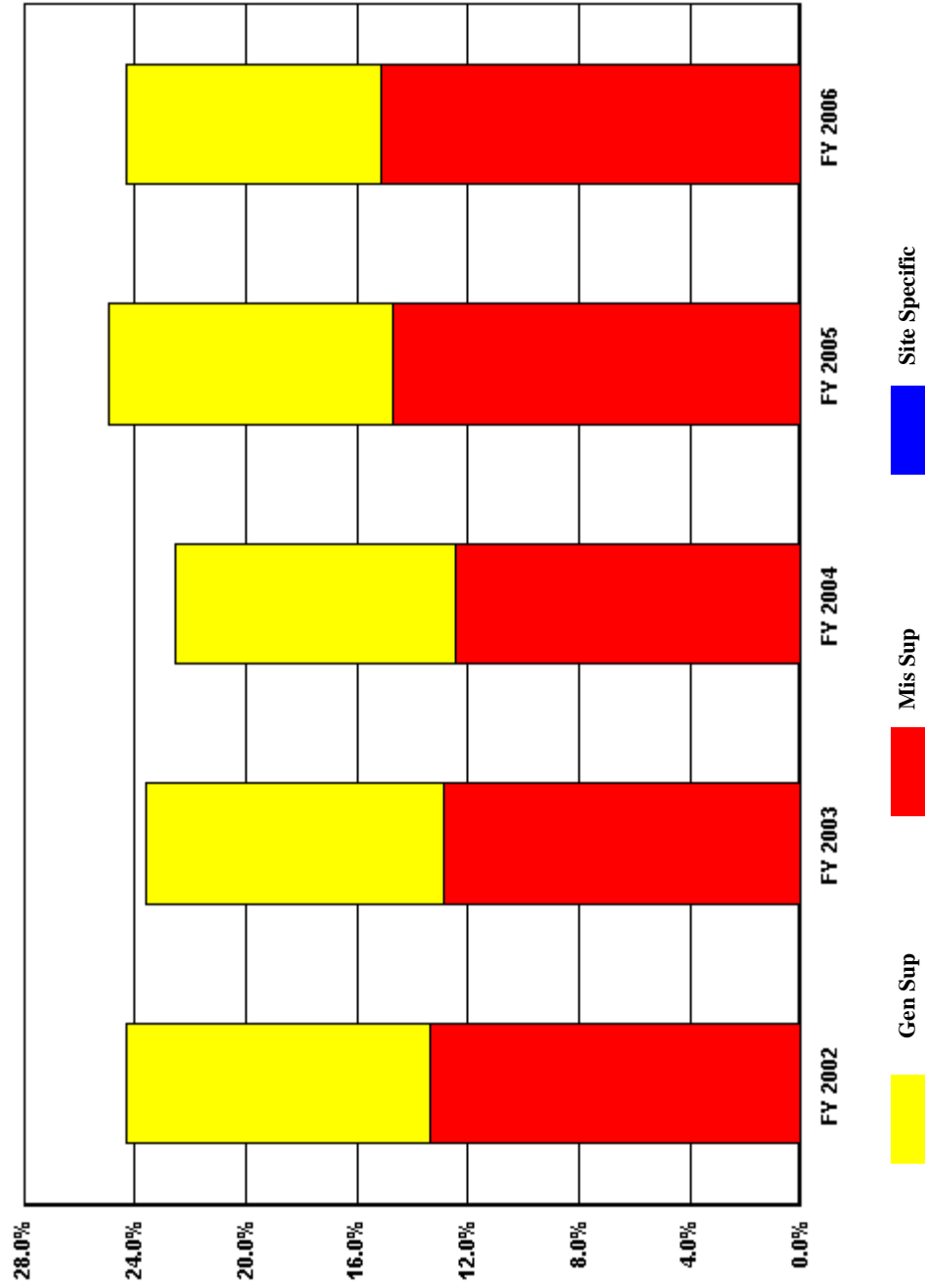
**US Department of Energy
Total Functional Support as a % of Total Costs
Stanford Linear Accelerator Center/Stanford Univ.**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	24.3%	23.6%	22.5%	24.9%	24.3%

**US Department of Energy
Percent of Support Category to Total Costs
Stanford Linear Accelerator Center/Stanford Univ.**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	10.9%	10.7%	10.1%	10.2%	9.2%
Mis Sup	13.4%	12.9%	12.4%	14.7%	15.1%
Site Specific	0.0%	0.0%	0.0%	0.0%	0.0%

SITE PROFILE
Stanford Linear Accelerator Center/Stanford Univ.

SITE OVERVIEW AND CHARACTERISTIC

Background

The Stanford Linear Accelerator Center was founded in 1962 as a national user facility for high energy physics using electron beams in a two-mile linear accelerator. SLAC is dedicated to research in photon science, particle physics and particle astrophysics. About 3000 scientists from universities, industry, and other research institutions around the world are active in using the research facilities at SLAC. The DOE Office of Science provides almost all of SLAC's funding. SLAC is operated for the DOE by Stanford University under a Management and Operating Contract. SLAC is located on the San Francisco Peninsula in Menlo Park, California, west of the main Stanford campus. The SLAC site occupies 426 acres leased by DOE from Stanford University at no fee. There are about 150 buildings and structures on site. At the end of FY2005, staffing level at SLAC was about 1,550.

SLAC's major facilities are world-class and include:

- The world's largest linear accelerator (Linac), delivering 50 billion volts (50 GeV) electron (including polarized electron) and positron beams;
- The PEP-II B Factory, a state-of-the-art asymmetric electron-positron collider and associated particle detector for the production and research of B mesons;
- A 3 GeV electron storage ring (SPEAR3), recently upgraded to a third-generation light source, for the production of ultraviolet and x-ray for use in synchrotron radiation research;
- A large concrete shielded building for experiments with stationary targets;
- Major accelerator physics R&D facilities testing subsystems and features for future accelerators.
- Under construction: the world's first x-ray free electron laser, the Linac Coherent Light Source (LCLS), to be operational in 2009.

Mission:

- Photon Science Discoveries

Discovering new scientific frontiers within the physical and life sciences by probing the ultra small and ultra fast world of materials, molecules and atoms with high brightness X-rays

- Particle and Particle Astrophysics Discoveries

Understanding the fundamental physics of the birth and evolution of the universe by conducting theoretical studies and experiments in the interrelated disciplines of particle and particle astrophysics

- Operate Safely; Train the Best

To operate a safe laboratory that employs and trains the best and brightest, helping to ensure the future economic strength and security of the nation

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

SITE PROFILE**Stanford Linear Accelerator Center/Stanford Univ.**

FACILITIES MANAGEMENT

Costs increased \$982K, or 42% from \$2,334K in FY2005 to \$3,316K in FY2006. Cost increases are associated with various facility modifications projects and increased staffing for construction safety oversight for facility projects.

MAINTENANCE

Maintenance costs increased \$3,244K or 46% from \$7,097K in FY2005 to \$10,341K in FY2006. There were a number of specific projects to replace electrical equipment, underground utilities, HVAC equipment, lighting, and road. Maintenance costs have increased due to the aging physical infrastructure of the Laboratory. This upward costing trend is expected to continue in the next few years as more replacement of the site infrastructure will be undertaken.

UTILITIES

The Utilities costs increased \$3,353K or 23% from \$14,641K in FY2005 to \$17,994K in FY2006. The dominant component (94%) is electrical power used to run the accelerators and associated facilities for the experimental research programs. Natural gas, water, sewer and sanitary waste disposal costs are also included. Electrical power costs in FY2006 were \$16,930K, an increase of \$3,164K from FYFY2005.

CAPITAL CONSTRUCTION

The primary increase is associated with the Linac Coherent Light Source line item construction project, an increase of \$40M from \$22M in FY 2005 to \$62M in FY 2006. The Light Source costs are expected to peak in FY 2007 to about \$130M. Completion of the project is expected in FY 2009.

COST SAVINGS INITIATIVES

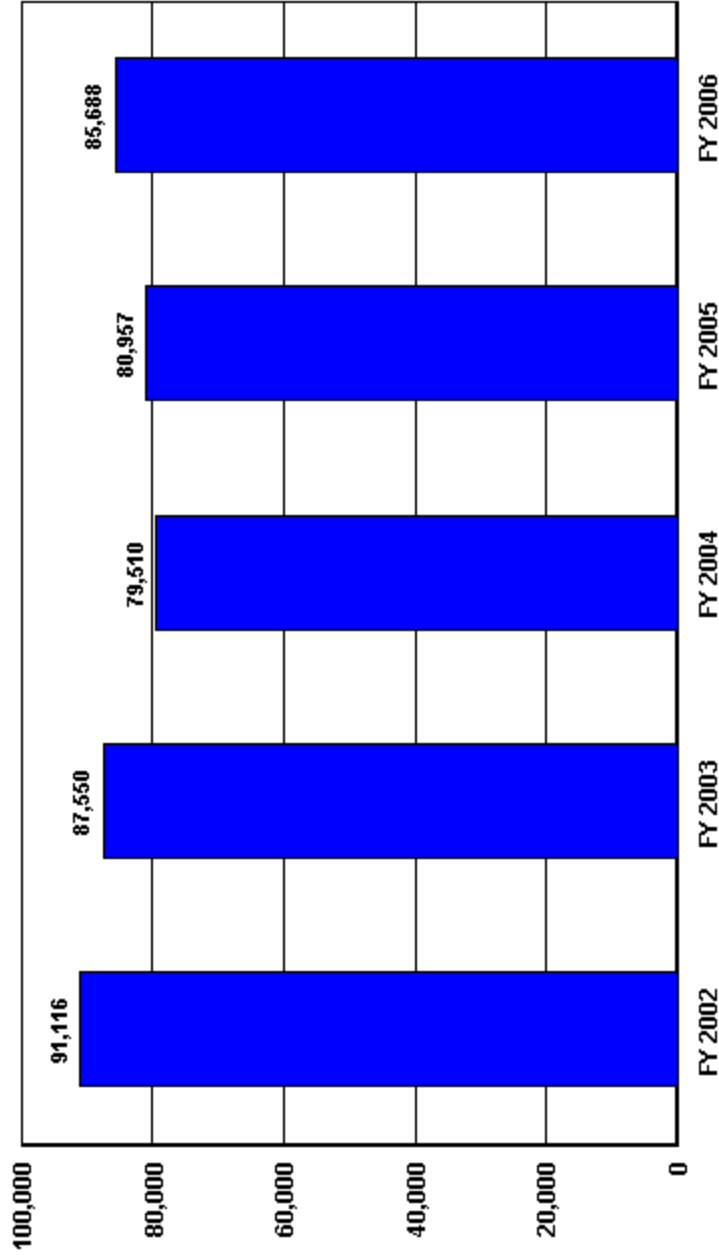
(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR	DESCRIPTION OF EFFORT	POINT OF CONTACT
(None)	(\$ in 000's)		

Trends in Total Support Cost by Functional Categories
Strategic Petroleum Reserve/DynMcDermott Petroleum (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	135,079	138,423	114,956	105,331	114,064	-21,015	-15.6%
Capital Construction	0	0	0	0	0	0	0.0%
Total Costs Less Construction	135,079	138,423	114,956	105,331	114,064	-21,015	-15.6%
Total Support Costs	91,116	87,550	79,510	80,957	85,688	-5,428	-6.0%
Mission Direct Operation	43,963	50,873	35,446	24,374	28,376	-15,587	-35.5%
Mission Direct Operation as % of Total Cost	32.5%	36.8%	30.8%	23.1%	24.9%		
Capital Construction as % of Total Cost	0.0%	0.0%	0.0%	0.0%	0.0%		
Total Support Cost as % of Total Cost	67.5%	63.2%	69.2%	76.9%	75.1%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	67.5%	63.2%	69.2%	76.9%	75.1%		
TOTAL SUPPORT COST	91,116	87,550	79,510	80,957	85,688	-5,428	-6.0%
TOTAL GENERAL SUPPORT as % of TOTAL	17.1%	16.9%	19.6%	18.8%	18.0%		
TOTAL GENERAL SUPPORT	23,113	23,372	22,496	19,803	20,579	-2,534	-11.0%
EXECUTIVE DIRECTION	260	434	357	325	383	123	47.3%
HUMAN RESOURCES	1,259	1,196	1,159	1,657	1,512	253	20.1%
CFO	1,797	1,922	1,737	1,811	1,719	-78	-4.3%
PROCUREMENT	1,957	1,945	1,495	1,503	1,478	-479	-24.5%
LEGAL	532	611	657	418	612	80	15.0%
CENTRAL ADMIN SERVICES	698	760	610	572	617	-81	-11.6%
PROGRAM/PROJECT CONTROL	4,930	5,072	4,516	4,040	3,604	-1,326	-26.9%
INFORMATION OUTREACH	1,852	2,467	1,927	842	825	-1,027	-55.5%
INFORMATION SERVICES	9,828	8,965	10,038	8,599	9,750	-78	-0.8%
OTHER	0	0	0	36	79	79	100.0%
TOTAL MISSION SUPPORT as % of TOTAL	44.8%	40.5%	43.1%	51.9%	50.1%		
TOTAL MISSION SUPPORT	60,539	55,998	49,516	54,654	57,167	-3,372	-5.6%
ENVIRONMENTAL	2,350	2,410	2,203	2,386	2,335	-15	-0.6%
SAFETY AND HEALTH	2,500	2,694	2,499	2,915	3,158	658	26.3%
FACILITIES MANAGEMENT	1,015	1,437	1,158	728	849	-166	-16.4%
MAINTENANCE	27,410	25,106	20,473	22,012	22,241	-5,169	-18.9%
UTILITIES	2,600	2,159	2,975	5,416	6,149	3,549	136.5%
SAFEGUARDS AND SECURITY	19,988	18,288	16,904	17,928	19,266	-722	-3.6%
LOGISTICS SUPPORT	2,955	2,294	2,197	2,171	2,113	-842	-28.5%
QUALITY ASSURANCE	1,721	1,610	1,107	1,098	1,056	-665	-38.6%
LABORATORY/TECHNICAL SUPPORT	0	0	0	0	0	0	0.0%
TOTAL SITE SPECIFIC as % of TOTAL	5.5%	5.9%	6.5%	6.2%	7.0%		
TOTAL SITE SPECIFIC	7,464	8,180	7,498	6,500	7,942	478	6.4%
MANAGEMENT/INCENTIVE FEE	7,316	7,970	7,295	6,203	7,693	377	5.2%
TAXES	148	210	203	297	249	101	68.2%
LDRD / PDRD / SDRD	0	0	0	0	0	0	0.0%

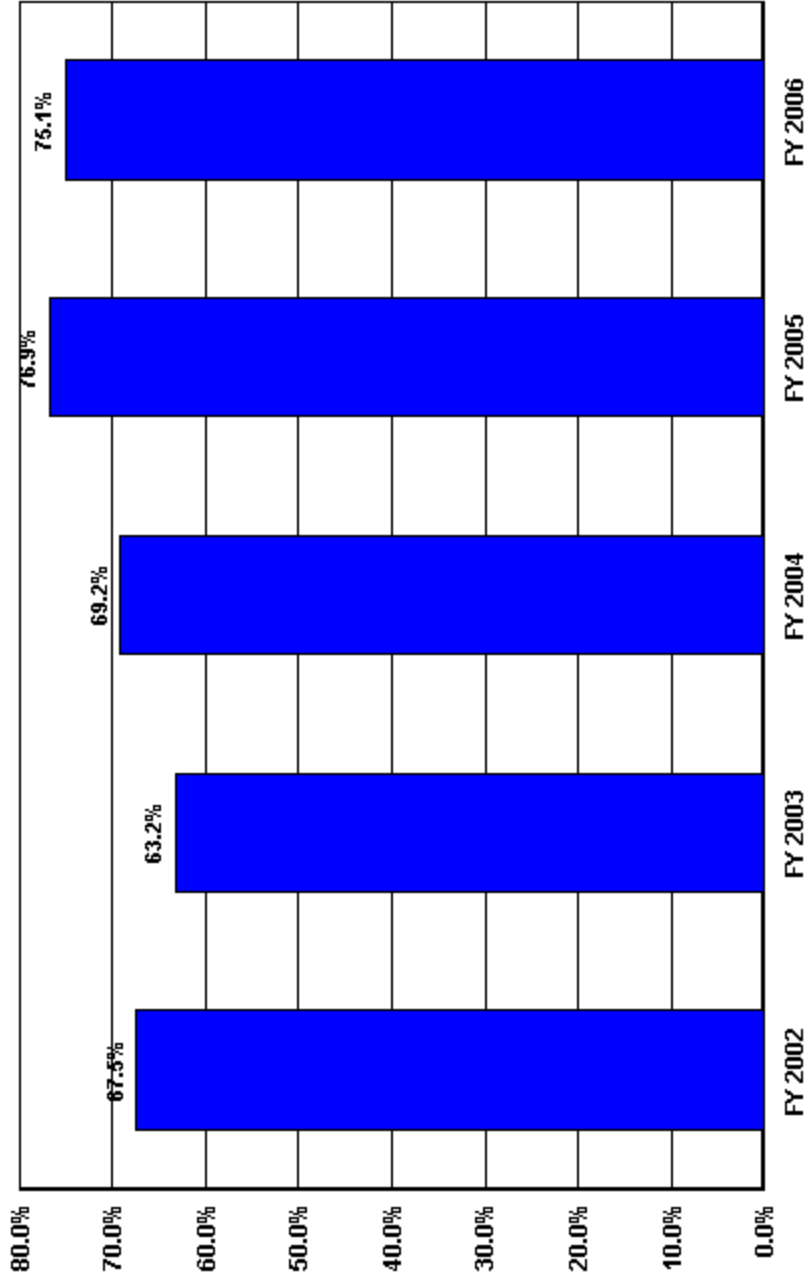
US Department of Energy
Total Functional Support
 Strategic Petroleum Reserve/DynMcDermott Petroleum



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	91,116	87,550	79,510	80,957	85,688

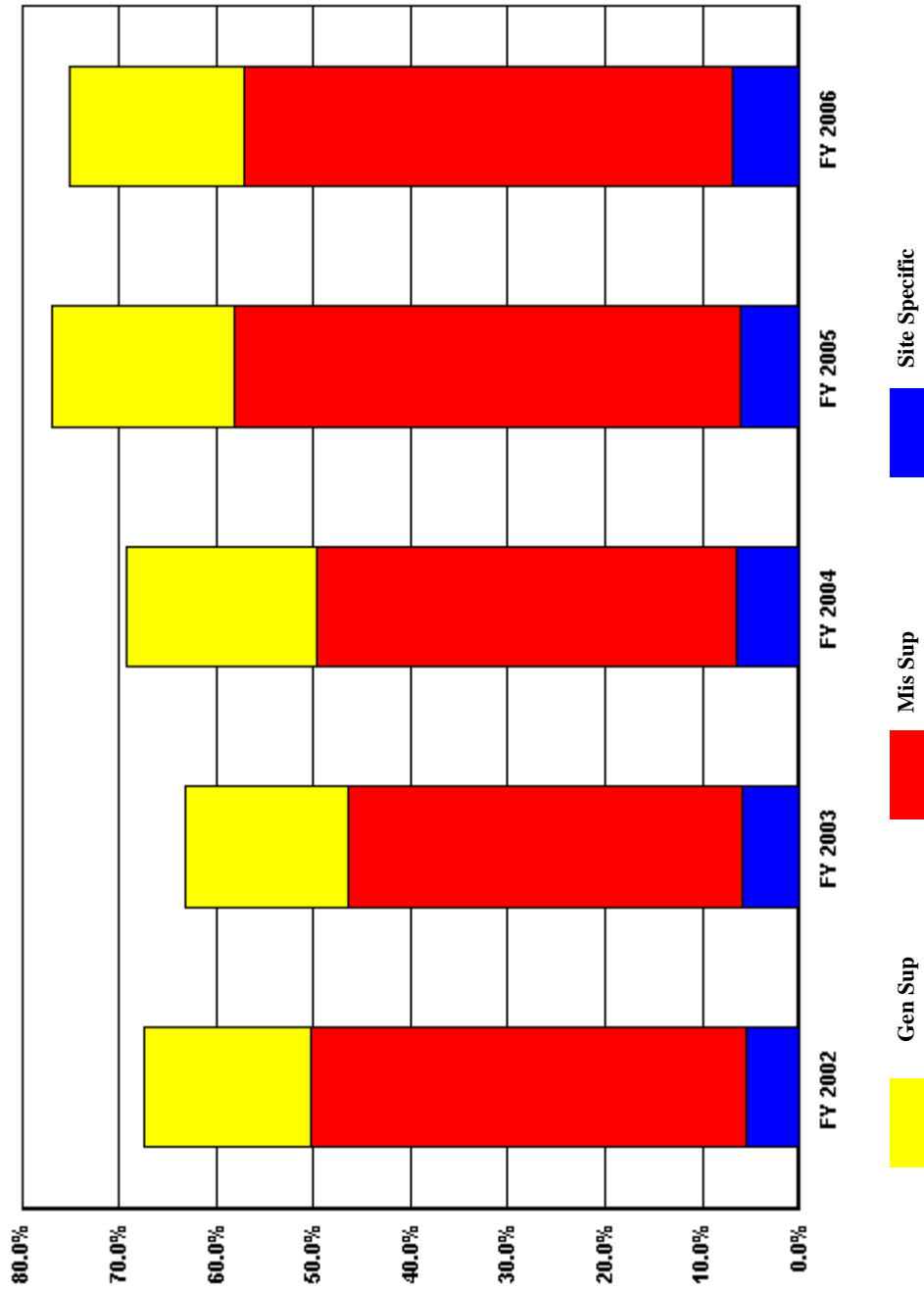
**US Department of Energy
Total Functional Support as a % of Total Costs
Strategic Petroleum Reserve/DynMcDermott Petroleum**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	67.5%	63.2%	69.2%	76.9%	75.1%

**US Department of Energy
Percent of Support Category to Total Costs
Strategic Petroleum Reserve/DynMcDermott Petroleum**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	17.1%	16.9%	19.6%	18.8%	18.0%
Mis Sup	44.8%	40.5%	43.1%	51.9%	50.1%
Site Specific	5.5%	5.9%	6.5%	6.2%	7.0%

SITE PROFILE
Strategic Petroleum Reserve/DynMcDermott Petroleum

SITE OVERVIEW AND CHARACTERISTIC

Background

The Strategic Petroleum Reserve (SPR) was established in 1975 in response to the 1973 Arab oil embargo. It is authorized by the Energy Policy and Conservation Act (EPCA) (Public Law 94-463), and by the comprehensive energy plans of all Administrations since 1975, in recognition of the long-term dependence of the United States on imported crude oil and petroleum products.

The United States (U.S.) is a member of the International Energy Agency (IEA), which requires member nations to maintain stocks of crude oil in the public and private sectors. The U.S. relies on a combination of oil in the SPR and private stocks to meet its oil storage obligations to the IEA.

Our mission is to maintain a state of readiness to respond to a Presidential order to drawdown the SPR emergency crude oil stockpile. The SPR maintains a goal of being drawdown ready within 13 days of notification. The SPR has stockpiled 687.8 million barrels of oil in FY2006. Major accomplishments in FY2006 were the Katrina Exchange which delivered 9,824,390 barrels. Completion is not expected until mid 2007 due to the delay from the President to stop filling in the Summer of FY2006. The Katrina drawdown also was completed in January of 2006 which involved all four of the SPR sites. Additionally due to a barge accident the Sabine Channel Exchange delivered 800,000 barrels from West Hackberry to the Total Port Arthur Refinery. Also a total of 750,000 barrels of oil was delivered from West Hackberry to Conoco Phillips(500,000) and to Citgo(250,000) due to an oil spill which closed the Calcasieu River to large vessel traffic delivering to refineries.

The SPR's Operating and Maintenance contractor has one project management office and four operation and maintenance sites. The operation and maintenance sites are listed below.

Bryan Mound located in east Texas near the city of Freeport. 254 million barrels of crude oil can be stored in the site's 20 caverns. 75 people are employed at the site as of September 2006. The site contains 231.1 million barrels of oil in storage as of September 30, 2006. The site consists of 54 buildings.

Big Hill is located in east Texas near the city of Beaumont. 170 million barrels of crude oil can be stored in the site's 14 caverns. 86 people are employed at the site as of September 2006. The site contains 168.9 million barrels of oil in storage as of September 30, 2006. The site consists of 43 buildings.

Bayou Choctaw is located in central Louisiana near the city of Baton Rouge. 76 million barrels of

SITE PROFILE

Strategic Petroleum Reserve/DynMcDermott Petroleum

crude oil can be stored in the site's 6 caverns. 48 people are employed at the site as of September 2006. The site contains 71.7 million barrels of oil in storage as of September 30, 2006. The site consists of 30 buildings.

West Hackberry is in Southwest Louisiana near the city of Lake Charles. 227 million barrels of crude oil can be stored in the site's 22 caverns. 86 people are employed at the site as of September 2006 including a traveling workover crew. The site contains 216.1 million barrels of oil in storage as of September 30, 2006. The site consists of 32 buildings.

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

LEGAL

Additional expenses were incurred in Outside Legal Counsel during FY 2006. This was attributed to the increase in lawsuits filed.

OTHER

FY 2006 automobile liability insurance premium increased.

MANAGEMENT/INCENTIVE FEE

The FY 2006 Fee was negotiated at a higher value per the Performance Evaluation and Measurement Plan(PEMP). Also FY 2004 accruals were reversed in FY 2005 for fee incentives that were not earned.

COST SAVINGS INITIATIVES

(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
Guard Force	1,030	A primary contributor to the underrun is related to a favorable award of the protective force contract to Covenant Homeland Security Solutions. The three-year contract, effective October 2005, was negotiated at a lower cost.	Sheron Lee
Productive Labor	517	As part of DM's cost reduction initiative, positions that were left open through attrition were not re-hired. Budgeted headcount was reduced by five FTE's.	Sheron Lee

SITE PROFILE

Strategic Petroleum Reserve/DynMcDermott Petroleum

Pump, Motor, Valve, actuator Services	669	As part of DM's cost reduction initiative, most of the big equipment has been repaired during the last past 5 years which sets the need for replacements in 10-15 years.	Sheron Lee
Threaded Casing	189	DM reduced cost by purchasing threaded casing. Previously, plain casing was purchased and then sent to a separate vendor to be threaded which was more costly.	Sheron Lee
Travel	518	As part of a cost reduction initiative, DM entered into an agreement with TravelCorp, a travel reservations vendor, who is able to obtain quantity discounts and negotiate lower airfare prices.	Sheron Lee
ISO Lead Auditor Training	55	Previously, DM sent employees to instructor-lead ISO Lead Auditor Training at various locations throughout the US. As part of a cost reduction initiative, DM trained several employees to be instructors and provide the ISO Lead Auditor Training using site training facilities. The tests are graded and monitored by an authorized vendor.	Sheron Lee
Inspect and Test BV PSV's	31	Previously, two DM employee's removed and vendors inspected\tested all Pressure Relief Valves (PSVs) annually. This process takes two DM employees one week to complete. The valves are now tested less often and reliability is verified. The intervals between pressure relieving device testing\inspection should not exceed five years unless service experience indicates that a longer interval is accepted. For clean, non-corrosive services or for those devices that have demonstrated satisfactory performance, maximum intervals may be increased to ten years.	Sheron Lee
Certified H2S Training	50	Previously, DM contracted with certified trainers who were brought on-site to train or employees were sent to off-site training. As part of a cost reduction initiative, DM trained five employees who could then train all personnel in need for training for the Degas plant.	Sheron Lee

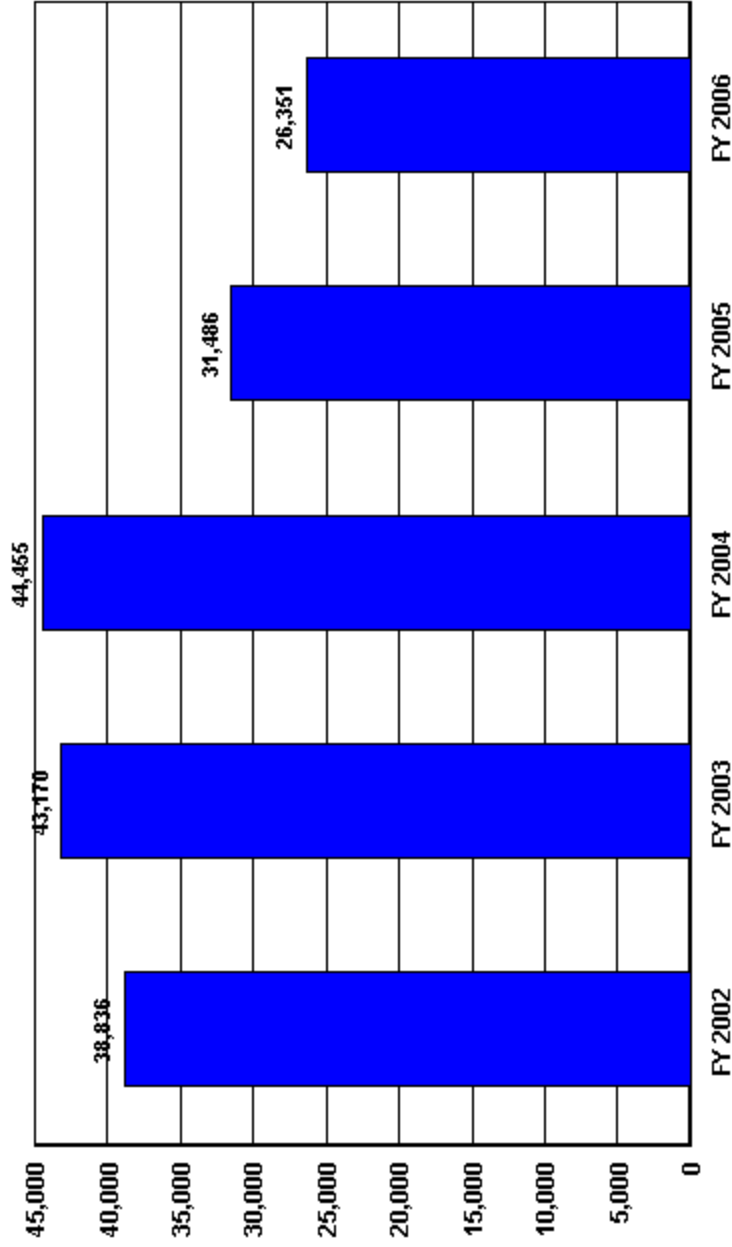
SITE PROFILE**Strategic Petroleum Reserve/DynMcDermott Petroleum**

Eliminate Site Mercury Bulbs	76	Previously, lighting at the sites consisted of ballast and bulbs that were not energy efficient. As part of a cost reduction initiative, the SPR Energy Efficiency Retrofit Project was implemented to eliminate the mercury bulb waste stream and reduce energy consumption. The existing lighting was replaced with high efficiency, “green” manufacturer-certified lamps and ballasts that would pass the TCLP test (<.2ppm Hg).	Sheron Lee
Re-usable Crude Oil Sample containers	30	Previously, DM used nine 1-quart plastic coated bottles to catch back-up samples for oil movements. In addition, three 1-quart composite samples are caught from the automatic sampler. The back-up sample bottles may not be needed if the composites test well & are then thrown away. As part of a cost reduction initiative, DM began using reusable 1-gallon containers for back-up samples.	Sheron Lee
Convert Subcontractors to DM Employees	337	As part of a cost reduction initiative, DM hired six subcontractor (GEM) employees. DM reduced cost by eliminating the profit and overhead previously paid to GEM.	Sheron Lee

Trends in Total Support Cost by Functional Categories
West Valley/West Valley Nuclear Services (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	81,817	103,616	103,586	70,786	69,247	-12,570	-15.4%
Capital Construction	0	0	0	0	0	0	0.0%
Total Costs Less Construction	81,817	103,616	103,586	70,786	69,247	-12,570	-15.4%
Total Support Costs	38,836	43,170	44,455	31,486	26,351	-12,485	-32.1%
Mission Direct Operation	42,981	60,446	59,131	39,300	42,896	-85	-0.2%
Mission Direct Operation as % of Total Cost	52.5%	58.3%	57.1%	55.5%	61.9%		
Capital Construction as % of Total Cost	0.0%	0.0%	0.0%	0.0%	0.0%		
Total Support Cost as % of Total Cost	47.5%	41.7%	42.9%	44.5%	38.1%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	47.5%	41.7%	42.9%	44.5%	38.1%		
TOTAL SUPPORT COST	38,836	43,170	44,455	31,486	26,351	-12,485	-32.1%
TOTAL GENERAL SUPPORT as % of TOTAL	13.9%	11.4%	9.7%	10.3%	9.3%		
TOTAL GENERAL SUPPORT	11,352	11,809	10,060	7,296	6,473	-4,879	-43.0%
EXECUTIVE DIRECTION	536	497	468	371	461	-75	-14.0%
HUMAN RESOURCES	1,867	2,035	1,538	952	646	-1,221	-65.4%
CFO	1,290	1,436	1,193	934	1,189	-101	-7.8%
PROCUREMENT	1,167	1,009	1,002	834	733	-434	-37.2%
LEGAL	192	299	244	162	164	-28	-14.6%
CENTRAL ADMIN SERVICES	628	624	653	604	528	-100	-15.9%
PROGRAM/PROJECT CONTROL	1,388	1,678	1,237	766	484	-904	-65.1%
INFORMATION OUTREACH	1,221	1,563	1,453	955	722	-499	-40.9%
INFORMATION SERVICES	3,063	2,668	2,272	1,718	1,546	-1,517	-49.5%
OTHER	0	0	0	0	0	0	0.0%
TOTAL MISSION SUPPORT as % of TOTAL	25.0%	22.9%	22.1%	24.5%	22.3%		
TOTAL MISSION SUPPORT	20,493	23,677	22,903	17,331	15,462	-5,031	-24.5%
ENVIRONMENTAL	1,679	1,328	1,485	1,047	1,050	-629	-37.5%
SAFETY AND HEALTH	6,490	7,552	7,621	5,620	4,756	-1,734	-26.7%
FACILITIES MANAGEMENT	1,605	2,260	1,353	1,110	1,261	-344	-21.4%
MAINTENANCE	4,011	4,773	4,717	3,703	3,190	-821	-20.5%
UTILITIES	2,011	2,340	2,074	2,052	1,919	-92	-4.6%
SAFEGUARDS AND SECURITY	1,293	1,666	1,591	1,104	1,073	-220	-17.0%
LOGISTICS SUPPORT	942	952	1,177	730	658	-284	-30.1%
QUALITY ASSURANCE	916	936	895	709	574	-342	-37.3%
LABORATORY/TECHNICAL SUPPORT	1,546	1,870	1,990	1,256	981	-565	-36.5%
TOTAL SITE SPECIFIC as % of TOTAL	8.5%	7.4%	11.1%	9.7%	6.4%		
TOTAL SITE SPECIFIC	6,991	7,684	11,492	6,859	4,416	-2,575	-36.8%
MANAGEMENT/INCENTIVE FEE	6,780	7,571	11,478	6,859	4,416	-2,364	-34.9%
TAXES	211	113	14	0	0	-211	-100.0%
LDRD / PDRD / SDRD	0	0	0	0	0	0	0.0%

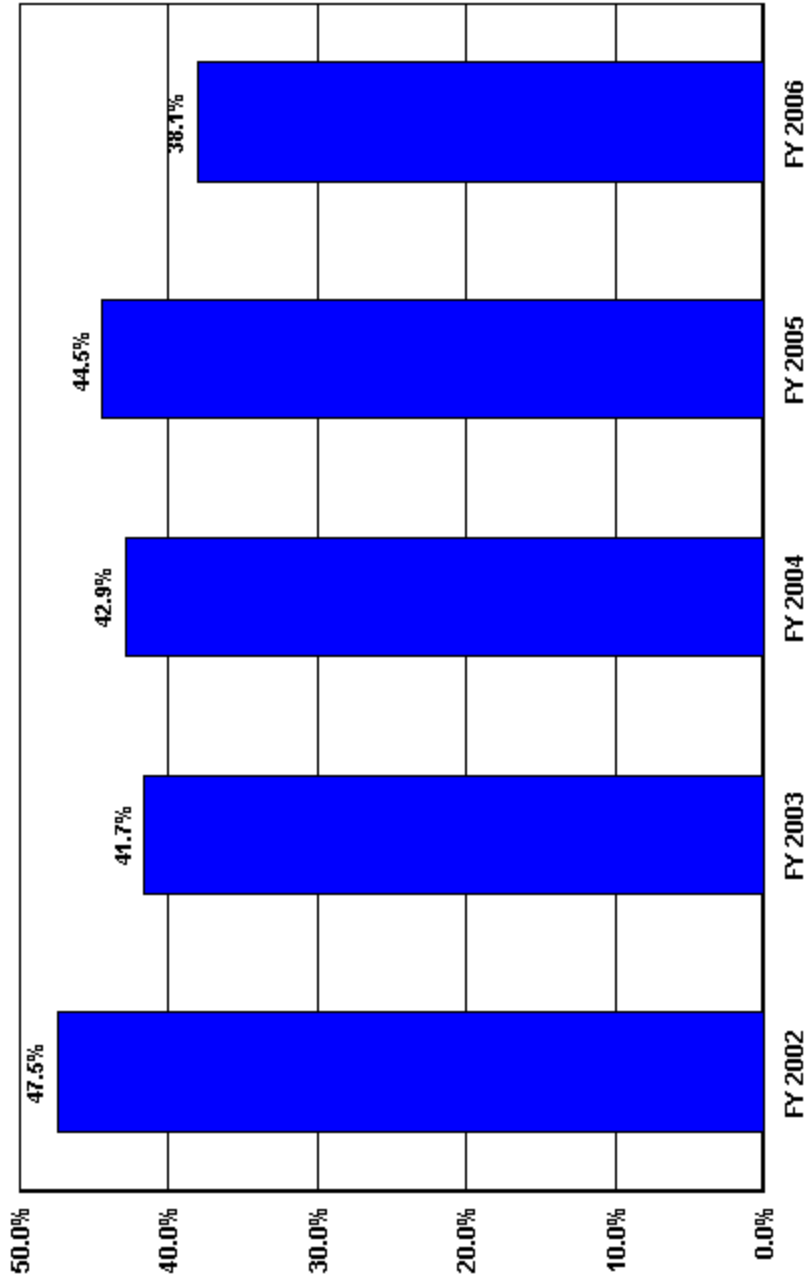
US Department of Energy
 Total Functional Support
 West Valley/West Valley Nuclear Services



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	38,836	43,170	44,455	31,486	26,351

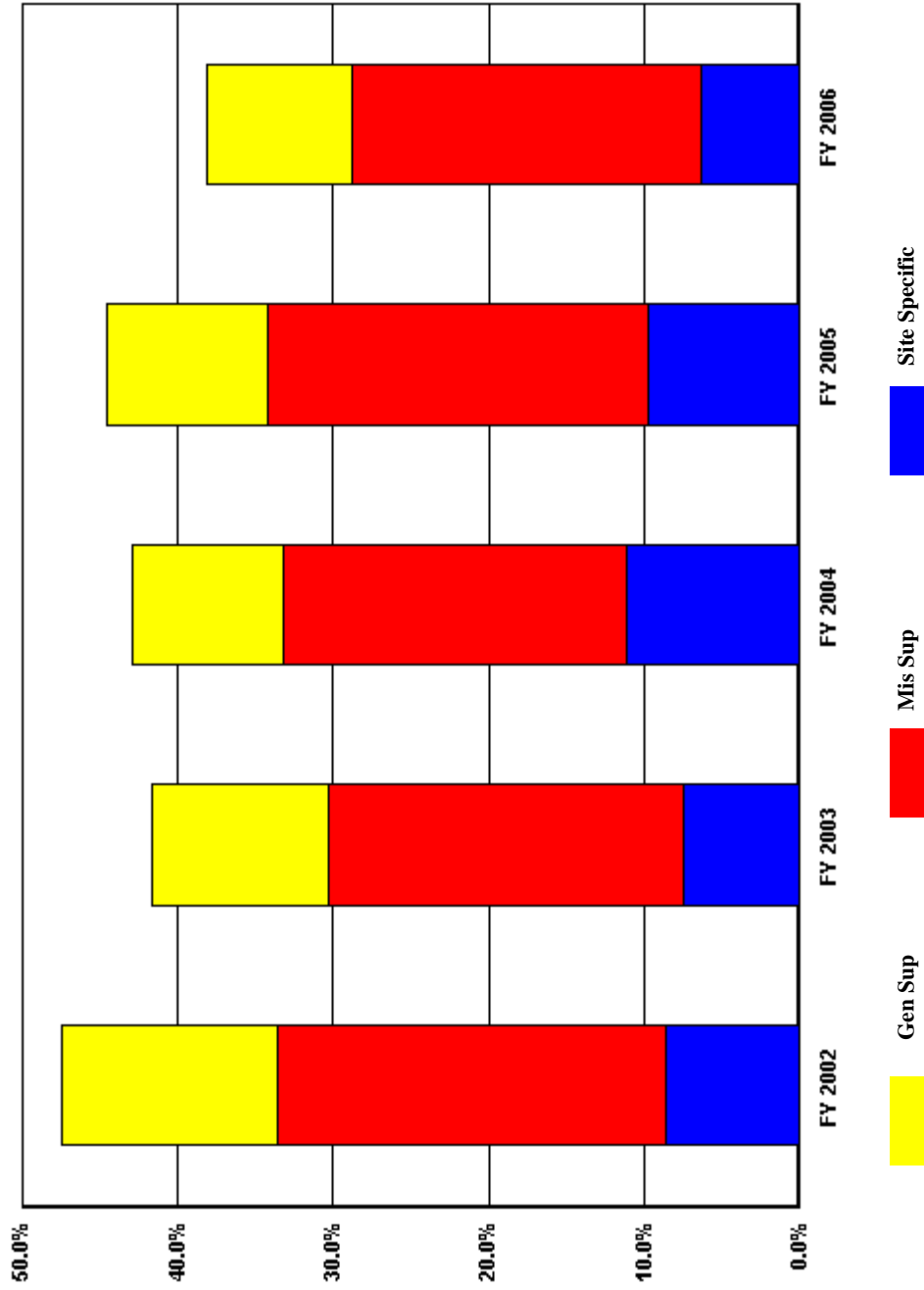
**US Department of Energy
Total Functional Support as a % of Total Costs
West Valley/West Valley Nuclear Services**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	47.5%	41.7%	42.9%	44.5%	38.1%

**US Department of Energy
Percent of Support Category to Total Costs
West Valley/West Valley Nuclear Services**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	13.9%	11.4%	9.7%	10.3%	9.3%
Mis Sup	25.0%	22.9%	22.1%	24.5%	22.3%
Site Specific	8.5%	7.4%	11.1%	9.7%	6.4%

SITE PROFILE
West Valley/West Valley Nuclear Services

SITE OVERVIEW AND CHARACTERISTIC

I. Site Characteristics

The West Valley Demonstration Project (WVDP) Act chartered the Department of Energy (DOE) with, among other mandates, the task of solidifying the liquid high level waste (HLW) at the Western New York Nuclear Service Center (WNYNSC). The site is owned by New York State (NYS) and administered through its agency, the New York State Energy Research and Development Authority (NYSERDA). The WNYNSC is a 3,300 acre site located approximately 35 miles south of Buffalo, New York. A commercial spent nuclear fuel reprocessing facility operated at the site from 1966 until 1972. This reprocessing facility occupied about 165 acres of the larger 3,300 acre tract. During its operational years, the facility was used to reprocess uranium and plutonium from spent nuclear fuel (SNF), 60% of which originated from defense facilities. Spent Fuel reprocessing operations resulted in approximately 600,000 gallons of liquid HLW stored in underground tanks, which required treatment, interim solidified waste storage and ultimate disposal.

In 1980, the United States Congress passed the West Valley Demonstration Project Act (Public Law 96368), which authorized DOE to conduct a technology demonstration project to solidify the liquid HLW. A subsequent decision was made by DOE to develop vitrification technology as the process to solidify the liquid HLW. In accordance with WVDP Act requirements, DOE also has responsibility for: 1) developing containers suitable for the permanent disposal of the solidified HLW at an appropriate Federal repository; 2) transporting the HLW containers to the Federal repository; 3) disposing of low level waste (LLW) and transuranic (TRU) waste resulting from HLW solidification; and 4) the decontamination and decommissioning of the tanks, hardware and facilities used for liquid HLW solidification. Under a separate agreement, the DOE also had responsibility for 125 spent nuclear fuel (SNF) assemblies stored at the site. These assemblies have been removed from a “wet” storage facility, placed into certified transportation casks, and transferred to the then Idaho National Environmental and Engineering Laboratory (INEEL) site.

HLW solidification was performed in consultation with the U.S. Nuclear Regulatory Commission (NRC) per a Memorandum of Understanding between the DOE and NRC, and consistent with a Cooperative Agreement between DOE and NYSEERDA. NYSEERDA holds title to the WNYNSC and the NRC license to operate the site. The NRC license was placed in abeyance while DOE conducts the Project. DOE has exclusive use and possession of the WVDP premises (i.e., 230 acres) and is responsible for maintaining these premises, managing environmental risk, ensuring site worker and public safety, and accomplishing the scope of the WVDP Act as mandated by its implementing agreements. Per the WVDP Act, NYSEERDA is responsible for ten percent of WVDP costs.

SITE PROFILE
West Valley/West Valley Nuclear Services

Mission

The prime management and operating contractor for the WVDP is the West Valley Nuclear Services Company (WVNSCO), which manages the facility according to a performance based contract. During the time period encompassed by the Functional Cost Report (FY2002 to FY2006), the Project has evolved from final HLW treatment/vitrification processing, through system deactivation, to the current decontamination, dismantlement and waste management phase. Significant challenges are managed to assure that the Project has the required disciplines to support this evolutionary risk reduction process.

II. Highlights of Trends

The actual current year dollars spent for functional costs decreased by approximately 32% from \$38,836K in FY2002 to \$26,351K in FY2006. As the work scope has progressed during the functional cost reporting period from the end of HLW processing to post-processing decontamination, dismantlement, and waste management scopes, the site has experienced a significant evolution in subcontracted Mission related expenditures. In addition, direct employment levels have decreased from 503 full time equivalents (FTEs) in FY2002 to 328 FTEs by the end of FY2006 as labor resource requirements evolved with the changing mission. Total DOE Project expenditures decreased from \$81,817K in FY2002 to \$69,247K in FY2006. This decrease reflects the evolution to the Project's current facility decontamination, dismantlement, and waste management mission.

During FY2006, the Project continued decontamination / waste management oriented activities as evidenced by on-going waste processing in the Remote Handled Waste Facility, the removal of contaminated equipment from cells in the former spent fuel process building, the dismantlement and demolition of former process systems and facilities, and significant accomplishments in the processing, shipping and disposing of legacy low level radioactive waste.

In FY2006, \$776K of New York State Sales and Use tax was included as a part of the respective functional cost categories, a decrease of \$543K from the FY2005 total of \$1,319.

III. Analysis of Change in Support Costs from Prior Years

WVNSCO management has focused on safety during the transition of the Project's mission, maintaining Voluntary Protection Program Star status throughout. From a functional cost reporting perspective, WVNSCO compares favorably to Total DOE EM functional cost data. The DOE EM mission direct expenditure percentage is 52.0% as compared to 62% for WVDP Mission direct expenditures. WVDP General and Mission Support Categories percentages are lower than the DOE EM averages by a combined 6.4%.

The increased annual pension and benefits contribution affected all functional categories and was

SITE PROFILE
West Valley/West Valley Nuclear Services

evident in categories with unchanged personnel levels when compared to the FY2005 level:

- Executive Direction (increased \$90K).

Other categories experienced increases due to specific events when compared to the FY2005 level:

- CFO (increased \$255K) as less non-project billable hours were reimbursed,
- Facilities Management (increased \$151K) as the off-site office complex was leased for a full year as opposed to 5 months in the prior fiscal year,
- Mission Direct (increased \$3,596K) as cost reductions and efficiencies in other areas were directed to the accomplishment of mission activities.

Commensurate with the evolution of overall site work-scope resource requirements, WVNSCO has proactively been able to significantly reduce costs through re-organization, direct and subcontractor workforce restructuring, and consolidation, while maintaining safe compliance with DOE Orders and operational parameters, in the following categories:

- Human Resources (decreased \$306K),
- Procurement (decreased \$101K),
- Central Administrative Services (decreased \$76K),
- Program Control (decreased \$282K),
- Information Outreach (decreased \$233K),
- Information Services (decreased \$172K),
- Safety and Health; (decreased \$864K),
- Maintenance (decreased \$513K),
- Utilities (decreased \$133K) due to facility eliminations and system shutdowns in spite of significantly higher commodity prices,
- Safeguards and Security (decreased \$31K)
- Logistics; (decreased \$72K),
- Quality Assurance (decreased \$135K),
- Laboratory/Technical Support (decreased \$275K),
- Management Incentive Fee (decreased \$2,443K).

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

FACILITIES MANAGEMENT

Increased because the off-site office complex was leased for a full year as opposed to 5 months in the prior fiscal year.

COST SAVINGS INITIATIVES

(\$ in 000's)

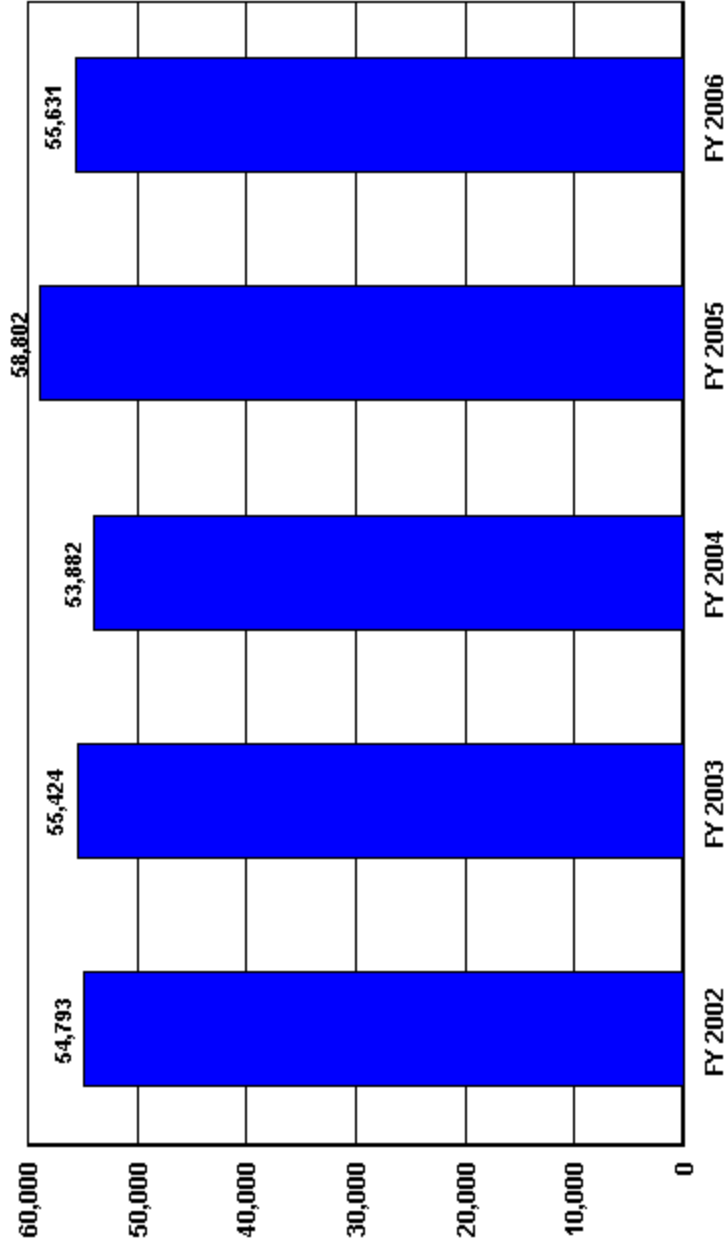
SITE PROFILE
West Valley/West Valley Nuclear Services

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
Facility Operating Spares and Crane Rental	0	Returned \$100K of budget for procurement of facility spares and rental of crane which were planned but not necessary due to in-house alternatives.	
Waste Containers	0	Returned \$53K of budget for procurement of new waste containers as repackaging efforts generated containers which could be reused for new waste streams.	
Consolidation and elimination of plant systems	0	Management initiatives targeted \$200K for maintenance and utility cost savings through consolidation and elimination of plant systems. Changing the specification for the procurement of work coveralls and anti-contamination clothing saved approximately \$29K, and the consolidation of communications lines between the site and the offsite office complex saved approximately \$80K.	

Trends in Total Support Cost by Functional Categories
WIPP/Westinghouse (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	116,634	130,941	148,344	153,927	170,356	53,722	46.1%
Capital Construction	2,366	918	419	2,293	2,175	-191	-8.1%
Total Costs Less Construction	114,268	130,023	147,925	151,634	168,181	53,913	47.2%
Total Support Costs	54,793	55,424	53,882	58,802	55,631	838	1.5%
Mission Direct Operation	59,475	74,599	94,043	92,832	112,550	53,075	89.2%
Mission Direct Operation as % of Total Cost	51.0%	57.0%	63.4%	60.3%	66.1%		
Capital Construction as % of Total Cost	2.0%	0.7%	0.3%	1.5%	1.3%		
Total Support Cost as % of Total Cost	47.0%	42.3%	36.3%	38.2%	32.7%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	47.0%	42.3%	36.3%	38.2%	32.7%		
TOTAL SUPPORT COST	54,793	55,424	53,882	58,802	55,631	838	1.5%
TOTAL GENERAL SUPPORT as % of TOTAL	19.6%	16.7%	11.5%	9.3%	8.0%		
TOTAL GENERAL SUPPORT	22,845	21,871	17,102	14,354	13,632	-9,213	-40.3%
EXECUTIVE DIRECTION	1,340	531	679	476	2,032	692	51.6%
HUMAN RESOURCES	3,661	3,666	2,940	2,668	2,408	-1,253	-34.2%
CFO	1,747	1,886	1,970	1,456	1,359	-388	-22.2%
PROCUREMENT	1,289	1,376	1,005	1,079	957	-332	-25.8%
LEGAL	1,137	1,002	909	915	802	-335	-29.5%
CENTRAL ADMIN SERVICES	3,211	3,113	2,561	1,772	1,581	-1,630	-50.8%
PROGRAM/PROJECT CONTROL	1,829	1,828	2,149	1,661	1,125	-704	-38.5%
INFORMATION OUTREACH	2,593	2,036	1,271	1,133	900	-1,693	-65.3%
INFORMATION SERVICES	6,038	6,433	3,398	3,194	2,468	-3,570	-59.1%
OTHER	0	0	220	0	0	0	0.0%
TOTAL MISSION SUPPORT as % of TOTAL	18.4%	17.8%	15.1%	16.1%	16.2%		
TOTAL MISSION SUPPORT	21,471	23,334	22,357	24,801	27,663	6,192	28.8%
ENVIRONMENTAL	2,201	1,883	1,645	1,686	2,338	137	6.2%
SAFETY AND HEALTH	3,442	5,177	5,363	5,308	4,950	1,508	43.8%
FACILITIES MANAGEMENT	1,637	1,792	1,245	1,315	1,255	-382	-23.3%
MAINTENANCE	7,260	7,543	6,612	8,054	10,193	2,933	40.4%
UTILITIES	11	-21	730	1,207	1,424	1,413	12,845.5%
SAFEGUARDS AND SECURITY	2,892	3,150	3,007	3,532	3,986	1,094	37.8%
LOGISTICS SUPPORT	1,443	1,312	1,046	1,198	1,107	-336	-23.3%
QUALITY ASSURANCE	1,770	2,498	2,709	2,501	2,410	640	36.2%
LABORATORY/TECHNICAL SUPPORT	815	0	0	0	0	-815	-100.0%
TOTAL SITE SPECIFIC as % of TOTAL	9.0%	7.8%	9.7%	12.8%	8.4%		
TOTAL SITE SPECIFIC	10,477	10,219	14,423	19,647	14,336	3,859	36.8%
MANAGEMENT/INCENTIVE FEE	5,256	6,215	8,871	14,315	7,179	1,923	36.6%
TAXES	5,221	4,004	5,552	5,332	7,157	1,936	37.1%
LDRD / PDRD / SDRD	0	0	0	0	0	0	0.0%

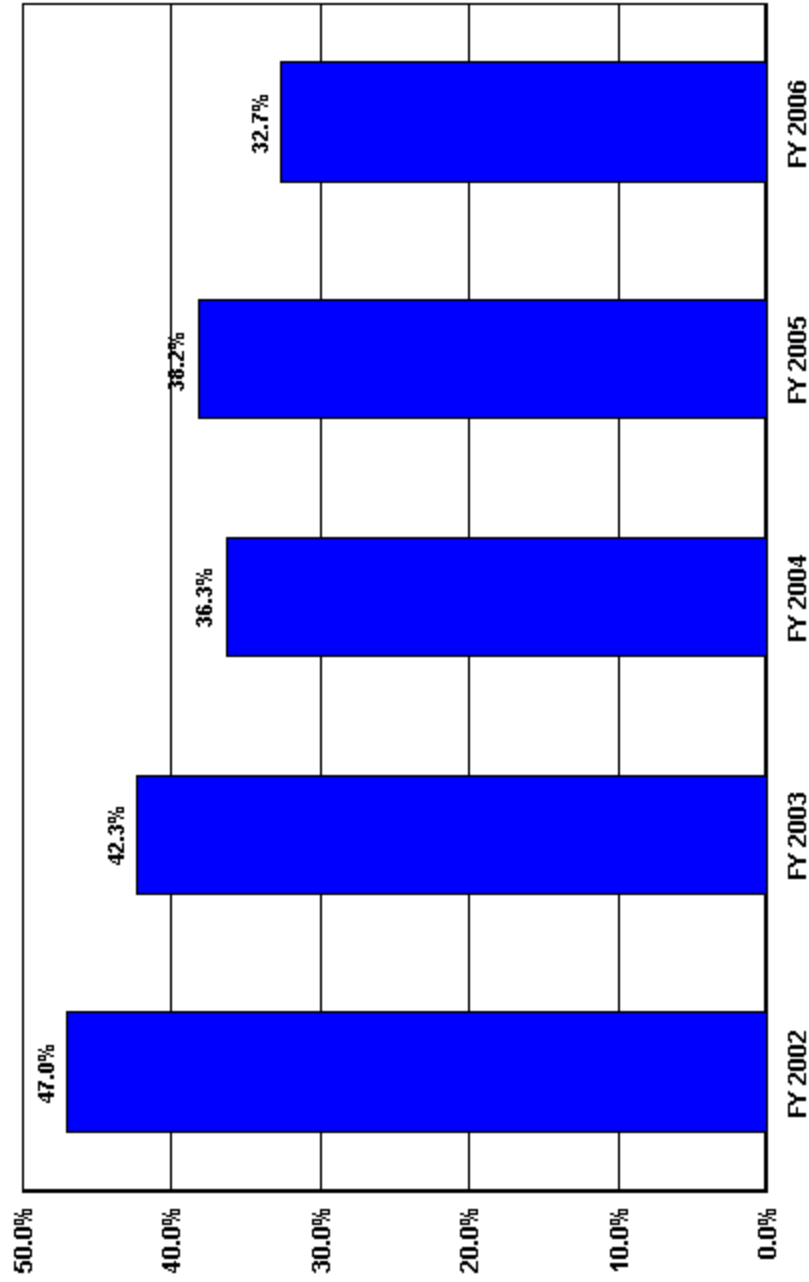
US Department of Energy
 Total Functional Support
 WIPP/Westinghouse



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	54,793	55,424	53,882	58,802	55,631

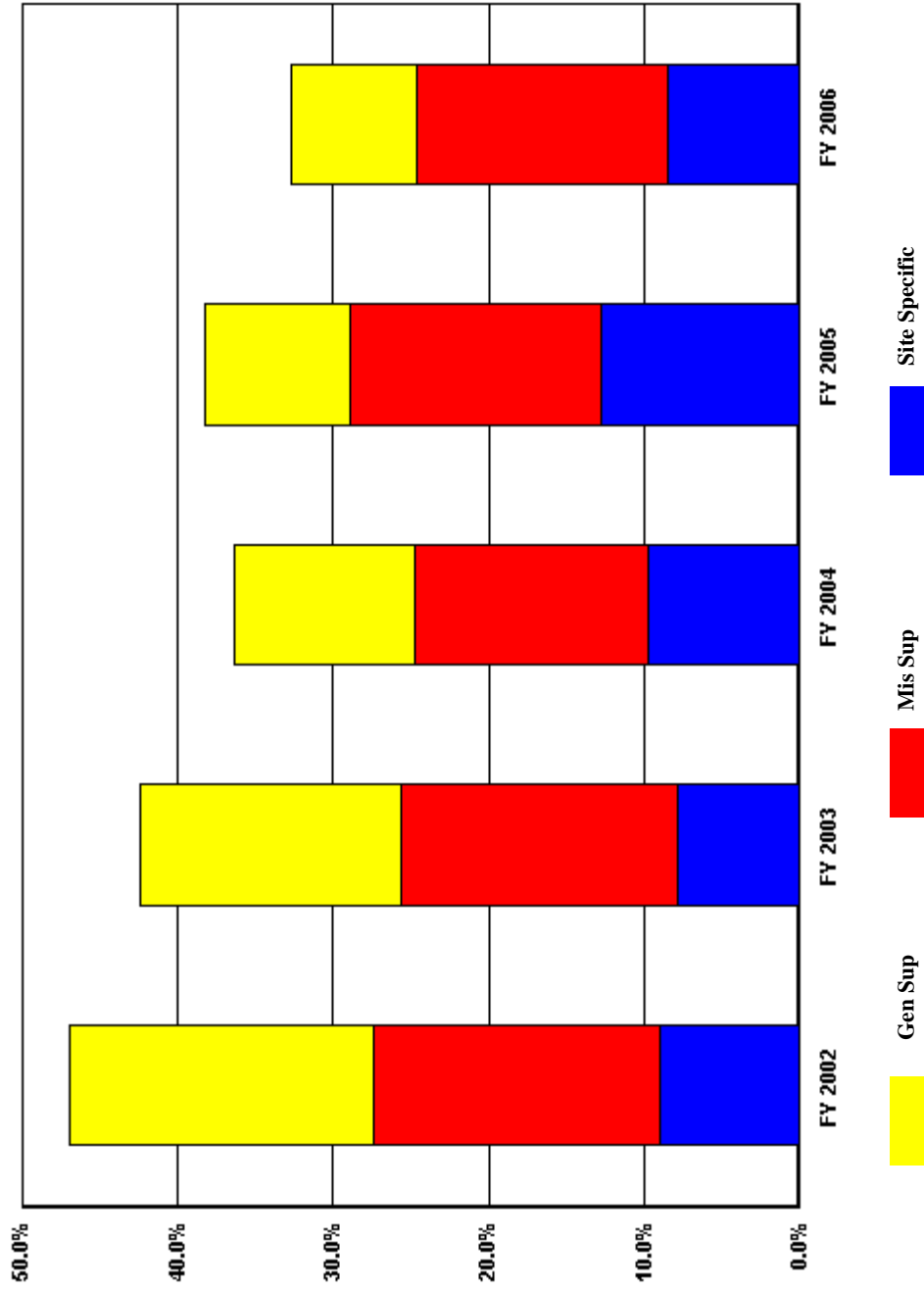
**US Department of Energy
Total Functional Support as a % of Total Costs
WIPP/Westinghouse**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	47.0%	42.3%	36.3%	38.2%	32.7%

**US Department of Energy
Percent of Support Category to Total Costs
WIPP/Westinghouse**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	19.6%	16.7%	11.5%	9.3%	8.0%
Mis Sup	18.4%	17.8%	15.1%	16.1%	16.2%
Site Specific	9.0%	7.8%	9.7%	12.8%	8.4%

SITE PROFILE
WIPP/Westinghouse

SITE OVERVIEW AND CHARACTERISTIC

Background

The Waste Isolation Pilot Plant, or WIPP, is the world's first underground repository licensed to safely and permanently dispose of transuranic radioactive waste left from the research and production of nuclear weapons. After more than 20 years of scientific study, public input, and regulatory struggles, WIPP began operations on March 26, 1999.

Located in the remote Chihuahuan Desert of Southeastern New Mexico, project facilities include disposal rooms mined 2,150 feet underground in a 2,000-foot thick salt formation that has been stable for more than 200 million years. Transuranic waste is currently stored at sites nationwide. From these sites waste is transported in NRC approved containers to the WIPP sites where it is unloaded, processed and disposed of in the mine.

Washington TRU Solutions, as the M&O contractor, is responsible for operations at the Waste Isolation Pilot Plant (WIPP) and for integration, characterization, and disposal of legacy defense transuranic (TRU) waste for the National TRU Waste Program. WTS participates in a coordinated approach to waste retrieval, characterization, transportation, and disposal activities at the associated generator sites throughout the Department of Energy (DOE) complex. WTS employs the Central Characterization Project (CCP) throughout the complex to assist in the efficient characterization, certification, and transportation of legacy TRU to WIPP.

Since beginning operations in March 1999, over 5,000 shipments have been received with 43,000 m³ or over 83,000 containers of TRU waste emplaced in the facility. Nearly 6 million miles have been traveled safely transporting waste throughout the United States. Twelve DOE small quantity sites and Rocky Flats, a large quantity site, have been cleaned up of legacy TRU waste.

WTS recognizes that there are objectives associated with the DOE vision that will be considered in the management, integration, and operation of WIPP and in conducting legacy defense TRU waste activities. These objectives are:

- (i) Safety and Environmental Management Excellence — Protection of the employees, the public and the environment;
- (ii) Operational Efficiencies — Pursue efficiencies in waste retrieval, characterization, transportation and disposal;
- (iii) Support to Small Quantity Sites (SQS) — Support the removal and disposal of TRU waste

SITE PROFILE
WIPP/Westinghouse

from each SQS;

- (iv) Standardization Efficiencies — Develop a standardized and certified characterization approach;

Through these objectives, the WTS contract goal is to ship and dispose of 70% or 54,300 m3 of the legacy TRU waste in the DOE complex by 2010.

Trends:

WTS total costs for FY06 in support of the above mission were \$170.4M. WTS spent 67.3% or \$114.7M in mission-direct activities. Mission-support activities represented 16.24% or \$27,662. WTS continued to reduce General Support costs which represented 8% or \$13.6M. Site Specific Support was reduced as a result of renegotiated contract with the DOE and represented the remaining 8.42% or \$14.3M .Therefore, total support costs were 32.7% of the project costs.

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

MANAGEMENT/INCENTIVE FEE

Site Specific Support was reduced as a result of a renegotiated contract with DOE.

COST SAVINGS INITIATIVES

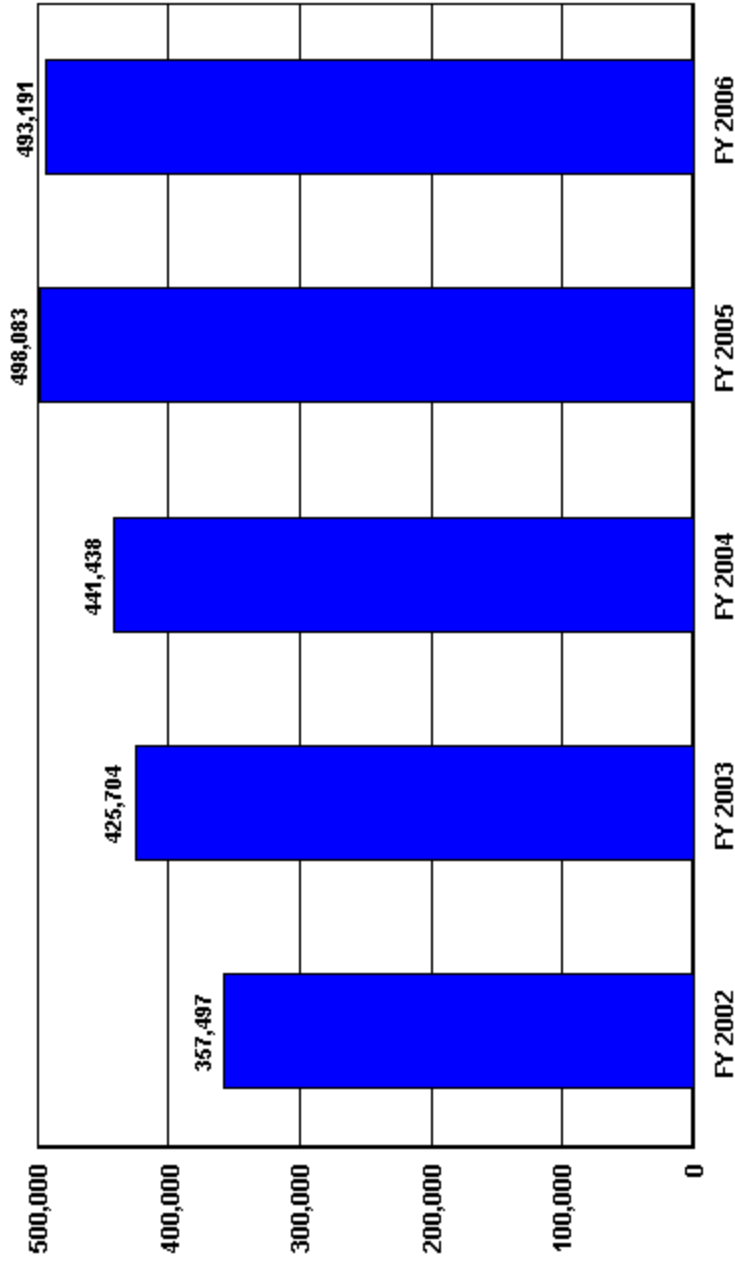
(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
(None)			

Trends in Total Support Cost by Functional Categories
Y-12/BWXT (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	639,618	725,690	739,880	823,985	830,873	191,255	29.9%
Capital Construction	22,194	83,199	75,863	97,529	96,821	74,627	336.2%
Total Costs Less Construction	617,424	642,491	664,017	726,456	734,052	116,628	18.9%
Total Support Costs	357,497	425,704	441,438	498,083	493,191	135,694	38.0%
Mission Direct Operation	259,927	216,787	222,579	228,373	240,861	-19,066	-7.3%
Mission Direct Operation as % of Total Cost	40.6%	29.9%	30.1%	27.7%	29.0%		
Capital Construction as % of Total Cost	3.5%	11.5%	10.3%	11.8%	11.7%		
Total Support Cost as % of Total Cost	55.9%	58.7%	59.7%	60.4%	59.4%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	55.9%	58.7%	59.7%	60.4%	59.4%		
TOTAL SUPPORT COST	357,497	425,704	441,438	498,083	493,191	135,694	38.0%
TOTAL GENERAL SUPPORT as % of TOTAL	12.0%	12.4%	13.1%	15.2%	14.0%		
TOTAL GENERAL SUPPORT	76,904	89,909	96,766	125,423	116,359	39,455	51.3%
EXECUTIVE DIRECTION	1,950	2,424	2,437	6,493	9,114	7,164	367.4%
HUMAN RESOURCES	5,772	13,503	16,787	23,907	16,300	10,528	182.4%
CFO	9,530	9,704	9,543	9,331	8,655	-875	-9.2%
PROCUREMENT	3,524	4,550	5,613	7,428	5,210	1,686	47.8%
LEGAL	2,489	3,393	2,901	3,801	4,495	2,006	80.6%
CENTRAL ADMIN SERVICES	8,724	12,661	12,977	11,581	11,825	3,101	35.5%
PROGRAM/PROJECT CONTROL	12,389	16,538	19,657	21,265	21,217	8,828	71.3%
INFORMATION OUTREACH	1,717	2,223	2,463	3,447	4,559	2,842	165.5%
INFORMATION SERVICES	28,747	23,727	24,752	37,005	24,267	-4,480	-15.6%
OTHER	2,062	1,186	-364	1,165	10,717	8,655	419.7%
TOTAL MISSION SUPPORT as % of TOTAL	40.1%	42.3%	43.2%	40.8%	40.9%		
TOTAL MISSION SUPPORT	256,386	307,095	319,970	335,843	340,196	83,810	32.7%
ENVIRONMENTAL	6,072	8,381	7,191	9,743	9,359	3,287	54.1%
SAFETY AND HEALTH	43,139	49,487	52,232	44,860	46,048	2,909	6.7%
FACILITIES MANAGEMENT	8,759	14,367	16,963	20,970	21,977	13,218	150.9%
MAINTENANCE	62,211	85,061	83,915	82,168	78,585	16,374	26.3%
UTILITIES	39,654	40,321	41,918	41,981	42,283	2,629	6.6%
SAFEGUARDS AND SECURITY	64,945	75,049	85,050	98,509	107,251	42,306	65.1%
LOGISTICS SUPPORT	4,211	7,340	5,562	7,266	5,757	1,546	36.7%
QUALITY ASSURANCE	14,040	12,334	12,227	11,195	11,329	-2,711	-19.3%
LABORATORY/TECHNICAL SUPPORT	13,355	14,755	14,912	19,151	17,607	4,252	31.8%
TOTAL SITE SPECIFIC as % of TOTAL	3.8%	4.0%	3.3%	4.5%	4.4%		
TOTAL SITE SPECIFIC	24,207	28,700	24,702	36,817	36,636	12,429	51.3%
MANAGEMENT/INCENTIVE FEE	18,102	24,000	20,691	29,450	31,300	13,198	72.9%
TAXES	4,690	2,069	10	2,263	1,465	-3,225	-68.8%
LDRD / PDRD / SDRD	1,415	2,631	4,001	5,104	3,871	2,456	173.6%

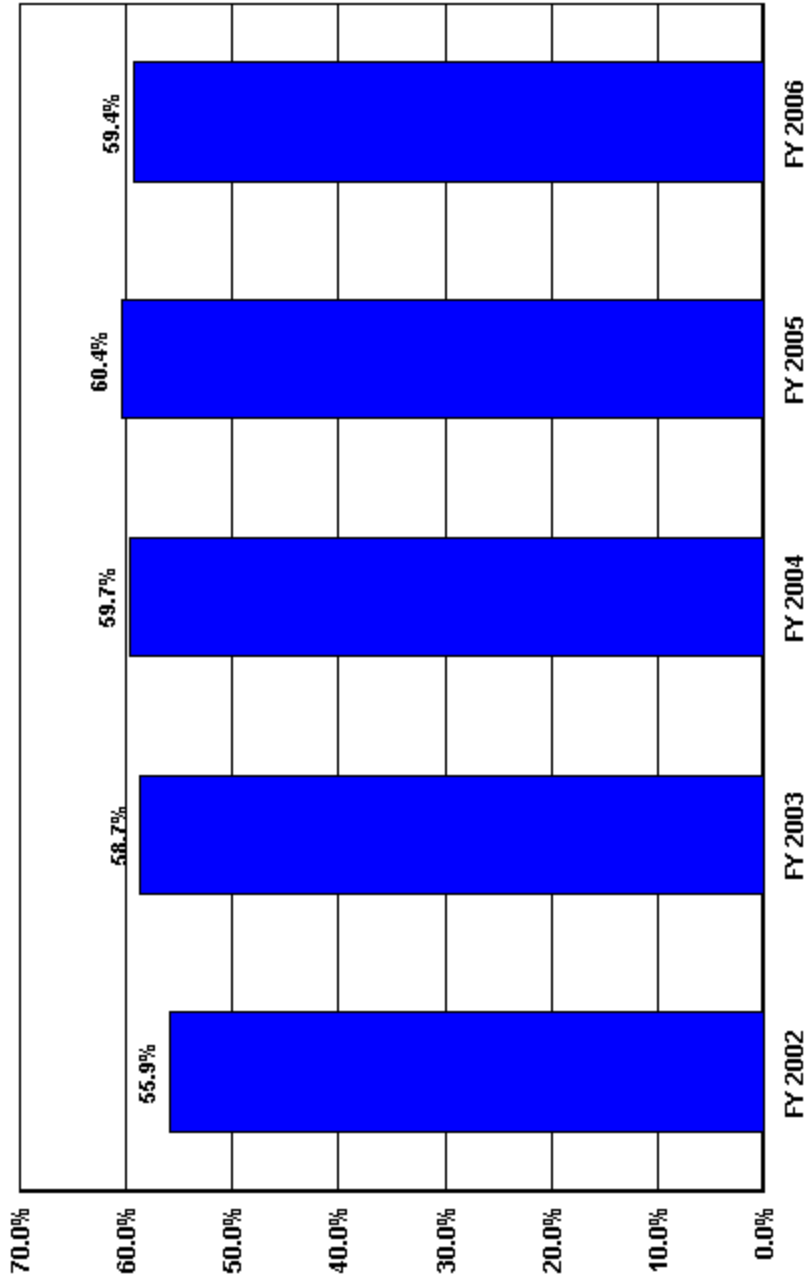
US Department of Energy
 Total Functional Support
 Y-12/BWXT



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	357,497	425,704	441,438	498,083	493,191

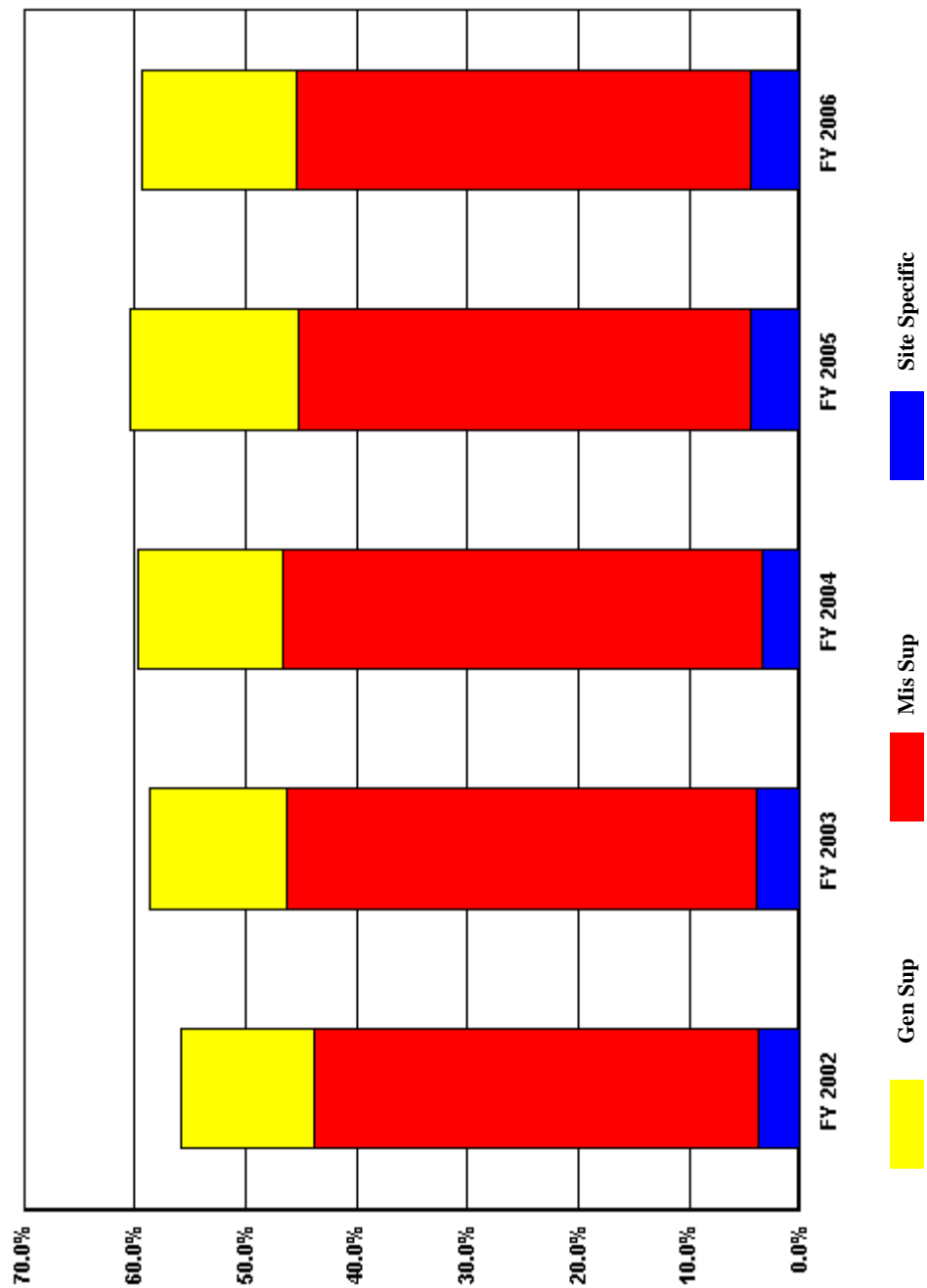
**US Department of Energy
Total Functional Support as a % of Total Costs
Y-12/BWXT**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	55.9%	58.7%	59.7%	60.4%	59.4%

**US Department of Energy
Percent of Support Category to Total Costs
Y-12/BWXT**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	12.0%	12.4%	13.1%	15.2%	14.0%
Mis Sup	40.1%	42.3%	43.2%	40.8%	40.9%
Site Specific	3.8%	4.0%	3.3%	4.5%	4.4%

SITE PROFILE Y-12/BWXT

SITE OVERVIEW AND CHARACTERISTIC

BACKGROUND

The Y-12 National Security Complex performs missions that are vital to the U.S. Department of Energy (DOE) National Nuclear Security Administration (NNSA). These missions are:

- Manufacturing and assessing nuclear weapons secondaries, cases, and other weapons components;
- Safeguarding special nuclear materials; and
- Preventing the proliferation of weapons of mass destruction.

The Y-12 Complex covers approximately 811 acres, nearly 600 acres of which are enclosed by perimeter security fences. Security and emergency management buffer areas exist outside the main site but within the Oak Ridge Reservation. Real property includes approximately 700 buildings and other structures with floor area of approximately 7.6 million square feet.

A BWXT Y-12 workforce of approximately 4,500 people support NNSA related activities and rely upon a diverse infrastructure to perform assigned tasks in support of Y-12 missions. Buildings and facility types include large production, light and heavy laboratory, sophisticated and standard warehousing, and a mix of new and World War II vintage technical and administrative office structures. The majority of the floor space at Y-12 was constructed prior to 1950 as part of the Manhattan Project.

TRENDS

The trend from FY 2005 to FY 2006 shows a slight decrease in the value of functional costs as percent of total costs from 60.4% to 59.4%. If the increase in Safeguards and Security, after accounting for escalation, were eliminated then the value of functional costs as a percent of total cost would have decreased to 58.8%. The following is an analysis of change in support costs from the prior year.

In looking at raw data, the functional cost at the Y-12 plant has increased by approximately \$191.3 million since 2002. After factoring escalation into the equation, the cost increases are primarily driven by external events, evolving requirements and ongoing efforts to provide a modern, recapitalized and efficient operation at Y-12. The more significant of these changes are:

- Fiscal Years 2002 through 2006 have seen significant changes in the area of Safeguards and

SITE PROFILE
Y-12/BWXT

Security. The unfortunate events of September 11, 2001 and the country's response to these events continue to drive Safeguards and Security costs higher than in previous years. Safeguards and Security requirements have taken on a new dimension, increased focus and are consuming greater resources. The Safeguards and Security costs have increased by approximately \$42 million from FY 2002 to FY 2006 or approximately 22% of the total increase.

- Consistent with the NNSA overall goals, efforts are underway at Y-12 to stabilize the deferred maintenance backlog. Increases over the last four years in maintenance and facility management have been consistent with this NNSA and Y-12 deferred maintenance backlog stabilization goal. The increase in maintenance and facility management expenditures have grown by approximately \$30 million or approximately 16% of the total increase.
- The \$10.5 million increase, or approximately 5.6% of the total increases, in Human Resources is primarily associated with the cost incurred to support the disposition of legacy workers compensation claims as well as the actual claim payments.
- In order to provide for efficient management of the Y-12 site operations and a growing capital construction program BWXT Y-12 has created a strong planning and integration function. Over the last four years the capital construction program alone has increased almost fivefold as part of the Y-12 modernization efforts. At the beginning of FY 2002, prior to BWXT Y-12 assuming the operation of the Y-12 complex for the NNSA the Program/Project Planning & Control (PPPC) function was virtually non-existent. The increase in the PPPC function has contributed to the successful revitalization of the Y-12 complex over the last four years. The PPPC functional category has increased by approximately \$9 million, or approximately 5% of the total increase.
- The \$13 million increase in total functional support is related to escalation on the remaining functions not specifically identified in the above narrative.

The Other category in FY 2006 totaled \$10,717K and consisted of:

Accounting Adjustments: (\$677K)

Legacy Worker's Compensation: \$10,404K

Workforce Restructuring Activities: \$834K

Special Items: \$156K

Taxes — Total Sales and Use taxes paid for FY 2006 were \$74.M. These costs are incurred as a part of material costs and are spread across the functional categories as a part of material cost.

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

SITE PROFILE
Y-12/BWXT

EXECUTIVE DIRECTION

The increase is due to a change in Y-12's accounting system. The labor and fringe cost associated with the Productivity and Process Improvement scope of work can now be identified separately whereas it had been buried in different organization cost.

HUMAN RESOURCES

The decrease is due to a change in the support cost definitions. Legacy Worker's Compensation cost has been moved to the general support category "Other".

CFO

The decrease is due to discontinued use of a subcontractor in the Pension Processing Office.

PROCUREMENT

The decrease is due to a reorganization that occurred within the division in FY 2006.

LEGAL

The increase is due to supporting the disposition of legacy worker's compensation claims.

INFORMATION OUTREACH

The increase is due to a change in the support cost definitions. Business Development cost is now included in this category.

INFORMATION SERVICES

The decrease is due to regulatory driven upgrades to the Wide Area Radio System and additional programming support for changes made to Y-12's accounting system that were one time cost incurred in FY 2005.

MAINTENANCE

The decrease is due to losing approximately 100 personnel through attrition.

SAFEGUARDS AND SECURITY

The increase is due to more guards support that is provided by Wackenhut Security.

LOGISTICS SUPPORT

The decrease is due to an adjustment in the inventory account that was for a lesser amount than the adjustment in FY 2005.

LABORATORY/TECHNICAL SUPPORT

The decrease is due to a change in the cost model where the ability to identify some support personnel that were assigned to this category in FY 2005 has been lost.

**SITE PROFILE
Y-12/BWXT**

MANAGEMENT/INCENTIVE FEE

The increase in fee is directly proportionate to the increase in total cost.

TAXES

The decrease is due to a credit that was posted in FY 2006 for too much tax that Y-12 had paid in prior years.

LDRD / PDRD / SDRD

The decrease is due to some one time subcontract cost that was incurred in FY 2005.

CAPITAL CONSTRUCTION

The change in Capital construction is not related to any one project. It is primarily associated with the ebb and flow of capital needs at Y-12 and the project life of line items. Small projects (GPP & CE) are down from FY 2005 but offset by increases in line item projects.

COST SAVINGS INITIATIVES

(\$ in 000's)

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
Machine Productivity Improvement - Reduce Rejects	47	A Six Sigma Black Belt Project was executed to establish recommended improvements to reduce a machine shop reject rate from thirty percent to nine percent. Key improvements for reduction included: Developing a schedule that permits optimal batching, using first part courtesy inspections for all batched parts and between machining steps for parts with historically high reject rates, evaluate and establish corrective actions on all rejected parts, and develop a guideline of roles and responsibilities for personnel working in or interfacing with the machine shop.	Bill Hudson

**SITE PROFILE
Y-12/BWXT**

Machine Productivity Improvement-Incr Production	290	A Six Sigma Black Belt Project was executed to establish recommended improvements to increase production to a rate to meet established production requirements for FY 2007. Key improvements identified were: Perform machining in batches to reduce set-up, perform first and second machining on the same pair of machines within a glove box to reduce material handling time, develop a two-week rolling production schedule which includes courtesy inspections, and integrate maintenance into production schedules.	Bill Hudson
Assembly Throughput Project	7	A Six Sigma Black Belt Project was executed to establish recommended improvements to increase the production output for the Assembly process. Improvements being implemented include: 1) training of supervisors to enhance work planning, 2) cross-utilization of assembly workers, 3) pre-staging of materials to perform work, 4) attaining clarification from the DA on performance of operations with equipment outages, development of model work package(s), 5) ordering of critical spare parts, 6) enhanced utilization of Production Support Specialists, 7) installation of an additional hose to permit parallel processing, and 8) improved preventive maintenance.	Bill Hudson
Construction Direct Hire Process Improvement	268	A Six Sigma Black Belt Project was executed to establish recommended improvements to reduce the time required to authorize start work for construction direct hire to improve the ability of the construction organization to meet critical deadlines. The process was modified to clearly define roles and responsibilities for Construction and Human Resources personnel, a reduction in the number of pre-employment trips required to the site, and an improved performance of pre-employment processing activities.	Bill Hudson

**SITE PROFILE
Y-12/BWXT**

Material Surveillance Improvements for 9720-5	230	A Six Sigma Black Belt Project was executed to establish recommended improvements to efficiently implement measures to meet material surveillance requirements for the evaluated areas. Initial improvements included a review of each area/task to determine what immediate actions were appropriate, would be in accordance with the requirements, and to document the recommended changes for incorporation into the security plan for the area. Additional improvements included identifying new technologies that could further reduce the personnel resources required for material surveillance.	Bill Hudson
Material Surveillance Improvements for EUMP	1,467	A Six Sigma Black Belt Project was executed to establish recommended improvements to efficiently implement measures to meet material surveillance requirements for the evaluated areas. Initial improvements included a review of each area/task to determine what immediate actions were appropriate, would be in accordance with the requirements, and to document the recommended changes for incorporation into the security plan for the area. Additional improvements included identifying new technologies that could further reduce the personnel resources required for material surveillance.	Bill Hudson
Improve Field Calibration Process	485	A Six Sigma Black Belt Project was executed to establish recommended improvements to reduce craft time to perform field instrument and equipment calibration by 35%. Improvements identified by the team included: 1) size crews to task 2) implement improvements to eliminate or reduce non-value effort on data collection, entry, and task planning; 3) improve interface with site Work Control Center scheduling; and 4) improve the work authorization process for timely and accurate charging.	Bill Hudson

**SITE PROFILE
Y-12/BWXT**

Reduce Tool Fabrication Shop Defect Rate	69	A Six Sigma Black Belt Project was executed to establish recommended improvements to reduce the shop's first submission reject rate for fabrication of tooling parts by 50%. Improvements identified by the PIP team included: 1) ensure preventive maintenance checks on machines with specific production targets; 2) leverage clocking of material/machinist/machine for process feedback, and accountability; 3) review and recommend design tolerance levels as "Fit for Intended Use"; 4) review and recommend material selection for improved manufacturability; and 5) improve practices for both in-shop gauging and final inspections of tooling.	Bill Hudson
Tooling Design Process Improvement Project	139	A Six Sigma Black Belt Project was executed to establish recommended improvements to reduce the percentage of late tooling design packages from 57% to 26%. Key improvements identified by the team include: 1) reduce approvals to those required by procedure 2) improve schedule response to packages placed on hold, 3) implement specified approval cycle times, 4) implement training for new design engineers on the design software, 5) revise program schedules when milestone dates change, and 6) implement TSO training for process engineers involved in tooling.	Bill Hudson
Improved Truck Moves Scheduling	120	A Six Sigma Black Belt Project was executed to establish recommended improvements to reduce the percentage of scheduled truck moves missed from 38% to 10%. Key improvements are: 1) require supervisors to attend daily material moves meetings, 2) advise drivers of acceptable wait/delay periods for each pickup, 3) establish specific points of contact for move information, 4) require supervisors to ensure appropriate and adequate numbers of employees are available to prepare and execute scheduled moves, and 5) contact the sending and receiving areas one hour before a move.	Bill Hudson

**SITE PROFILE
Y-12/BWXT**

Reduction of Cost Transfers	152	A Six Sigma Black Belt Project was executed to establish recommended improvements to reduce unanticipated cost transfers by a minimum of 67%. Improvements identified by the project team were: 1) elimination of repetitive business practice cost transfers, 2) completion of all APlus corrections through the APlus System, 3) communication of appropriate task scope and cost objects to authorize personnel and organizations, and 4) program identification of personnel and organizations authorized to use specified cost objects in electronic systems.	Bill Hudson
Reduction of APlus Corrections PIP	139	A Six Sigma Black Belt Project was executed to establish recommended improvements to reduce the number of APlus corrections by 50% from the FY 2005 baseline. Key improvements recommended by the PIP Team are: 1) communication of appropriate work scope and cost objects to authorize personnel and organizations; 2) enhance employee and supervisor awareness of APlus procedures; 3) limiting access to cost objects; and 4) removing the Controller and inserting the appropriate project, program, or organizational manager into the correction approval process.	Bill Hudson
Storage Tracking & Material Movement Proj Support	247	A Six Sigma Black Belt Project was executed to establish recommended improvements to address a facility-wide issue identified by the customer and to respond to a corrective action plan developed by senior management. The focus of this PIP was to reduce errors of inventory of safety basis materials of concern using a phase approach and to reduce occurrence of a specific type of violation by 75%. Improvements included single point of contact for all SBMOC for each area as well as specific process changes for delivery and receipt of materials and/or purchases.	Bill Hudson

**SITE PROFILE
Y-12/BWXT**

Integrated ISM and ISSM	120	A Six Sigma Black Belt Project was executed to integrate Safety Management and Safeguards and Security Management (SSM) into a single Integrated Management (IM) system. The approach will result in a reduced risk to personnel, an efficient and formalized approach to developing and managing security plans, and a defined approach for complete safety basis management.	Bill Hudson
Reduction of Administrative Procedure Review Time	234	A Six Sigma Back Belt Project was executed to establish recommended improvements for reducing administrative procedure review cycle time by 25%. Establishing consistent and enforcing response requirements and administrative responsibilities as well as managing of comment value by the procedure coordinator were identified as the most significant improvements to the process.	Bill Hudson
Waste Reduction by Analytical Chemistry at UVF	112	A Six Sigma Black Belt Project was executed to establish recommended improvements to reduce by 50% the amount of waste being generated and shipped from the one site to another. Improvements to the process was made by utilizing existing facilities and available personnel at the generating facility and have them performed the needed analysis, thus, eliminating transport and associated administrative activities.	Bill Hudson
Dispatch Work for Balance of Plant	452	A Six Sigma Black Belt Project was executed to design a new work planning process that would reduce job planning time by approximately 85%. The new process implemented a priority and categorization process that ensure more accurate and complete information on work orders as well as ensuring availability of required materials.	Bill Hudson

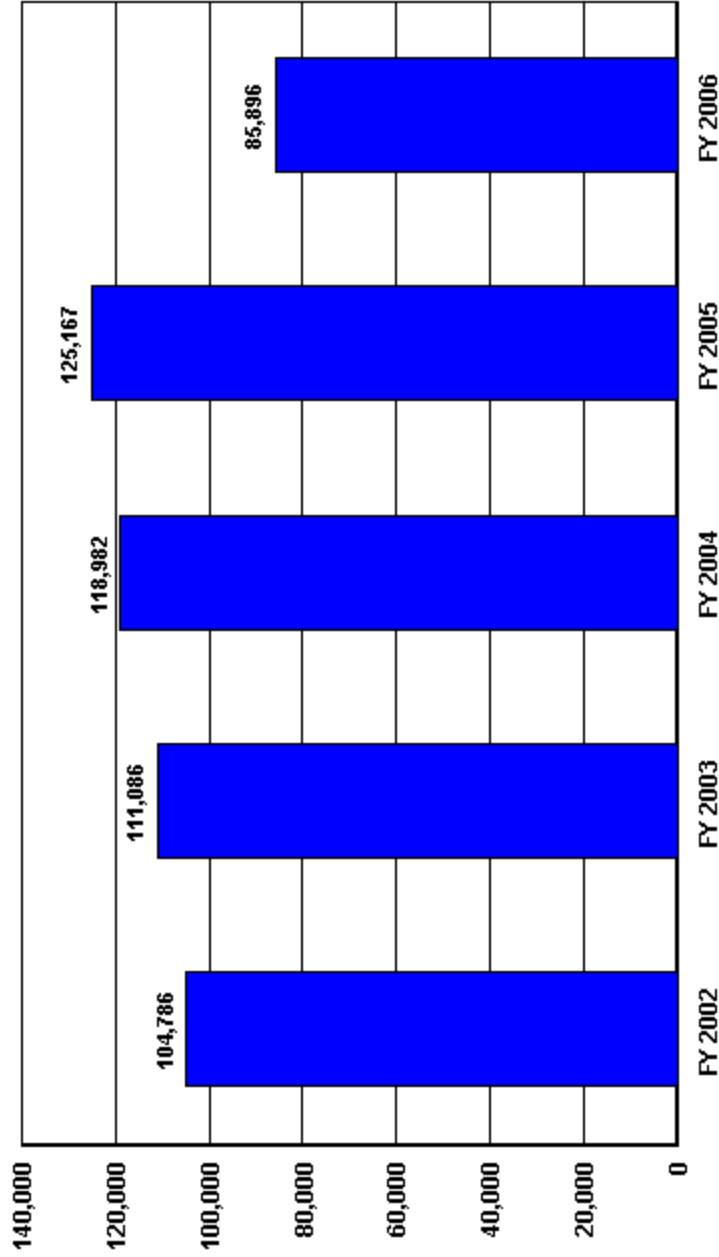
**SITE PROFILE
Y-12/BWXT**

Material Management Productivity Improvement	214	A Six Sigma Black Belt Project was executed to establish recommended improvements for increasing productivity time by Material Management personnel by approximately 25%. Improvement process focused on changes to issues response processes, simplifying related procedures, and streamlining of work start processes.	Bill Hudson
Material Management Defect Reduction	345	A Six Sigma Black Belt Project was executed to establish recommended improvements reducing the number of defects in Material Management by approximately 65%. Improvements were made by modifying the clocking systems, simplifying related procedures, consolidating of materials, and continuing performance feedback to affected areas.	Bill Hudson
Improved Stores Delivery Process	225	A Six Sigma Black Belt Project was executed to establish recommended improvements for Material Deliveries to the Y-12 site and to reduce the backlog of received equipment on hand. Changes to the loading configuration, size of load, routes, inspection requirements, and personnel assignment has reduced the amount of overtime of Materials Personnel by approximately 75%.	Bill Hudson

Trends in Total Support Cost by Functional Categories
Yucca Mountain/Bechtel-SAIC (\$000)
FY 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	\$ Change 2002 To FY 2006	% Change 2002 To FY 2006
Total Costs	220,588	238,599	283,928	266,446	255,572	34,984	15.9%
Capital Construction	2,800	2,015	2,022	162	2,365	-435	-15.5%
Total Costs Less Construction	217,788	236,584	281,906	266,284	253,207	35,419	16.3%
Total Support Costs	104,786	111,086	118,982	125,167	85,896	-18,890	-18.0%
Mission Direct Operation	113,002	125,498	162,924	141,117	167,311	54,309	48.1%
Mission Direct Operation as % of Total Cost	51.2%	52.6%	57.4%	53.0%	65.5%		
Capital Construction as % of Total Cost	1.3%	0.8%	0.7%	0.1%	0.9%		
Total Support Cost as % of Total Cost	47.5%	46.6%	41.9%	47.0%	33.6%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
TOTAL SUPPORT COST as % of TOTAL COST	47.5%	46.6%	41.9%	47.0%	33.6%		
TOTAL SUPPORT COST	104,786	111,086	118,982	125,167	85,896	-18,890	-18.0%
TOTAL GENERAL SUPPORT as % of TOTAL	22.9%	25.3%	22.3%	22.7%	21.7%		
TOTAL GENERAL SUPPORT	50,581	60,271	63,290	60,550	55,547	4,966	9.8%
EXECUTIVE DIRECTION	2,963	5,241	7,069	7,000	5,174	2,211	74.6%
HUMAN RESOURCES	5,105	6,549	5,784	5,374	4,691	-414	-8.1%
CFO	3,619	3,102	3,138	2,895	2,689	-930	-25.7%
PROCUREMENT	2,515	2,715	2,789	2,698	2,856	341	13.6%
LEGAL	248	361	1,592	6,411	5,875	5,627	2,269.0%
CENTRAL ADMIN SERVICES	11,866	10,859	12,445	9,926	8,272	-3,594	-30.3%
PROGRAM/PROJECT CONTROL	6,016	5,741	5,284	3,986	3,406	-2,610	-43.4%
INFORMATION OUTREACH	3,788	2,442	3,586	3,178	2,403	-1,385	-36.6%
INFORMATION SERVICES	14,841	21,146	20,651	16,738	18,056	3,215	21.7%
OTHER	-380	2,115	952	2,344	2,125	2,505	659.2%
TOTAL MISSION SUPPORT as % of TOTAL	13.0%	14.6%	13.5%	14.7%	12.8%		
TOTAL MISSION SUPPORT	28,642	34,894	38,444	39,267	32,587	3,945	13.8%
ENVIRONMENTAL	4,769	3,697	3,900	3,312	3,472	-1,297	-27.2%
SAFETY AND HEALTH	2,160	4,387	4,903	5,310	6,536	4,376	202.6%
FACILITIES MANAGEMENT	9,250	9,822	11,456	9,333	8,291	-959	-10.4%
MAINTENANCE	2,353	5,393	5,281	6,729	7	-2,346	-99.7%
UTILITIES	407	399	690	697	1,476	1,069	262.7%
SAFEGUARDS AND SECURITY	689	1,375	694	2,172	2,099	1,410	204.6%
LOGISTICS SUPPORT	2,525	1,991	2,210	2,803	3,128	603	23.9%
QUALITY ASSURANCE	6,489	7,830	9,310	8,911	7,562	1,073	16.5%
LABORATORY/TECHNICAL SUPPORT	0	0	0	0	16	16	100.0%
TOTAL SITE SPECIFIC as % of TOTAL	11.6%	6.7%	6.1%	9.5%	-0.9%		
TOTAL SITE SPECIFIC	25,563	15,921	17,248	25,350	-2,238	-27,801	-108.8%
MANAGEMENT/INCENTIVE FEE	25,381	15,681	17,102	25,248	-2,327	-27,708	-109.2%
TAXES	182	240	146	102	89	-93	-51.1%
LDRD / PDRD / SDRD	0	0	0	0	0	0	0.0%

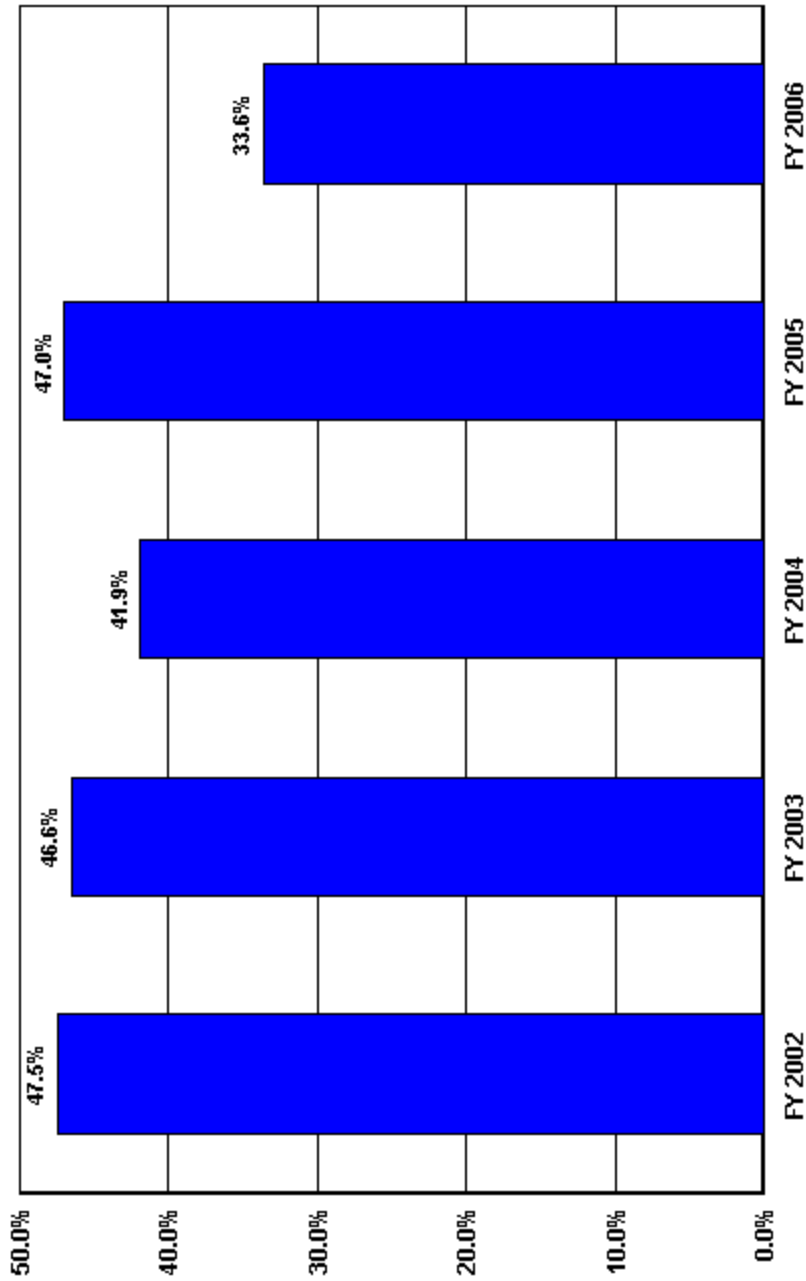
US Department of Energy
 Total Functional Support
 Yucca Mountain/Bechtel-SAIC



Total Functional Support (\$ in 000's)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	104,786	111,086	118,982	125,167	85,896

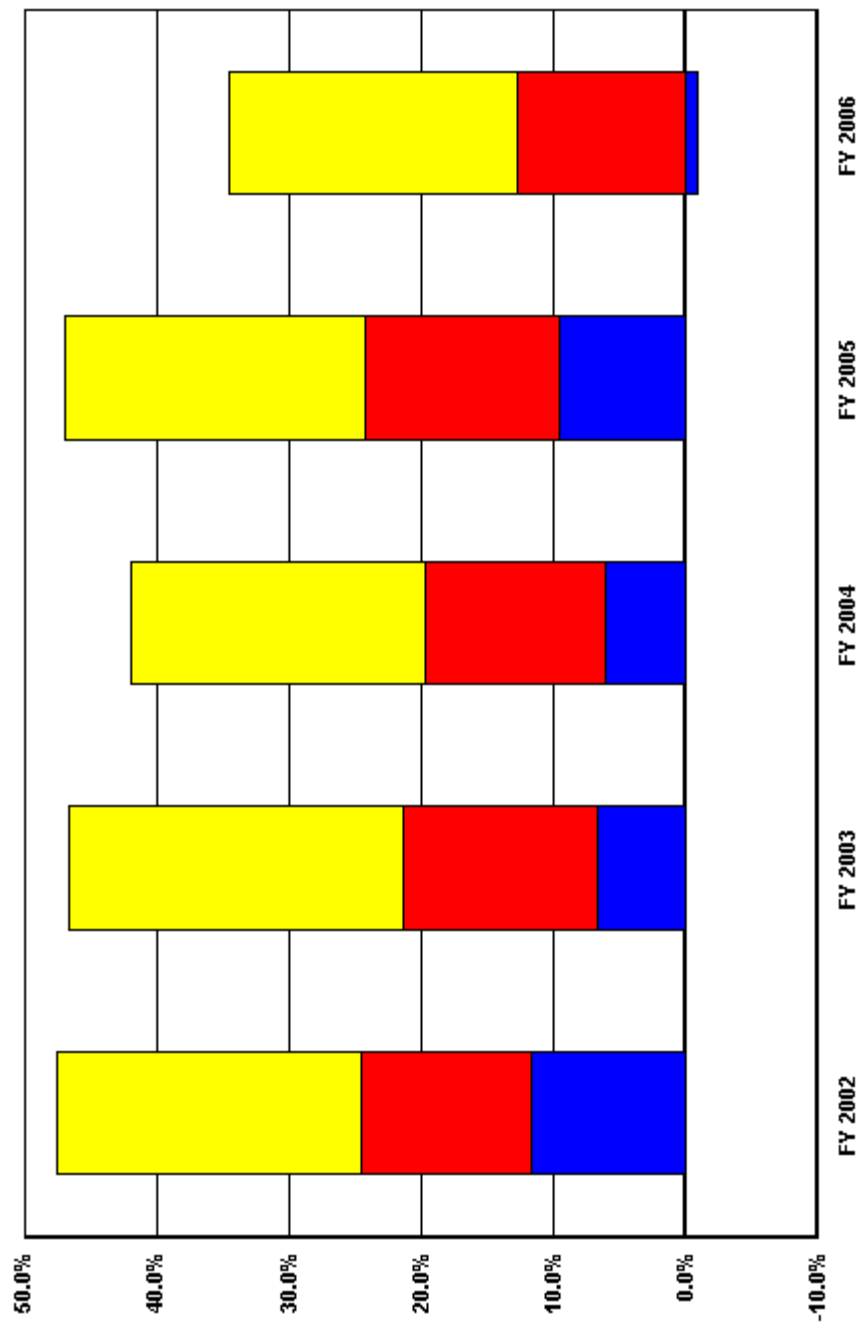
**US Department of Energy
Total Functional Support as a % of Total Costs
Yucca Mountain/Bechtel-SAIC**



■ Total Functional Support

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Functional Support	47.5%	46.6%	41.9%	47.0%	33.6%

**US Department of Energy
Percent of Support Category to Total Costs
Yucca Mountain/Bechtel-SAIC**



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gen Sup	22.9%	25.3%	22.3%	22.7%	21.7%
Mis Sup	13.0%	14.6%	13.5%	14.7%	12.8%
Site Specific	11.6%	6.7%	6.1%	9.5%	-0.9%

SITE PROFILE
Yucca Mountain/Bechtel-SAIC

SITE OVERVIEW AND CHARACTERISTIC

Site and Current Status

In 2002, the Department of Energy (DOE) received congressional and presidential approval to seek a license from the Nuclear Regulatory Commission (NRC) for the proposed Yucca Mountain repository for spent nuclear fuel and high-level radioactive waste. The agency within DOE responsible for siting, designing, operating, monitoring, and closing the repository, if licensed, is the Office of Civilian Radioactive Waste Management (OCRWM). Since February 12, 2001, the management and operating contractor for OCRWM has been Bechtel SAIC Company, LLC (BSC). During FY 2003, FY2004, FY2005, and FY2006, OCRWM and BSC have focused on repository design and licensing activities.

On July 26, 2004, BSC submitted a draft License Application for DOE acceptance review. The draft comprised nearly 5,000 pages of scientific and technical information collected over a period of years. This document is a consolidation of the enormous and high-quality scientific efforts of the program, which has been translated into the safety basis of the geologic repository. Refinements to the draft License Application are continuing as necessitated by several factors, including a significant court ruling and a major redesign of the repository's surface facilities and processes.

The draft License Application did not address the D.C. Circuit Court of Appeals July 9, 2004, decision regarding the U.S. Environmental Protection Agency (EPA) standard. The Court vacated the 10,000-year compliance period portion of the EPA standard because it found that period not to be based upon and consistent with the findings and recommendation of the National Academy of Sciences. Consequently, the EPA is revising the Yucca Mountain standard to extend the compliance period to cover the time of peak dose, the point in the future when the most exposed individual would be at the highest risk from radiation from waste disposed of at Yucca Mountain. The proposed standards retain the protections for the first 10,000 years and add new protections out to 1 million years. EPA's proposed changes were issued in the Federal Register on August 22, 2005 (70 FR 49014). EPA accepted public comments on the approach until November 21, 2005, and is now considering the comments in developing the final revised standards. EPA has announced the likelihood that it will issue the standards before the end of calendar year 2006.

DOE is reviewing potential changes to its licensing case based on the draft language in the EPA standards and will make the necessary adjustments once the standard is finalized. DOE has put a temporary hold on finalizing its license application until the changes to the design, finalization of the EPA standard, and other issues are addressed.

SITE PROFILE

Yucca Mountain/Bechtel-SAIC

On October 25, 2005, DOE announced its plan to operate the repository with a primarily canisterized approach to the disposal of spent nuclear fuel. The change in direction in required significant design changes such that spent nuclear fuel would be sent to the repository in a standardized canister that would not require repetitive handling of fuel prior to disposal. As a result of this change in direction, the Department directed BSC to stop work associated with activities that support primarily bare fuel handling at the repository, other than that required for limited bare fuel and off-normal operations. BSC was directed, instead, to develop a revised critical decision package that would reflect the new design direction. On March 17, 2006, BSC delivered to DOE the revised CD-1 package reflecting the new design. In July 2006, DOE officially approved the revised CD-1 approach, which significantly simplifies the surface facilities for the repository.

In another major change, on January 18, 2006, the Department announced the designation of Sandia National Laboratories as its lead laboratory to integrate post closure scientific work for the Yucca Mountain Project. This announcement triggered a major transition of work scope from BSC and its subcontractors to Sandia and various subcontractors. The transition was a very complex undertaking involving many employees from various BSC departments, as well as DOE and Sandia personnel. A transition-issues database was developed and a change management plan was implemented. The transition team met almost daily from May through September and completed the transition as directed by the end of FY2006.

For more than 20 years, scientists have extensively studied Yucca Mountain's geology, hydrology, geochemistry, biota, and climate. Scientists and engineers have mapped geologic structures, including rock units, faults, fractures, and volcanic features; excavated more than 200 pits and trenches to remove rocks and other material for direct observation; drilled more than 450 boreholes; collected over 75,000 feet of core, and some 18,000 geologic and hydrologic samples; constructed six and one-half miles of tunnels to provide direct access for studying the rock that would house the repository; conducted the largest known test in history to simulate and analyze above-ambient thermal effects on rock, heating some million cubic feet of rock above the boiling point of water; tested mechanical, chemical, and hydrologic properties of rock samples; and analyzed over 13,000 engineered material samples to determine their corrosion resistance in a variety of environments.

Confirmatory scientific studies continue at Yucca Mountain. Internationally recognized experts in the fields of volcanology, geophysics, and geochemistry are evaluating the likelihood of future volcanic activity in the area. Data gathered through aeromagnetic surveying, drilling, and geochemical analyses are being analyzed to reassess the probability of a volcanic event occurring at Yucca Mountain. The analysis of data from the aeromagnetic surveying and the additional drilling continues. In addition, in 2006 the eight-years-in-duration Drift Scale Test reached a milestone with the opening of the drift and the start of analysis on the data gathered from this largest known rock-heating test in history.

SITE PROFILE

Yucca Mountain/Bechtel-SAIC

Located about 100 miles northwest of Las Vegas, Yucca Mountain sits on land owned or controlled by three federal agencies: a corner of DOE's Nevada Test Site, some Bureau of Land Management acreage, and a small portion of the Air Force's Nevada Test and Training Range. The mountain comprises layers of volcanic tuff, rock created by volcanic ash, melted or compressed together, after major eruptions from a now-defunct volcano that was active about 12 to 15 million years ago.

In the current climate, Yucca Mountain averages about 7.5 inches of precipitation per year. Partly as a result, the water table is extremely deep. The proposed repository would be located in unsaturated rock about 1,000 feet beneath the mountain's surface and about 1,000 feet above the water table.

The Nuclear Waste Policy Act, as amended, provides that consumers who use nuclear power pay for the disposal of commercial spent nuclear fuel. For this purpose, the federal government collects a fee of one mill (one-tenth of a cent) per kilowatt-hour of nuclear-generated electricity. This money goes into the Nuclear Waste Fund to pay for geologic disposal of the commercial spent nuclear fuel. In addition, the federal government will use general tax revenues for the co-disposal of high-level radioactive waste generated by Department of Defense programs.

Additional information about OCRWM and its offices, including those associated with the Yucca Mountain Project, can be found on the OCRWM Web site: ocrwm.doe.gov

Major Cost Drivers that May Cause Our Costs to Appear Out of Line with Similar Sites

In 1987, Congress amended the Nuclear Waste Policy Act and directed DOE to study only Yucca Mountain. As a result, Yucca Mountain's activities are unique within the Department's complex. Moreover, annual funding for the Yucca Mountain Project has historically been unpredictable, which has impacted schedules and milestones. The OCRWM and ORD managers frequently have had to change focus and shift gears to respond to the limitations imposed by ongoing funding constraints. For example, as a result of funding reductions, a RIF was implemented in FY 2005 which reduced the work force by approximately 450 employees, and a lesser reduction in force followed in FY06.

BSC Performance Improvement Initiatives

FY 2006 Six Sigma project improvement projects (PIPs) resulted in reduced support costs for fiscal year 2006. The savings are estimated and will be validated in FY2007, when the impact of process changes can be fully ascertained.

Other

SITE PROFILE
Yucca Mountain/Bechtel-SAIC

Details of costs included in the FY 2006 Other category (\$5,744 in Total) are as follows:

Severance Pay (\$1,772K)

Executive Direction-All Hands Meetings (\$365K)

Prior Year Subcontractor Closeout Cost (\$3,607K)

DISCUSSION OF MAJOR TRENDS AND CHANGES FROM PRIOR YEAR TRENDS

EXECUTIVE DIRECTION

The decrease in Executive Direction is due to budget reductions in Six Sigma, Reclassification of Requirement Management program out of Management Systems Integration to Legal, and staffing reductions in General Management.

INFORMATION OUTREACH

The decrease in Information/Outreach Activities comes from a RIF that affected support activities such as site tours, educational programs, and public exhibits.

SAFETY AND HEALTH

The increase in the Safety and Health category reflects increased oversight and compliance activities in support of site safety upgrades.

MAINTENANCE

The decrease in Maintenance is due to shift from Mission Support to Mission Direct for those Site activities.

MANAGEMENT/INCENTIVE FEE

The decrease in Management/Award/Incentive Fee is based on a renegotiated contract and change in fee structure. The negative amount is due to an adjustment made to the fee accrual from a prior year.

CAPITAL CONSTRUCTION

The increase in Capital/Construction is due to increased oversight and compliance activities in support of site safety upgrades

COST SAVINGS INITIATIVES

(\$ in 000's)

SITE PROFILE
Yucca Mountain/Bechtel-SAIC

INITIATIVE TITLE	AMOUNT SAVED PER YEAR (\$ in 000's)	DESCRIPTION OF EFFORT	POINT OF CONTACT
Training Requirements - Construction Subcontracts	0	The main improvement that was implemented was to revise the blanket 40 hour plus badging and site orientation requirement and direct the subcontractor documents preparer to use the decision tree developed by this PIP team to establish training requirements for subcontractor personnel. This will ensure that the estimated training hours is closer to the actual training hours for subcontractor personnel. The improvement also to be implemented includes the development of a data collection sheet to be developed by the PIP team to help the training department track the actual subcontractor training hours to further narrow the required training hours.	
RPM Engineering Hiring	0	To maintain an aggressive project schedule the engineering staffing needed to increase significantly in 2006. To reduce the cost of utilizing staff augmentation in lieu of direct hire, the hiring cycle time needed to be reduced. This improvement initiative reduced cycle time in hiring engineering staff resulting in cost avoidance of higher priced off-site resources.	

U.S. DEPARTMENT OF ENERGY

APPENDIX A - DEFINITIONS

* **Signifies the definition has been revised since the FY 2005 report.**

A. General Terms

1. ***Capital/construction** - Prime capital and construction cost related to Line Items, Capital Equipment and General Plant Projects. This includes the cost of Institutional General Plant Projects and Capital Equipment that are paid for with indirect funds. All identifiable support cost should be included in the appropriate general support, mission support or site specific categories.
2. ***Functional Support Cost**: The Department's major sites are funded from multiple appropriations and programs. These appropriations and programs represent the Department's missions as defined by Congress. There are many activities necessary that provide support to carry out these core missions. The cost of these activities is assigned to programs either directly or indirectly. Once charged or assigned they are usually absorbed into the cost of the mission activity and are not uniquely identified in the financial systems. Functional Support cost is intended to capture these costs at their point of origin, prior to any distributions, and provide visibility for management.

For reported Functional Support Cost purposes the Department has defined the following categories and subcategories:

- General Support: Executive Direction, Human Resources, CFO, Procurement, Legal, Central Administrative Services, Program/Project Planning & Control, Information Outreach, Information Services and Other.
- Mission Support: Environmental, Safety and Health; Facilities Management; Maintenance; Utilities; Safeguards and Security; Logistic Support; Quality Assurance; and Laboratory/Technical Support.
- Site-Specific: Management/Award Fee/Incentive Fee, Taxes and LDRD/PDRD/SDRD.

Functional support cost attributes:

- Determined in accordance with these definitions.
- Determined without regard to funding source.
- Determined without regard to Cost Accounting Standards (CAS) classification of indirect or direct. May be defined as indirect or direct in CAS Disclosure Statement.

U.S. DEPARTMENT OF ENERGY

- Determined prior to overhead distributions so costs are prime (direct labor, direct material and other direct costs).
 - Costs are usually assigned to more than one program.
 - Represent activities necessary to complete mission, but are not mission activities.
 - Crosscuts costs by programmatic budget reporting classification as recorded in DOE financial systems. Functional Support cost and Mission Direct cost together at each site should equal the contractor's total cost. However, there are some sites that combine two contractors' costs into one report (such as the inclusion of a security contract), or sites where DOE pays the security costs but has the prime contractor included it in their functional cost report. In these cases the reported costs will be higher. All Functional Support and Mission Direct costs together should equal the total DOE contractor cost with those exceptions.
 - Includes the cost of work performed for and charged to other DOE sites. In other words, the performing site includes the cost of doing the work for other DOE sites in their functional cost report. The site having the work done does not include the cost.
3. **General Support**: Represents cost categories which would exist regardless of the specific mission.
 4. ***Mission Direct**: For purposes of reporting, Mission Direct cost is all the costs that do not meet any of the "support" definitions provided in this guidance. These are generally prime costs (direct labor, direct material and other direct costs) incurred to directly accomplish the Department's mission. These represent activities that may be funded directly or indirectly.
 5. **Mission Support**: Represents support cost categories that exist solely due to the unique mission being accomplished.
 6. **Site Specific**: Represents cost categories not defined as general support, mission support or construction.
 7. ***Support Cost By Functional Activity (SCFA) System**: This system is used to collect and report Functional Support Cost. The web address for the SCFA is <https://scfa.doe.gov>. Your computer or workstation must have access through DOE-Net, the DOE Firewall. A user can request a password and user-ID at the web site.
 8. **Total Cost**: Includes Mission Direct, Construction and Functional Support Costs and is equal to total program costs.

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B. All 22 Support Cost Categories

General Support

1. **Executive Direction** - Includes costs normally associated with the executive level of management. Examples of activities in this account may be the Laboratory Director, President and other top level management and immediate staff (Secretary, Special Assistants, etc.), Science Advisors and Deputy Directors, Vice Presidents, etc. This category also includes Total Quality Management (TQM) type activities, such as the development and administration of Total Quality Improvement Plans, cost savings and reengineering programs administration, etc.; and institutional/strategic planning, including development and control, and any site specific development. All other management/supervisor activities, including related incidental costs, should be reported in the appropriate support/mission category.
2. **Human Resources** - Includes costs associated with recruiting, wage and salary administration, equal employment opportunity and diversity activities, benefits administration, employee concerns programs, central training development services (job specific training development curriculum should be included in the specific category to which it applies), industrial relations, personnel records, employee claims, adjudications, grievances, arbitration, educational programs providing for undergraduate and graduate course work and other personnel services.
3. **Chief Financial Officer** - Includes costs associated with activities of a financial nature, such as general accounting, payroll, travel accounting, funds control, cost accounting, financial systems management and non-project/program specific budget coordination and control, such as indirects and internal audit.
4. **Procurement** - Includes costs associated with activities related to make/buy decisions, contracting, purchasing, contract administration (including prime) and acquisition of resources to conduct activities, as well as to conduct audit and cost/price analysis activities.
5. **Legal** - Includes costs associated with legal counsel support and litigation support. Includes outside legal support and ethics functions.
6. ***Central Administrative Services** – Includes costs associated with travel reservation support, food service, printing and graphic support services including cost-per-copy contracts (convenience copiers), records management, and all library-related activities. Also includes clerical support pool costs, but does not include the cost of secretarial and clerical positions that are permanent in nature and directly support another category or mission direct. These should be included in the respective category (or mission direct) they support, even if they are considered in a secretarial or clerical pool.

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7. ***Program/Project Planning & Control** - Includes cost associated with support and execution of program/project budgeting, funding requests, baseline control and preparation (including planning, scheduling, coordination, change control, cost estimating, and program specific reporting and analysis). Also includes master scheduling, project management system administration, and baseline pricing and validation efforts. This category does not include actual program/project management functions. This type of cost should be reported in the specific mission or support categories it is related to.
8. ***Information/Outreach Activities** - Cost associated with media communication, public relations, technology transfer, business development, technical information management, educational programs, employee outreach program, stakeholder-related outreach, activities contributing to the development of the local/regional economy, and other information or outreach activities such as HBCU (Historically Black Colleges and Universities) and other University-related activities, including stakeholder agencies and Washington, D.C., liaison activities. This category includes:
- Information Outreach Activities:**
- Public Relations/Information** – includes all cost associated with activities which provide non-technical information about the M&O Contractor and its activities to the general public, news media, etc.
- Technology Transfer/Business Development** – Includes all cost associated with activities that encourage the further development of promising technologies; disseminate information to appropriate researchers, organizations, industry, governmental bodies and other institutions; and other activities that assist in affecting the introduction of technologies into the marketplace.
- Technical Information Management** – Includes all cost associated with activities to develop and make available technical information.
- Employee Outreach Programs** – Includes all cost associated with activities by employees utilizing their technical expertise for the benefit of external stakeholders.
- Other Information Outreach Activities** – Includes all cost associated with other outreach activities that are not defined above.
- Stakeholder-Related Outreach** – Community relations and education programs to promote enhanced understanding of the site by local and State stakeholders.
9. **Information Services** - Costs associated with Automated Data Processing (ADP) services (central computer facilities and service organizations including business and scientific), communications (mail, both electronic and hard copy including postage, subcontracted delivery services, etc.), networking (groups of computers that communicate with each other, share peripherals and access remote hosts or other networks) and telecommunications services (communication by electronic submission of impulses over telephone/optic lines including cell phones). Includes pagers and related systems, but not the maintenance of these systems. Also includes computer

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leases. Does not include computer bill-out rates in any other functional category. This category includes systems analysts/programmers; however, specific systems management and administrative costs for various business and scientific systems should be included in their respective functional categories. (Note: Dedicated scientific activities, experiments, analysis, etc., should be included in the appropriate category. Also computer hardware maintenance activities are to be reported within the maintenance category.)

10. ***Other** - Cost which is not identified in another functional cost category. This includes legal settlements (excluding attorney fees), workforce restructuring activities (severance, benefits and outplacement services), general company liability insurance expenditures, contractor transition cost and legacy workers' compensation cost. Specifically identify significant cost activities and provide footnotes.

Mission Support

11. ***Environmental** - (Note: only the "Permitting" section of this definition changed.) Includes costs associated with the development, implementation and maintenance of effluent controls, environmental monitoring and surveillance, permitting, auditing and evaluation to assure environmental compliance and pollution prevention. These activities, performed on a routine basis, are necessary to maintain compliance with Federal, State and local regulations, as well as applicable DOE Orders and directives. This category does not include actual waste storage or cleanup activities. The category includes:

Effluent and Environmental Monitoring and Surveillance - Monitoring activities include data base monitoring as required by DOE directive or compliance monitoring as required by the environmental regulatory authorities, such as air and water monitoring. (Note: Actual sample analysis should be included in Laboratory Support or Other Technical Support Activities.)

Permitting - Includes activities involved in the preparation, certification and maintenance of environmental permits and permit applications. Also includes those activities involved in reporting the results of environmental monitoring, analysis and evaluation. These activities are necessary to obtain permits from regulatory agencies regarding plant releases, discharges and/or material storage. (Note: Environmental Impact Statement costs and related activities are to be included in the appropriate category they support.)

Auditing and Evaluation - These audits are done as a routine mechanism to ensure environmental compliance with internal and external directives, including the National Environmental Policy Act (NEPA). Encompasses costs associated with implementation of the Environmental, Safety and Health Compliance Assessment activities (such as related "Tiger Team" activities). Also includes the development of performance objectives and environmental auditing procedures.

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Non-Environmental Management Waste Management - The Non-EM Waste Management functional area includes those activities addressing the treatment, storage and disposal of wastes. Activities include characterization and certification of waste to ensure its proper treatment or disposal; waste handling and temporary storage activities, such as operation of 90-day satellite accumulation areas for the storage of hazardous waste; operation and management of all waste treatment and disposal systems; and final disposal of all wastes.

12. ***Safety & Health** - Costs associated with safety and health programs, such as emergency preparedness, fire protection, industrial hygiene, industrial safety, occupational medical services, nuclear safety, work smart programs, radiation protection, transportation safety (does not include traffic management functions – include this item in logistics) and management oversight. This category excludes remediation which is included in mission direct. Further definitions are as follows:

Emergency Preparedness – Emergency Preparedness includes all those activities that are intended to provide personnel with a special capability to respond to incidents and accidents, excluding fire protection activities described in the next section. Activities in this area include maintenance inspection of emergency facilities and equipment; emergency response team; personnel training; developing and implementing drills and exercises; purchase of self-help supplies; maintaining and updating emergency management and self-help plans based on site specific safety analyses; coordination with State and local authorities and Federal Agencies. This area excludes plant and equipment that are part of safety systems relied upon to prevent or mitigate accidents (HVAC process monitors, facility egress signs and equipment, etc.), as they are addressed in Industrial Safety or Nuclear Safety.

Fire Protection – Fire Protection includes all those activities that are intended to prevent, detect, alert and suppress fires. Activities in this area include inspection and testing of fire prevention, detection (e.g., alarm systems) and suppression systems; fire fighting and emergency response, loss prevention; operation of ambulances and fire fighting equipment; testing and inspection of fire protection equipment and alarm systems; flammable and explosive material control; Federal, state and local certification and training, such as the National Fire Protection Association certification; review of construction and design plans for fire hazards; dispatch centers and mutual aid agreements with local authorities. This area excludes those fire protection activities and/or systems that are solely for the benefit or protection of nuclear systems, storage areas and/or processes (e.g., glove box inerting systems). These excluded activities are to be included in Nuclear Safety.

Industrial Hygiene (IH) – Industrial Hygiene includes all those activities that are intended to provide protection to workers from physical and chemical hazards. IH is concerned with recognizing, evaluating and controlling hazards for solvents, carcinogens, non-ionizing radiation, asbestos, beryllium, heat stress, noise and ventilation systems. Activities in this area include interpreting regulations and policy, developing engineering and administrative controls, performing inspections and

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assessments, sharing best practices and lessons learned, reengineering tasks, identifying hazardous materials (but not removal of), and written and verbal communication of real and perceived hazards. Include radiological and non-radiological laundry services. Exclude medical surveillance and employee medical records, which are covered in Occupational Medical Services. Exclude exposure of workers to radioactivity which is covered in Radiation Protection (note that non-ionizing radiation is included).

Industrial Safety (IS) – Industrial Safety includes all those activities that are intended for the protection of workers from physical trauma in the areas of electrical safety; laser protection; ergonomics; machinery and machine guarding; personnel protection from slips, trips and falls; compressed gas and pressure system safety; hoisting, rigging and material handling; lockout/tag-out; confined space controls; platform man-lift and scaffolding usage; safe surfaces for walking and working; cutting, welding and boring safety; hand and portable power tool safety; explosives and hazardous material handling, storage and use; construction safety; firearms safety; and facility egress. Activities in this area include interpreting regulations and policy, developing engineering and administrative controls, performing inspections and assessments, sharing best practices and lessons learned, and conducting accident investigations. Include Personnel Protection Equipment (PPE) such as hard hats, gloves, safety glasses, safety shoes, noise protection and respirators. Include the purchase and installation of physical plant and equipment that are part of industrial safety systems relied upon to prevent or mitigate accidents (e.g., HVAC process monitors, facility egress signs and equipment, etc.)

Occupational Medical Services – Occupational Medical Services includes all those activities that are intended to ensure that workers are physically and psychologically capable of performing their assigned work duties and protected from hazards that may result in adverse health effects. Activities in this area include providing a comprehensive occupational medical program, including employee health examinations for pre-placement and qualification, periodic, return to work, fitness for duty and termination examinations; eye examinations; diagnosis and treatment of occupational illnesses and injuries; employee health counseling (employee assistance program and wellness); maintenance of medical records; emergency medical treatment and triage; specialized medical equipment; and immunization programs.

Nuclear Safety – Nuclear Safety includes activities that are intended to maintain criticality safety and nuclear operations safety. Activities in this area include control of systems and parameters within sub critical limits, and use of systems, procedure, equipment, analyses, programs, and personnel to ensure safe nuclear reactor and nuclear non-reactor operations. Include fire protection activities and/or systems that are solely for the benefit or protection of nuclear systems, storage areas and/or processes (e.g., glove box inerting systems).

Radiation Protection – Radiation Protection includes all those activities that are intended to control exposures of workers and the public to radioactivity. Activities in

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this area include interpreting regulations and policy; developing engineering and administrative controls and procedures; performing inspections and assessments; sharing best practices and lessons learned; conducting event investigations; personnel dosimetry; bioassay and ALARA (As Low As Reasonably Achievable) programs; creating and maintaining radiation exposure records; and responding to exposure of workers to radioactive contamination. Also includes verifying effectiveness of engineered controls, such as control equipment for radiation sources; interlocks, instrumentation, and shielding for radiation-generating devices; control of paths for inhalation or ingestion of radiation; equipment used to minimize or mitigate external exposure; fixed and portable instrumentation for radiation detection and measurement; and contamination control.

Transportation Safety – Transportation Safety includes all those activities that are intended to ensure safe packaging and transportation. Activities in this area include packaging certification; coordination of intra-building and on-site movements and transfers; off-site and international shipments; transportation (including marking and labeling) of material; maintenance inspection of transportation equipment; testing and technology of transportation operators; aviation safety; motor vehicle safety; water craft safety; and rail safety.

Management and Oversight – Management and Oversight includes all those activities that are intended to coordinate, direct, integrate and control Safety and Health (S&H) activities **across multiple areas**. Activities in this area include S&H documentation and document control activities; configuration management; providing training, S&H performance trending, analyses and lessons learned feedback; corrective action tracking; S&H self-assessment activities; dedicated internal S&H personnel; coordination and communication with DOE, State and local authorities; internal audits and surveillance; external S&H program reviews; operational readiness reviews; and performance and documentation of comprehensive safety analyses. Nuclear safety analyses are included in Nuclear Safety. Program elements such as quality assurance, management systems, oversight and physical infrastructure are inherent to all areas and are intended to be accounted for in the specific areas.

13. ***Facilities Management** - Cost associated with efforts that either create or improve property plant and equipment, and do not meet the capitalization criteria; or support activities that create or improve property, plant and equipment. Facilities management activities add to existing property, plant and equipment or extend the life of existing property, plant and equipment. This is distinct from maintenance activities. Maintenance activities only sustain existing property, plant and equipment in a usable condition and do not result in increasing capabilities of existing property, plant or equipment. Examples of activities in this category are: facilities remodeling, facilities utilization analysis, modification and upgrade analysis, facilities planning and condition determinations, and lease and rental of real property. Rents and leases of other than real property are included in the appropriate category. Facilities Management includes engineering activities such as HVAC systems, electrical

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mechanical activities, and repair and maintenance analysis if they extend the current useful life or result in improvements beyond existing capabilities.

- 14. *Maintenance** - Includes the cost of actual work incurred to sustain or continue the functionality of property, plant and equipment. It includes all phases of maintenance: preventive maintenance, predictive maintenance and corrective maintenance. This category includes all maintenance activities regardless of source of funds. (Note: All maintenance is included even though it is recognized these costs are incurred in support of other support and mission categories.) Maintenance activities include:

Preventive Maintenance - includes all those systematically planned and scheduled actions performed for the purpose of preventing equipment, system or facility failure.

Predictive Maintenance - includes actions necessary to monitor, find trends and analyze parameters associated with equipment, systems or facilities that are indicative of decreasing performance or impending failure.

Corrective Maintenance - The repair of failed or malfunctioning equipment, system or facility to restore the intended function or design condition. This maintenance does not result in significant extension of expected useful life. Includes asbestos removal and material replacement.

Facilities Maintenance

Cost to perform activities that sustain or continue existing functionality of real property. These are not activities that increase functionality or extend useful life. Costs that increase functionality or that extend useful life are treated in accordance with the capital assets accounting requirements. Maintenance functions include supervision, planning and scheduling, and storage and staging of materials and supplies. All phases of maintenance are included: preventive, predictive and corrective maintenance. Major functions also included in this category are the cost of janitorial services, pest control and other services to keep these facilities usable.

General Maintenance

Costs to perform activities that sustain or continue existing functionality of all other property and equipment not included in facilities maintenance. These are not activities that increase functionality or extend useful life. Costs that increase functionality or that extend useful life are treated in accordance with the capital assets accounting requirements. Examples of functions included in this category are: maintenance on production and process equipment/machines; computer hardware and network maintenance; maintenance of roads and grounds; maintenance of utilities; calibration, care, repair and storage of equipment used in monitoring, or the actual performance of, maintenance work; and planning and scheduling, and storage and staging of materials and supplies.

- 15. Utilities** - Costs include utility-related engineering associated with labor, operating plants and equipment, contract services for fuel, water treatment chemicals, or

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support needed to provide electric power, heat, steam, chilled water, potable water, process gases and sanitary waste disposal to support business and research. This element includes all costs associated with contract services in support of utilities, such as fuel, water treatment chemicals and control systems (also include energy management related activities). Utilities include:

Central Steam Facility - Includes the fuel handling and storage facilities, all assigned personnel and the main steam distribution system.

Central Chilled Water Facility - Includes all assigned personnel and the main chilled water distribution system.

Water Supply System - Includes wells, treatment facilities, storage tanks, the main distribution system and all assigned personnel.

Sanitary Waste Disposal System - Includes the main collection system, refuse collection (internal as well as contracted services), treatment facilities and all assigned personnel.

Electrical Power - Distribution system including main substations and high-voltage distribution systems, and all assigned personnel, as well as all electricity purchases.

16. **Safeguards and Security** – Includes all costs associated with the development and implementation of a Safeguards and Security Program to protect nuclear materials, nuclear weapons, classified information and government property from theft, sabotage, espionage, or other acts that may cause adverse impacts on national security or to the health and safety of the public and employees. Specifically includes the following:

Program Direction - Includes all persons and operating costs for program management; vulnerability assessment; safeguards and security alarming process; professional development and training; inspections, surveys, assessments, facility approval (including Foreign Ownership, Control or Influence), tests and evaluations; policy oversight and administration and technology development oversight and program management, associated with the Safeguards and Security Program.

Protective Forces - Includes all personnel and operating costs associated with Protective Forces. This includes such things as salaries, overtime, benefits, travel, materials and supplies, uniforms, equipment, facilities, vehicles, helicopters, training, communications, federal and contractor management and oversight of protective forces.

Physical Security Protection Systems - Includes all personnel and operating costs associated with designing, installing, performance testing, contraband detection, alarm communications and control, intrusion detection and assessment, barriers and

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access denial, entry and egress control, and vital components tampering and monitoring.

Transportation - All security-related transportation costs for transport of special nuclear materials, weapons and other classified material. Includes such costs as personnel, equipment, facilities security upgrades to vehicles and communications. Transportation costs associated with off-site shipment of wastes should be included in the Mission Category.

Information Security - Includes all personnel and operating costs associated with classified documents and material, classification, unclassified controlled nuclear information, security infractions, computer security, technical surveillance countermeasures and operations security.

Material Control and Accountability (MC&A) - Includes all personnel and operating costs associated with control and accountability of special nuclear materials (SNM), nuclear weapons, test devices and weapons components. Includes MC&A access areas, surveillance, containment, detection, assessment, testing, transfers, verifications and measurements, inventories, reconciliation and statistical analyses.

Research & Development - Includes all personnel and operating costs associated with research and development of physical security, information security, personnel security, material control and accountability, integrated systems, vulnerability assessment methods, technology application and tests and technology transfer to users or potential vendors.

Personnel Security - Includes initial investigations, reinvestigations, adjudication, security education, personnel security assurance program, visitor control, national agency checks and administrative review activities.

Cyber Security - Includes management of unclassified and classified data, information technology security assets, cyber information systems, including information technical utilities which include grid research, threat assessments, wireless networks, performance measures, risk management, configuration management, certification/accreditation, training, network monitoring and intrusion detection systems.

17. Logistics Support - Costs associated with shipping, receiving, transportation (excluding maintenance which is included in the Maintenance category), warehousing, motor pools, office equipment pools, property management and excessing activities; routine inventory write-offs and other logistic support activities. (Note: Final disposal costs for radiological/hazardous waste shipments are a Mission Direct cost.)

18. Quality Assurance - Costs associated with all quality assurance, reliability and regulatory activities. Included in this category are costs for quality engineering and

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inspection services, quality assurance audits, occurrence reporting (such as the Occurrence Reporting and Processing System), development of quality program plans, operational readiness review coordination and other activities related to ensuring the quality assurance of site operations and facilities. This does not include costs incurred for weapons stockpile certification.

19. **Laboratory/Tech Support** - Measurement and testing conducted within the context of sampling, field investigations, analytical chemistry and other similar studies. Includes the cost of other technical support services/activities, such as non-destructive assay, electronics services, machine shops, etc.

Site Specific

20. **Management/Award Fee/Incentive Fee** - The management allowance is an amount paid to not-for-profit educational institutions for the equivalent of home or corporate office general and accounting expenses. The award and incentive fee is a fee that is paid to a contractor based on performance and includes shared savings incentive payments (such as cost savings incentives).
21. **Taxes** - Includes State and municipal taxes, as well as "payments in lieu of taxes." Does not include taxes that are payroll related.
22. **Laboratory Directed Research and Development (LDRD); Plant Directed Research, Development and Demonstration Program (PDRD); and Site Directed Research, Development and Demonstration Program (SDRD)** – LDRD portion reflects costs incurred in accordance with DOE Order 413.2A for the purpose of pursuing new and innovative scientific concepts of benefit to the DOE. Excludes allocations of overhead. The PDRD and SDRD portions reflect costs incurred in accordance with the legislative authority for these activities.

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FY 2006 SUPPORT COST BY FUNCTIONAL ACTIVITY REPORT APPENDIX B - ALL 29 SUBMITTING SITES & CONTRACTORS

Ames Laboratory/Iowa State
Argonne National Laboratory/University of Chicago
Bettis Atomic Power Laboratory/Bechtel
Brookhaven National Laboratory/Brookhaven Science Associates
Fermi National Accelerator Laboratory/University Research Association
Hanford/Fluor Daniel & Bechtel
Idaho National Lab/Battelle Energy Alliance
Idaho National Lab/Bechtel BWXT
Idaho National Lab/CH2MWG
Kansas City/Honeywell, FM&T
Knolls Atomic Power Laboratory/Lockheed Martin
Los Alamos National Laboratory/Los Alamos National Security
Lawrence Berkeley National Laboratory/University of California
Lawrence Livermore National Laboratory/University of California
National Renewable Energy Laboratory/Midwest Research Institute
Nevada/ National Securities Technology
Oak Ridge Environmental Management & Enrichment Facility/Bechtel Jacobs
Oak Ridge National Laboratory/UT-Battelle, LLC
Pacific Northwest National Laboratory/Battelle Memorial Institute
Pantex/BWXT
Princeton Plasma Physics Laboratory/Princeton University
Sandia National Laboratory/Lockheed Martin
Savannah River/Westinghouse & Wackenhut
Stanford Linear Accelerator Center/Stanford University
Strategic Petroleum Reserve/DynMcDermott Petroleum operations
WIPP/Westinghouse
West Valley/West Valley Nuclear Services
Yucca Mountain/Bechtel-SAIC
Y12/BWXT

This report and additional functional support cost details from the 29 contributing sites are available online at: <http://www.cfo.doe.gov/cf1-2/scfa.htm>