



November 3, 2000

Keith Klein, Manager  
U.S. Department of Energy, Richland Operations  
P.O. Box 550 (A7-50)  
Richland, WA 99352

Subject: Decision on PHMC Contracting Approach

Dear Mr. Klein:

The Hanford Advisory Board considers the pending decision by the Department of Energy regarding the possible extension or rebid of the Project Hanford Management Contract (PHMC) to be of significant importance to a successful Hanford site cleanup program. Based upon the experience of previous site contractor transitions, a number of issues have been identified which should be considered by the Department in its decision regarding the possible extension of the current PHMC contract.

We recommend that the Department include consideration of the following issues when making its decision:

- Whether Fluor met previous commitments to achieve \$1 billion in cost savings in five years, and to create 3,000 new non-Hanford jobs over the life of the PHMC. These two items were major commitments, which the public was told were the primary basis for initial selection of the contractor.
- Whether Fluor adequately defined savings from PHMC reorganization and whether critical functions were lost track of during reorganization.
- Schedule deferrals when changing to a new contractor resulted in loss of progress, and whether contract terms or expectations can prevent schedule delays or excessive transition costs.
- Ability of DOE to minimize loss of progress and cost impacts if a new contractor is selected.
- Impact on employees, including continuity of benefits and wages.
- Impact of decision on accomplishing cleanup work.
- Progress of incumbent in accomplishing cleanup work and achievement of schedule and cost goals and commitments.

The Board requests that the criteria for the decision to extend or compete should be disclosed at the time of the announcement and DOE specifically address the factors above.

Whether extended or competed, the following principles should be followed in the new contract:

- Measurable project performance based on independently validated baselines.
  - Establishment of defined work scope and performance criteria for the contractor.
- Incentivized performance to cost and schedule baselines.

- Overall cost efficiency and overhead reduction.
- Positive and negative incentives, including for Environmental Safety and Health; openness measures; a safety conscious work place; and, employee concerns program.
  - Improvement of safety and health performance.
- Encouragement of economic diversification at no cost to the government.
- Incentivized use of new technologies, when they are cost effective and contribute to acceleration of cleanup, including those developed commercially.
- Control by DOE-RL of mission direction, strategic planning, budget prioritization, and performance standards.
- Award fees based on successful project milestone achievement; and increase objective measures and reduce subjective measures.
- Encouragement of employment stability, consistent with available budget priorities and work to be accomplished.
- Reflection of TPA milestones in project baselines and inclusion of the achievement of regulatory compliance and involvement in work performance.
- Control of transition costs through contract terms of expectations.
- Consider fixed or target price incentivized subcontracts for well-defined projects.

Very truly yours,

Ken Bracken  
Hanford Advisory Board

cc: Harry Boston, Office of River Protection  
Chuck Findley, U.S. Environmental Protection Agency  
Tom Fitzsimmons, Washington Department of Ecology  
Carolyn Huntoon, Department of Energy Headquarters  
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