



Department of Energy
National Nuclear Security Administration
Pantex Site Office
P. O. Box 30030
Amarillo, TX 79120-0030



DEC - 5 2006

Dan J. Swaim
General Manager
BWXT Pantex LLC
P.O. Box 30020
Amarillo, TX 79120-0020

RE: Contract No. DE-AC04-00AL66620, Fiscal Year (FY) 2006 Performance Evaluation Report (PER)

Dear Mr. Swaim:

Enclosed is the FY2006 PER, which provides the results of the National Nuclear Security Administration's (NNSA) assessment of BWXT Pantex LLC's (BWXT) performance from October 1, 2005, through September 30, 2006.

BWXT's overall performance exceeded expected levels for management and operations of the Pantex Plant. Significant accomplishments included: exceeding the FY2005 Directed Stockpile Work (DSW) adjusted delivery performance by more than 40%; successfully meeting the new Design Basis Threat; and, sustaining a Total Recordable Case Rate that was far below NNSA's goal of 5.0.

However, project management continues to be a significant concern. Management focus on delivering projects within cost and on schedule is imperative. In addition, continued management attention in the area of electrical safety is also required.

Based on the NNSA assessment of BWXT's FY2006 performance and in accordance with Contract No. DE-AC04-AL66620, BWXT has achieved an overall rating of "OUTSTANDING," earning 92.1% of the Total Available Fee. The 92.1% equates to \$27,501,337 (Award Fee of \$15,851,538; Performance-Based Incentive Fee of \$6,337,484; Stretch Incentive Fee of \$3,865,283; and Multi-Site Incentive Fee of \$1,447,032).


You may withdraw funds not to exceed the amount of \$17,044,941.05 from your Special Bank Account for the remaining un-invoiced FY2005 total earned fee. This amount represents the difference between the total earned fee of \$27,501,337 and the provisional fee of \$10,456,395.95, which has already been drawn down from BWXT's Special Bank Account.

Dan J. Swaim, BWXT

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I am available to meet with you to discuss BWXT's FY2006 performance assessment. Should you desire a meeting, please contact me at (806) 477-3180.



Daniel E. Glenn
Manager

Enclosure: As stated

cc w/enclosure:

M. Padilla, NNSA/PXSO, 12-36A
M. McCusker, NNSA/PXSO, 12-36A
B. Thomas, NNSA/PXSO, 12-36A
B. Bidwell, BWXT, 12-138

cc w/o enclosure:

D. White, NNSA/PXSO, 12-36A
J. Johnson, NNSA/PXSO, 12-36A
J. Kirby, NNSA/PXSO, 12-36A
K. Waltzer, NNSA/PXSO, 12-36A
E. Demerson, NNSA/PXSO, 12-36A
G. Wisdom, NNSA/PXSO, 12-36A
S. Erhart, NNSA/PXSO, 12-36A
C. Alvarado, NNSA/PXSO 12-28

Pantex Plant Performance Evaluation Report

BWXT Pantex, LLC

Fiscal Year 2006

**October 1, 2005 Through September 30, 2006
Summary of Performance Areas/Fee Availability**

Base Performance Evaluation Plan

<u>Performance Area</u>	<u>Award Fee Allocation/Weight</u>	<u>PBI Allocation/Weight</u>	<u>Total Allocation/Weight</u>
Management	\$2,778,777/11.39%	\$0/0.00%	\$2,778,777/11.39%
Mission	\$7,686,419/31.50%	\$6,375,998/26.13%	\$14,062,417/57.63%
Operations	\$7,560,856/30.98%	\$0/0.00%	\$7,560,856/30.98%
Total	\$18,026,052/73.87%	\$6,375,998/26.13%	\$24,402,050/100%

STRETCH INCENTIVES = \$4,026,336

MULTI-SITE INCENTIVE = \$1,447,032

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Pantex Plant Performance Evaluation Report

Performance Area: Management

Award Fee Weight: 11.39%

PBI Fee Weight: 0.00%

Total Fee Weight: 11.39%

Fiscal Year 2006

October 1, 2005 Through September 30, 2006

Performance Area: Management

Award Fee Adjectival Rating: Outstanding

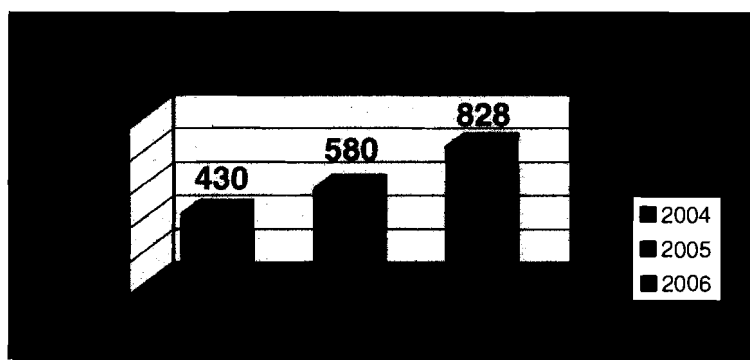
Numerical Rating: 94.0

PO #1: General Management of the Pantex Plant

Performance Assessment:

BWXT accomplished 828 deliverables this FY, which represents more than a 40% improvement over FY05 deliverables. This is the second year of significant increase for BWXT (FY04 to FY05 + 35%)(See Chart 1 below). These two consecutive years of unparalleled increases were achieved while meeting technical challenges presented by anomalous units, multiple discoveries of electro-static discharge issues, and budgetary constraints – particularly during the Continuing Resolutions of FY05 and FY06. Whenever BWXT's scheduled PCD work was interrupted, they worked future deliverables and completed them ahead of schedule.

Chart 1 – DSW Scheduled Deliverables



BWXT worked effectively in teaming with the Nuclear Weapons Complex on challenging technical issues involving nuclear weapon programs. BWXT completed dismantling all W56 weapons, completed the first production unit for B61, completed all W78 backlogged Disassembly and Inspection units, and disassembled W70

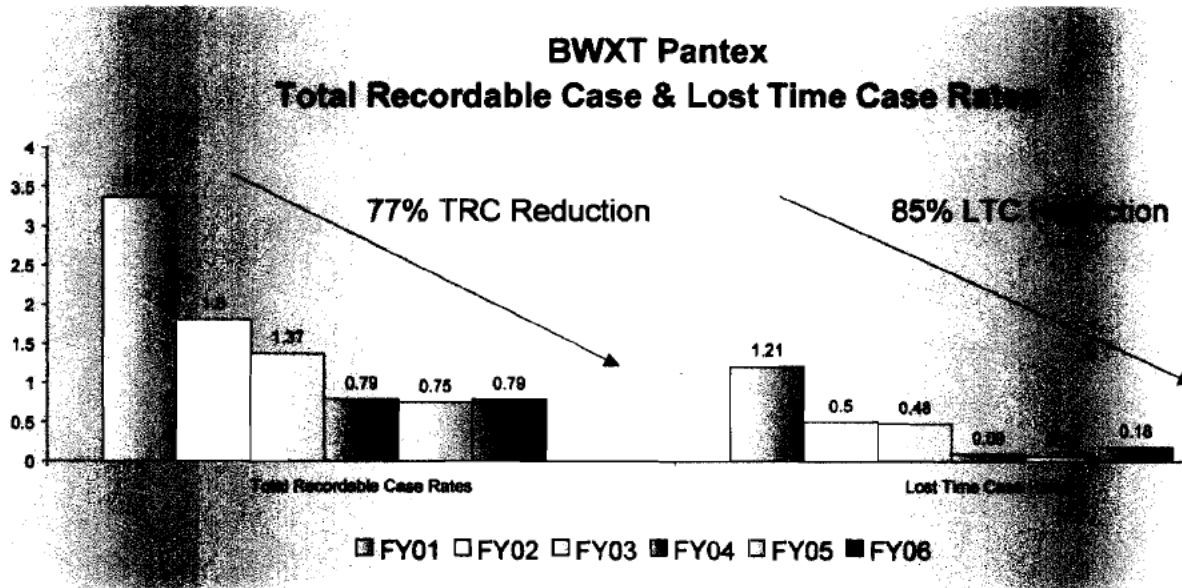
**BWXT Pantex LLC
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components. BWXT collaborated with the Nuclear Weapons Complex to identify productivity improvements that resulted in more efficient operations at the BWXT Pantex Plant. BWXT has been very successful in supporting, contributing to, and implementing the Pantex Throughput Improvement Plan.

In the area of Safeguards and Security (S&S), BWXT Pantex set the complex standard in providing world-class security for NNSA assets. BWXT was challenged with the task of being the first NNSA site required to fully meet the new Design Basis Threat (DBT). BWXT met that challenge and accomplished implementation of the DBT. This involved a daily focus on leveraging technology with a highly trained protective force to meet overall protection requirements.

In continuing its focus on protecting the safety of employees and contractors, BWXT Pantex's Total Recordable Case Rate of 0.79 was 57 % better than the established target of 1.83. The Lost Time Case Rate of 0.18 was 68% better than the target of 0.57. The company's Total Recordable Case Rate was far below NNSA's 5.0 goal and continues to be one of best rates in the NWC.

Chart 2 – Total Recordable Case & Lost Time Case Rates



Human Performance Improvement (HPI):

BWXT met expectations in this area. BWXT has partially implemented a practical way of thinking about hazards to human performance. HPI is a structured approach designed to preventing human errors in equipment, systems or “plant stages” which will trigger immediate undesirable conditions. The concept is designed to reduce the

BWXT Pantex LLC
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chance of human error and the events triggered by that error. In FY 2006, BWXT provided training to 100% of those employees acting in a supervisory role. By the end of the fiscal year, BWXT had trained over 500 personnel in an eight hour HPI Fundamentals course. In addition, BWXT began integrating the HPI concepts and tools into existing plant programs, including: 1) Six Sigma Yellow Belt; 2) Six Sigma Black Belt; 3) Behavior Based Safety; 4) E-Stars; and 5) Labor Relations disciplinary process. Six formal HPI investigations were conducted in FY06. These investigations identified latent conditions and established a corrective action plan to provide for continuous improvement and preclude recurrence. HPI tools were also incorporated into the plant's Causal Analysis/Mistake Proofing (CA/MP) process. However, PXS0 found that there was significant room for improvement with respect to effective implementation of the HPI principles into the CA/MP process attended. Specifically, the HPI process is designed to look past root and contributing causes to find latent organizational weaknesses and error-likely situations. The CA/MPS attended by PXS0 did not accomplish this. During the rating period, improvement was observed.

10 Code Of Federal Regulations 851, (10 CFR 851) Worker Safety and Health Program:

BWXT did not meet expectations. BWXT has partially implemented the requirements contained in 10 CFR 851, Worker Safety and Health Program. Progress towards full compliance had been advancing slowly. There had been a concern that BWXT would not meet the milestones and due dates that this CFR required. Late in the rating period, BWXT allocated considerable resources and manpower in an attempt to improve performance in this area. Based on PXS0 review of these corrective actions, BWXT now appears to be on track to meet the schedule.

Electrical Safety Program:

Initially, BWXT did not meet expectations. However, as program emphasis increased during the rating period, BWXT met expectations. BWXT continued to struggle with electrical safety incidents throughout the fiscal year. There were three potentially serious electrical safety incidents during the past fiscal year. BWXT has implemented corrective actions that include: assigning the responsibility for improving performance in this area to the maintenance department; establishing the BWXT corporate goal that BWXT Pantex will become the model Electrical Safety Program; implementing stricter requirements and approvals for work on energized circuits; procurement of additional locating equipment including thermal imaging and radar mapping; hiring additional personnel to perform an "electrical inspector" function (similar to code compliance inspectors in municipalities) and additional management duty officer training on the Pantex power distribution system. During the rating period, improvement was observed.

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Contractor Assurance System:

BWXT Pantex performed 310 assessments in FY06 against a very aggressive plan of 316 assessments. The completion of 310 assessments represents a significant accomplishment, considering the assessments were derived from the CAS risk-based approach developed in 2004 and an improved understanding by functional organizations on the selection of assessment targets in FY06. Included in the 310 assessments were 25 Independent Assessments performed by Performance Assurance. The 310 completed assessments initiated approximately 560 Problem Evaluation Reports (PERs) that will process documented corrective actions to closure thereby achieving process improvement opportunities.

Plant Power System:

Over the past few years there have been several occurrences involving loss of electrical power at Pantex. These events indicated weaknesses in both the contractor's knowledge of how various Site systems were configured and in the processes and procedures for re-energizing systems after electrical power was restored.

In FY06, BWXT made progress for improving performance in regard to both those areas of concern. BWXT worked to develop improved loss of power checklists and response procedures and to improve system configuration management. Additionally, a Site-wide test was successfully conducted for non-nuclear facilities to verify the capability for the proper identification, isolation and restoration of normal power systems in the event of a power loss. The test also evaluated loss of power checklists, switching procedures and personnel response.

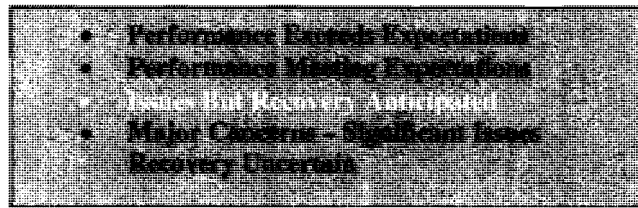
In relation to the Business System Oversight Program, BWXT contracting personnel continue to meet expectations on all aspects associated with contract execution and in addressing a broad range of corporate issues. Procurement met expectations, receiving Purchasing System approval though January 2010 and receiving either a "met" or "exceed" in the nine Purchasing System Basic Tenets evaluated by a third party NNSA review team. Property met expectations but continue to have open findings resulting from a BWXT self-assessment, as well as, an internal audit. As a result of these open findings, approval of the Property System was only granted for one year. Additionally, responses to NNSA Service Center property data requests have not been timely and in some instances rework was required. Information Technology met expectations and continues to play an active role with involvement and leadership on multiple NNSA complex-wide initiatives. Internal Audit met expectations and continues to play an integral role in the Pantex Plant LO/CAS Program. In the areas of budget and accounting, BWXT met expectations by

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successfully addressing a majority of the attributes established by the PXSO and Performance Measures negotiated with the Office of Field Financial Management. Training met expectations and continued to improve. The Triennial Assessment of Contractor Training resulted in some findings and opportunities for improvement that were primarily administrative and some strengths. Overall, it also found that training was effective and of high quality. In the area of Records Management, BWXT exceeded expectations through their continual initiatives to improve overall records management processes, strong partnership with the PXSO on several process improvements and technical enhancements, records storage, life cycle management, and implementation of bar coding technology.

Table 1 – Business Management Performance Trend

	FY 04 EOY	FY 05 EOY	FY 06 EOY
Contracts			
Procurement			
Property			
Information Technology			
Internal Audit			
Budget/Accounting			
Training	Not Rated	Not Rated	
Records Management	Not Rated	Not Rated	



BWXT Pantex was extremely active in the Panhandle communities and supported a number of organizations. Senior managers as well as other employees served on boards to benefit a number of community organizations. BWXT Pantex was nominated for a 2006 Better Business Bureau Torch Award for Marketplace Ethics. This nomination was due in large part to the company's community outreach activities in addition to management practices, customer relations, communications and marketing practices. Some of the community organizations BWXT Pantex support included: United Way, Habitat for Humanity, America's Promise, Kids Café, Pantex Christmas Project, American Cancer Society, and the City of Panhandle Emergency Warning Alert System. BWXT Pantex also supported the Amarillo

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Chamber of Commerce, Eveline Rivers Christmas Project, Pantex Christmas Project, Texas Panhandle Mental Health Mental Retardation, High Plains Food Bank, Discovery Center, Boy Scouts and Girl Scouts of America, Camp Fire USA, Salvation Army and the Amarillo Symphony. In addition, the BWXT Fire Department provided significant Mutual Aid assistance to the local communities. This included providing manpower and equipment for the severe wild fires this past spring and paramedic/ambulance assistance for multiple incidents in Carson County and on Highway 60.

However, BWXT did not meet PXSO expectations in the management of Line Item Projects. Specifically, there were two Line Item Projects that remained in a RED status or elevated to a RED status (12-44 PCU and SNMCRF). BWXT has demonstrated ineffective management discipline with respect to project scope and costs during design development and construction execution. BWXT has been unable to assure compliant construction project schedules nor execute to BWXT developed and controlled project schedules. The lack of effective project management capability by BWXT also adversely affected federally directed FIRP small business projects such as Zone 11 Mechanical, 12-26 Roofing, and North Electrical Substation. These projects experienced significant delays to schedule completion and increase in costs.

BWXT also did not meet PXSO expectations in delivery of the Fire Alarm Receiving Station project. The project was to be completed in April of 2006 but was not completed until September 2006 with 20 of the 165 buildings cutover to the new system.

BWXT did not meet expectations regarding the timeliness of submittals of change control requests (CCR). Although BWXT was aware of issues outside of their control that impacted performance and communicated them to PXSO at the monthly performance evaluation plan meetings, they sometimes waited more than 30 days before submitting a formal CCR to PXSO.

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Performance Area: Mission
Award Fee Weight: 31.50%
PBI Fee Weight: 26.13%
Total Fee Weight: 57.63%

Fiscal Year 2006
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	<u>PO Percent/PBI Dollars</u>
PO #2 – Safety of Weapon Operations	5.82%
PO #3 – Improve the Efficiency of Nuclear Explosive Operations	4.24%
PO #4 – Meet DSW Directive Schedules	10.85%
PO #5– Safely and Effectively Manage Nuclear Materials	3.71%
PBI #6 – Complete FY06 Baseline Commitments	\$3,339,127
PBI #7 – Closure of Post Start Findings	\$ 129,999
PBI #8 – Life Extension Program Tangible Deliverables	\$1,614,418
PO #9 – Meet Campaign Milestones	3.71%
PO #10 – Robust Quality Assurance Program	2.12%
PO #11 – Reduce Legacy Material	1.06%
PBI #12 – Repackage Pits Into AL-R8 Sealed Insert Containers	\$ 516,982
PBI #13 – Disposal of Legacy Material	\$ 775,472

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Performance Area: Mission

Fiscal Year 2006
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Performance Area: Mission
Award Fee Adjectival Rating: Outstanding
Numerical Rating: 90.96%

PO #2: Improve the Safety of Weapon Operations.

Performance Assessment

Integrated Weapons Activities Plan (IWAP)

BWXT's performance substantially exceeded expected level of performance in the Integrated Weapon Activity Plan (IWAP) Performance Objective. BWXT has made significant improvement in meeting IWAP deliverables since the mid-year review. BWXT has successfully started the W87 SS-21 and B61 SS-21 weapon programs. Additionally, both programs are authorized for multi-unit operations. BWXT has also met the B83, W76-1, W88, W80, and B53 FY06 project plan activities, achieving deliverables either on time or in accordance with approved recovery schedule. BWXT successfully integrated nuclear explosive operations activities (facilities, tooling, testers, equipment, procedures, controls, etc.) to achieve the above. Meeting the FY06 IWAP objectives was a significant accomplishment.

TSR controls shall be implemented, made effective and complied with to meet program requirements. Also, implement solutions for 10 CFR 830 compliant seismic issues consistent with the NNSA approved Project plan.

BWXT successfully completed the implementation of Technical Safety Requirements under the Integrated Implementation Plan (IIP). The remaining "external explosion" scenario controls are actually in place with appropriate training and procedures completed such that the controls can be declared implemented when the documented safety analysis change is approved by PXSO. The completion of this activity is a significant milestone for the implementation of a 10CFR830 compliant safety analysis at Pantex. The final step of the process, approval of the TSR applicability matrix change, was not completed by the end of the FY. BWXT also implemented all weapon program related controls derived from hazard analysis reports to meet program start-up schedules and requirements. It is noted that a substantial effort will still be required in FY07 to reconcile safety basis and control changes that were identified during the implementation process.

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BWXT documented several TSR violations during the year however, the type and number were reflective of the frequent changes and additions to the control set due to the IIP process and program/facility start up activities accomplished in FY06.

BWXT's progress toward developing an accurate seismic evaluation in the Pantex safety basis has been less than adequate. The "Stage Gate 1A and 1B" activities from the seismic project plan completed in FY06 were essentially a validation of seismic performance deficiencies/outliers identified years ago in previous analyses. BWXT has made little progress in seismically qualifying facilities/equipment and eliminating discrepancies from the outlier list. The documented safety analysis changes and updates to proposals in BWXTs seismic project plan of June 06 were not received by the end of the FY as requested in August 06 by PXSO.

All Documented Safety Analysis (DSA) updates shall be submitted timely and in accordance with the Code of Federal Regulations (CFR), Chapter 10, Part 830, Subparts A and B, Quality Assurance Requirements and Safety Basis Requirements.

BWXT provided all DSA annual updates timely and in accordance with 10CFR830. With respect to all other updates, BWXT was inconsistent in identifying and meeting delivery dates for DSA submittals. BWXT used several different mechanisms to identify projected DSA delivery and need dates during the FY. Among those were Input and Assumptions documents, a 30/60/90 day report, the NNSA/Pantex Site Office Support List and the IPOD schedule. Often, the delivery and need dates for the same DSA submittals were inconsistent between these documents – which were all provided to PXSO for use. In most instances the delays were on the order of a week or less however, in some cases the delays were several months (e.g., the W88 Bay HAR, W76 Mod 0 HAR, SNMCRF FDSA, compressed gas cylinder change, etc.).

The quality of HAR submittals improved during the FY. Additionally, some facility-related DSAs also showed improvement. In particular, the compressed gas cylinder analysis provided a very clear and logical description of the sequence of events associated with the accident instead of previous approaches, where oversimplification tended to mask the low likelihood of occurrence and/or controls in place that prevented the consequence.

PO #3: Improve the Efficiency of Nuclear Explosive Operations.

Performance Assessment

Improve efficiency of nuclear weapons operations by supporting, in a responsive manner, NNSA initiatives (e.g., Reliable Replacement Warhead, Responsive Infrastructure, emerging issues).

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BWXT's performance substantially exceeded expected level of performance in the Reliable Replacement Warhead (RRW), Responsive Infrastructure (RI), and emerging issues for this Performance Target. BWXT not only provided significant input to both RRW design teams, but also provided areas of design improvement that could alleviate production obstacles in the future. One example is that BWXT marked up a hard copy of the Hazard Analysis Report (HAR) to illustrate the Technical Safety Requirements (TSRs) that the design team could eliminate by their proposed RRW design. Each TSR eliminated would result in substantial efficiency gains through reduced configuration management requirements, reduced analysis, and a reduction of process review time. BWXT also capably supported numerous teams, NNSA, and Project Officer meetings. Their presentations and communication were performed in a very professional and cooperative manner. BWXT supported the NNSA Complex 2030 study by providing co-chairs and members for sub-groups. Their professional and technical expertise was invaluable to the success of the study. BWXT subject matter experts at the plant also rapidly responded to requests for information from those participating on the study. BWXT also responded to RI strategic retreats and drafted metrics in support of NNSA HQ weekly conferences. Further, BWXT provided assistance in the Sandia National Laboratory Joint Test Assembly Lean/Six Sigma activities.

Cost effectively develop and implement new and/or existing tools/controls that improve efficiencies and weapon operations (e.g., Integrated Electronic Procedures). Incorporate appropriate Value Streaming/Lean Six Sigma initiatives.

BWXT reported cost savings or avoidances due to their Enterprise Process Improvement and Control (EPIC) initiatives. EPIC is BWXT's Six Sigma process. The EPIC initiatives yielded changes and efficiency gains on the W76 and W88 Joint Test Assemblies, W76-1 SS-21 Assembly, W62 Dismantlement, and the W76 Disassembly and Inspection (D&Is) Weapon Processes. Through process and organizational changes in the Special Tooling Program, a cost avoidance is expected. BWXT also implemented Interactive Electronic Procedures (IEP) for several non-nuclear weapon operations.

Develop and implement appropriate engineered controls (equipment/tooling/features) to prevent/mitigate, including but not limited to, Electro-Static Discharge and Lightning weapon related issues.

BWXT did not complete the objective established by PXSO to define a generic ESD environment and has made little progress in establishing an ESD program for Pantex. However, BWXT made significant progress in reducing and simplifying ESD-related controls for the B61 and B83 programs through the application of statically dissipative flooring (B61) and improved analysis and definition of ESD environments

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(B83). In addition, BWXT successfully validated assumptions related to voltage limits for non-surge suppressed lighting pathways and eliminated the difficult to replicate and inconclusive low voltage testing of facility Faraday cages.

Reach agreement between BWXT and Office of Secure Transportation (OST) on AB integration issues (e.g., safe haven, custody transfer).

BWXT signed a memorandum of agreement (MOA) with PXSO and OST governing the configuration management of trailers used by BWXT for on-site transportation where OST remains the design authority. That MOA will help ensure the Pantex safety basis remains up-to-date. However, the issue of custody/transfer and safety basis integration remains outstanding. BWXT has not established a formal agreement with OST to define the responsibilities and safety basis coverage for safe haven and custody transfers in the event of operations in Zone 4.

PO #4: Meet all DSW Directive Schedules.

Performance Assessment

Safely and effectively meet DSW Directive Schedule quantities (excluding work evaluated under PBI's) by either accelerating work or meeting annual directive schedules and not impacting originally scheduled OST shipments.

Effectively manage and safely conduct nuclear explosive evaluation, maintenance, disassembly, refurbishment, production and dismantlement, nuclear explosive-like assemblies, test beds, and explosive operations consistent with authorized/approved design and production requirements, QC-1, Development and Production (DP) Program Management Manual and NNSA approved directives to meet NNSA FY06 Level 1 and Level 2 milestones.

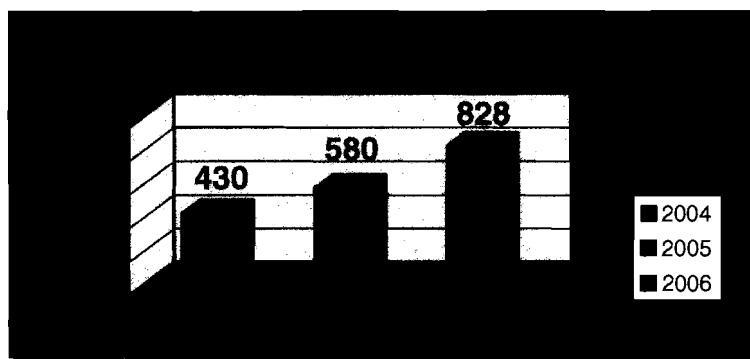
Provide effective program management of the above activities to include timely notification of scope, cost, schedule and budget changes from the baseline.

Provide timely support for Significant Finding Investigations (SFI) closures.

BWXT's performance substantially exceeded expected level of performance against this Performance Objective. BWXT accomplished 828 deliverables this FY, which represents more than a 40% improvement over FY05 deliverables. This is the second year of significant increase for BWXT (FY04 to FY05 + 35%). These two consecutive years of unparalleled increases were achieved while meeting technical challenges presented by anomalous units, multiple discoveries of electro-static discharge issues, and budgetary constraints – particularly during the Continuing Resolutions of FY05 and FY06. Whenever BWXT's scheduled PCD work was

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interrupted, they worked future deliverables in an effort to complete them ahead of schedule. In addition, while being successful in production, BWXT also completed Level I/II milestones in accordance with the requirements. Further, BWXT managed NNSA programs very effectively including the Significant Finding Investigation that they accomplished.



Effectively manage and integrate pre-production activities to achieve Life Extension Program (LEP) commitments not covered in PBI 7. Provide effective program management, planning and concurrent engineering interfaces. Demonstrate reduction of the projected LEP warhead component production costs per warhead from established validated baselines.

BWXT provided effective management and successfully integrated Permissive Action Link (PAL)/Code Activated Processor (CAP) re-code and pre-production activities for the Life Extension Programs (LEPs). BWXT worked with NNSA HQ, Sandia National Laboratory (SNL), Defense Threat Reduction Agency (DTRA), and PXSO in accomplishing critical restart operations for re-code activities. BWXT successfully accomplished critical re-code operations and has established authorization to begin additional re-code operations. On the W76 Program, BWXT transferred nearly one million dollars to another M&O contractor and still completed more than the Disassembly LEP baseline Program Control Document (PCD) quantities and taking the funding shortfall into account, they exceeded their stretch goal. Another example is the improved ramp-up rate for W62 dismantlements to recover lost time from container and drawing issues. The ramp-up rate was successful, and BWXT exceeded expectations. Finally, BWXT aggressively pursued activities for the special W88 units that will be processed early in FY07.

Provide timely request for and successful support of Nuclear Explosive Safety Studies and Change Evaluations and Operational Safety Reviews.

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Effectively manage the quality, performance and timeliness of readiness activities (e.g., Startup Notification Reports, Plans Of Action, Readiness Verifications and Contractor Readiness Assessments).

BWXT adeptly supported Nuclear Explosive Safety Studies, Nuclear Explosive Change Evaluations, and Nuclear Explosive Master Studies in order to attain the 828 deliverables and prepare for FY07 commitments. BWXT has demonstrated significant improvement in startup/restart activities. They have instituted accountability through affidavits that has resulted in better contractor readiness activities. BWXT has revised their readiness review training and over 100 employees have been trained. Finally, despite the classification challenges related to the Integrated Plan of the Day (IPOD), BWXT has continued to improve this tool by adding Applied Technology actions, Tri-Lab actions, and planned outages and starting each meeting with a Safety Tip. Senior Management involvement is obvious by ensuring priority items receive appropriate attention; and they also use this venue to praise and acknowledge contributors to the successful completion of deliverables. These measures have resulted in improving the day-to-day management and resolution of difficult and complex issues.

In conclusion, to mention a few substantial accomplishments, BWXT has had two consecutive years of safely and efficiently increasing delivery performance, successfully restarted critical PAL/CAP activities, exceeded W76 DISLEP expectations, and accomplished many improvements throughout their operations.

PO #5: Safely and Effectively Manage Nuclear Materials.

Performance Assessment

Safely and effectively manage, process and store nuclear materials.

BWXT Pantex met expectations for management of Nuclear Material. Accomplishments included: Packaged 571 pits into AL-R8 SI containers (No backlog); Cleaned all available W56 pits; Developed and implemented the AL-R8 SI container reacceptance process using SI 2030 & 2040 containers; Completed 35 nuclear material containers to support Nuclear Materials Container PM Program; Completed shipments supporting ARIES on schedule; Met Off-Site Pit shipments on schedule; Completed Cell 8 Robot Startup activities; Supported Thermal Monitoring program & provided information to the Design Agencies; Deployed MH2800 reacceptance requirements; Completed start-up of Coordinate Measuring Machine (CMM) operations and completed 143% of scheduled production units; and, Published the Zone 4 Weapons and Special Nuclear Material Staging Management Plan.

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Meet nuclear materials requirements for pit and container surveillance activities and ensure no pit and container backlog.

BWXT met the nuclear materials requirements for pit and container surveillance activities and ensured no accumulation in FY06 of backlogged pit and container surveillance activities. Specific accomplishments included: 40 Pit Storage Sample Surveillances; 76 Pit D&I Surveillances (Visual, Photo, Weigh & Leak); 73 SI Cleanliness Verifications; 92 Container Surveillances; 18 AT-400A Container Visual Inspections; and, Replaced nameplates on 53 FL Containers.

Effectively manage Canned Sub Assembly activities after removal from unit (coordination, packaging, transportation and surveillance) at Pantex Plant, including no component backlog.

BWXT effectively managed Canned Sub Assembly (CSA) activities after removal from the unit with no backlog of CSAs. Specific accomplishments included: Packaging, Leak Testing & Shipping 455 CSAs; Returning 13 expired DT containers; and, Developing a CSA Container Project Plan.

Support non-proliferation activities/initiatives.

BWXT supported non-proliferation activities/initiatives. Activities/initiatives included: NNSA NA-241/United Kingdom Exercise and upcoming close out session; Completed the Fissile Material Cutoff Treaty review; Completed the Point Source Sampling Project with Pacific Northwest National Laboratory; Testing will be initiated on the Radio Frequency Identification Tagging Project when equipment from Oak Ridge National Laboratory is received; and, Working with Pacific Northwest National Laboratory to provide support for the DOE/NA Ultrasonic Intrinsic Tag (UIT) system planned for testing at Pantex.

Effectively manage 12-116

BWXT Pantex did not meet expectations. The project included design and installation of seismically qualified storage racks, floor leveling and repair, guide wire and antenna installation, modification of the HVAC system, and relocation of thermal monitoring system components. The design and construction phase is complete. However, when the system was placed into service for acceptance testing and start-up, design and construction deficiencies were discovered. These issues are being resolved with the Architect-Engineer and the construction contractor. Some rework of the shelves and AGV rails will be required.

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Effectively manage the 1-2 mil resolution of Computed Tomography project.

BWXT did not meet the scheduled requirements for the 1-2 mil CT project. BWXT Pantex completed all Pantex tasks required to install and qualify 1-2 mil upgrade to the high resolution x-ray computed tomography system. However, LLNL encountered several significant issues including being unfunded at the beginning of FY06 and receiving the detector from the vendor with damage that occurred in transit. Once repaired, LLNL discovered some unanticipated x-ray scattering that could damage the delicate digital cameras and were unable to ship the system to Pantex by the scheduled date of September 8, 2006.

PBI #6: Complete FY06 Baseline Commitments.

Performance Assessment

BWXT earned 100% of the total available fee of \$3,339,127.

PBI #7: Closure of Post-Start Findings.

Performance Assessment

BWXT earned 70% of the total available fee of \$129,999.

PBI #8: Life Extension Program Tangible Deliverables.

Performance Assessment

BWXT earned 100% of the total available fee of \$1,614,418.

PO #9: Meet Campaign Milestones.

Performance Assessment

Support National Laboratory High Explosive (HE) initiatives and complete all outstanding and FY06 Integrated Contract Orders issued to BWXT in the High Explosive areas

BWXT Pantex exceeded expectations in supporting National Laboratory High Explosive (HE) initiatives and complete all outstanding and FY06 Integrated Contract Orders issued to BWXT in the High Explosive areas. Notable items included: the shipment of thirty-two W87 pellets needed to support LANL testing; the manufacturing of 1,400 grams of HMX Type I detonator grade for use in Sandia initiation systems; providing technical support for the DOD's Iowa Army

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Ammunition plant; and, contracting with Texas A&M University and the Air Force Research Laboratory to successfully design and test an explosive initiation device in support of Homeland Security.

Readiness Campaigns - Meet approved ADAPT and HEWO Program milestones.

BWXT Pantex planned and effectively managed the first year of a 2-year multi-site Technology Investment Project (TIP) that focuses on developing and implementing an improved process for introducing potting material into the primary assembly of the W76-1 LEP during rebuild. Complex-wide Level 2 milestones were established for the project and all defined FY06 milestones were delivered several months ahead of schedule and approved by the NA-123 project sponsor. BWXT Pantex completed IP Level-2 Milestone #1967 by developing, deploying and qualifying all ten workstations required to support the pit re-qualification FPU for the W76-1 LEP. In addition, BWXT-Pantex received a QER for manufacturing PBX-9501 main charges thus demonstrating production readiness for the W76 LEP. This accomplishment closed IP Level 2 MS #1690 three months ahead of schedule. Further, Level 2 Milestone # 1689 was completed with the delivery of an integrated production planning and scheduling system that deployed a suite of production planning and management tools which enable seamless integration of production scheduling information.

Engineering Campaign – Meet approved ESC milestones.

BWXT Pantex met expectation for management of the ESC Milestones. BWXT provided input to the design laboratories with aging assessments for selected components and materials in multiple weapons with relevance to disassembly safety, data from lifetime assessment studies on high explosives, non-nuclear components and non-nuclear materials, and data to support the aging and lifetime assessments of selected components and materials for multiple enduring stockpile systems. In addition, BWXT completed start up of 6-8 mil high resolution x-ray computed tomography system.

PO #10: Robust Quality Assurance Program.

Performance Assessment

Effectively manage Quality Assurance Program to identify areas of improvement or precursors early in nuclear and non-nuclear weapon and facility activities. Utilize predictive tracking and trending information to reduce reactive actions.

BWXT Pantex continues to improve the Quality Assurance Program at the Pantex Plant. As part of the BWXT Pantex Quality Assurance Program, they continue to compile Quality Assurance metrics that are utilized for predictive tracking and

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trending purposes. As this program matures, BWXT Pantex will be in a better position to reduce reactive actions and to implement continuous Quality Assurance improvements.

In addition to the above, the following are examples of the continuous improvements that occurred with the BWXT Pantex Quality Assurance Program:

- BWXT Pantex has made major improvements in their Quality Assurance Program Description (QAPD). During FY06, three major QAPD revisions were made to address NQA-1, 414.1C, graded risks, Quality Assurance drivers, and new format changes.
- BWXT Pantex continues to accept Pantex product on the behalf of the PXSO during FY06. PXSO performed a QAS 3.0 on the BWXT PX Product Acceptance Program and identified no Findings or major deficiencies during this FY.
- The BWXT Pantex Special Tooling Program continues to improve. The NNSA assessed the BWXT Special Tooling Program and noted a marked improvement during FY06. The NNSA had identified some major deficiencies with this program during FY05. During FY06, the PXSO performed 5 QAS 3.0's on this program and noted a marked improvement with only 2 minor findings being identified. In addition, the Defense Nuclear Facility Safety Board reviewed the BWXT Pantex Special Tooling Program during FY06 and identified no Findings or major concerns with this program.
- During FY06, the NNSA performed a major QAS 2.0 on the implementation of the BWXT Pantex B61 ALT 357 Life Extension Program (LEP). Of the 16 areas assessed, only one finding was identified during this survey. In addition, the PXSO performed 3 QAS 4.0's on this program during this time period and identified no Quality Assurance findings or major concerns. However, the PXSO did identify several issues with implementation of the BWXT Pantex Nonconformance Program and implemented a Quality Assurance hold on the First Production Unit (FPU) until these issues were resolved.

Effectively manage operations to ensure that no Unsatisfactory Reports (URs) and SFIs are chargeable to BWXT Pantex on work performed since February 2001.

BWXT Pantex met the expectations of the PXSO because there were no Unsatisfactory Reports (UR's) or Significant Finding Investigations (SFI's) that were initiated by the USDOD and chargeable to BWXT Pantex during FY06. Additionally, BWXT Pantex only received two relatively minor Incoming Material

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Reports (IMR's) during FY06 from the Nuclear Weapon Complex (NWC). This is a significant improvement because there had been seven IMR's issued against BWXT Pantex during FY05.

Update timely and maintain accurate Quality Evaluation Test (QET) database.

BWXT Pantex met the expectations of the PXSO because BWXT Pantex effectively updated and maintained the Quality Evaluation Test (QET) database during FY06. BWXT Pantex met all QET plans and schedules during this assessment period. All QET shipments were on time and met schedule. In addition, unplanned QET shipments were fully supported by BWXT Pantex during this reporting period.

Meet the BWXT Software Quality Assurance (SQA) commitments and improve the SQA Program.

BWXT met all Software Quality Assurance commitments in FY 2006. The most important commitment was inclusion of ASME-NQA as the driving document for SQA. BWXT has also streamlined the software identification and inventory process. The program has also streamlined the SQA documentation process by allowing the use of Master SQA Plans and Maintenance Plans.

The BWXT SQA program has performed numerous self-assessments, was reviewed by the PXSO site office and was reviewed by members of a peer-review team comprised of SQA Subject Matter Experts from all multiple sites and headquarters. All found that there are no major deficiencies in the BWXT SQA program. These all ensure that with the streamlined processes in place, the quality is still being maintained.

Demonstrate improvements in the Contractor Assurance System (CAS) through an effective self-assessment (management assessment) program across all business elements.

BWXT exceeded PXSO expectations by performing a total of 310 audits/assessments as part of their Contractor Assurance System for FY06. The BWXT FY06 Contractor Assurance Schedule (CAS) Plan was used to collect and process system performance data, interpret the resulting information for purposes of planning and executing oversight reviews of corrective actions, and communicate the results internally as well as to PXSO management. In addition, the BWXT FY06 CAS program met the requirements of DOE O 226.1, *Implementation of Department of Energy Oversight Policy*.

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PO #11: Reduce Legacy Material.

Performance Assessment

BWXT made significant progress toward the development and implementation of new Pantex technologies, microwave furnace applications, that will allow the sanitization and disposition of Be and other legacy components. The contractor has developed and implemented a Microwave furnace project that has been successful in achieving the following major milestones: 1) Initial characterization of the environmental emissions produced by the microwave furnace and acceptability of applications at Pantex using PDRD, 2) Identification of the materials suitable for microwave processing at Pantex, using PDRD, 3) Optimization of the Conceptual Design for Pantex applications, 4) Identification of the proposed microwave furnace facility location and infrastructure requirements, and 5) Identification of HEWO program funds to procure and ready the microwave furnace system for final production use. BWXT has stayed relatively close to the schedule in the microwave furnace project plan, which identifies a process Start-Up date of August 2008.

PBI #12: Repackage Pits Into AL-R8 Sealed Insert Containers.

Performance Assessment

BWXT earned 100% of the total available fee of \$516,982.

PBI #13: Disposal of Legacy Material.

Performance Assessment

BWXT earned 100% of the total available fee of \$775,472.

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Performance Area: Operations
Award Fee Weight: 73.87%
PBI Fee Weight: 0.00%
Total Fee Weight: 73.87%

Fiscal Year 2006
October 1, 2005 Through September 30, 2006

	<u>PO Percent/PBI Dollars</u>
PO #14 – Manage Maintenance Program at Pantex	2.65%
PO #15 – Execute the Environmental Restoration and Decontamination/ Decommissioning Program	1.59%
PO #16 – Complete the Listed Milestones for Each Identified Line Item Project	1.32%
PO #17 – Complete all FIRP Projects as Required by the Current FIRP Program Execution Plan	2.12%
PO #18 – Maintain an Effective Safeguards and Security Program	14.83%
PO #19 – Ensure Appropriate Levels of Environmental Protection/ Pollution Prevention	2.12%
PO #20 – Maintain an Effective and Efficient ISM Program	3.18%
PO #21 – Implement and Maintain an Effective Counterintelligence Program	1.06%
PO #22 – Implement and Maintain an Effective Emergency Management Program	2.12%

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Performance Area: Operations

Fiscal Year 2006
October 1, 2005 Through September 30, 2006

Performance Area: Operations
Award Fee Adjectival Rating: Good
Numerical Rating: 88.54

PO #14: Manage Maintenance Program at Pantex.

Performance Assessment

Fund and execute required annual maintenance at the minimum industry standard level of 2 - 4% of Replacement Plant Value or at a percentage that demonstrates the stated performance objective will be achieved.

BWXT met PXSO expectations by executing the annual maintenance program to achieve the FY09 goals for mission and non-mission essential facilities and infrastructure. BWXT funded plant maintenance at approximately 2% of the replacement plant value. This level of funding for mission essential facilities and infrastructure currently reflects a FY09 Facility Condition Index of 6.2% in lieu of the goal of 5%. The FY09 Facility Condition Index for non-mission essential facilities and infrastructure is not on target to achieve the goal of 10%.

PO #15: Execute the Environmental Restoration and Decontamination/Decommissioning Program.

Performance Assessment

Meet or exceed annual performance measure/milestones accomplishment requirements contained in the IPABS Gold Chart Metrics for legacy environmental restoration/remediation and D&D projects to be transferred to NA-56

BWXT exceeded PXSO expectations by accomplishing annual performance measures/milestones in obtaining IPABS Gold Chart metrics closures. BWXT obtained site closure of 33 sites, which exceeds the goal of 31 sites.

Obtain Site Wide Baseline Risk Assessment (Human Health and Ecological) and Corrective Measure Study approval by September 30, 2006

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BWXT met PXSO expectations by achieving the revised performance targets approved as part of BCR ESH-06-4142 dated September 13, 2006. The original performance target required BWXT to obtain Site Wide Baseline Risk Assessment (Human Health and Ecological) and Corrective Measure Study approval by September 30, 2006. The performance target was revised to reflect acceleration of interim corrective measures of contaminated soils removal, acceleration of Playa 1 feasibility study, cost avoidance activities on the soil vapor extraction system, and Ozone treatment and pilot study expansion. These activities were to be accomplished in FY07 and FY08 but through effective project management accelerated the completion of these important work activities.

PO #16: Complete the Listed Milestones for Each Identified Line Item Project.

Performance Assessment

Line Item Project Milestones:

<i>04-D-103-02 High Explosives Pressing</i>	<i>CD2 Approval</i>	<i>June 13, 2006</i>
<i>05-D-160-04 Gas Main Distribution System</i>	<i>CD 2/3 Approval</i>	<i>June 30, 2006</i>
<i>05-D-160-03 Electrical Distribution System</i>	<i>CD 3 Approval</i>	<i>July 28, 2006</i>
<i>06-D-160-01 High Pressure Fire Loop, Zone 12</i>	<i>CD 2 Approval</i>	<i>June 30, 2006</i>

BWXT met PXSO expectations. The original deliverable for High Explosive Pressing (HEP) and High Pressure Fire Loop (HPFL) were CD2 approval by June 13, 2006 and June 30, 2006, respectfully. Approved BWXT Baseline Change Requests revised the performance objective for HEP to reflect completing a Value Engineering Study and for HPFL to reflect completing the Final Design Package. Both of these revised performance targets were satisfactorily accomplished by BWXT. Due to non-responsive bids, the performance target date of CD2/3 approval by June 30, 2006, for the for Gas Main Distribution System and CD3 approval by July 28, 2006, for the Electrical Distribution System could not be achieved.

PO #17: Complete all FIRP Projects as Required by the Current FIRP Program Execution Plan.

Performance Assessment

Complete the following FY 2007 Recapitalization designs by September 30, 2006. If Design/Build is utilized the Request for Proposal must be advertised by September 30, 2006 for award in the first Quarter of FY07. Recapitalization projects identified in the TYCSP for FY 2006 design:

Zone 12 Mission Essential Phase 3-A
Zone 12 Mission Essential Phase 8 - Part

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BWXT met PXSO expectations by completing FY07 Recapitalization designs by September 30, 2006. An approved BCP revised the projects originally proposed (Zone 12 Mission Essential Phase 3-A and Zone 12 Mission Essential Phase 8, Part 1) to Building 12-42 Replacement of AHU and steel roofing, and 12-44 Roof Coatings. Those designs were successfully completed.

BWXT will execute FY 2006 Recapitalization and Excess Facilities funding to maintain a carryover balance of less than 30% on September 30, 2006. Pantex will assume that all FIRP funding is received at the site by January 30, 2006. If not received by the assumed date, a prorated percentage will be adjusted based on received date.

BWXT met PXSO expectations by maintaining a carryover balance of 20%, which is below the goal of 30%.

Commit 50% of all FY 2006 Recapitalization and Excess Facilities funds, excluding Line Item projects, within 180 days or receipt of funding authorization from PXSO.

BWXT met PXSO expectations by committing 66%, which is above the target goal of 50%, of the FY06 Recapitalization funds within the 180 days from funding authorization.

PO #18: Maintain an Effective Safeguards and Security Program.

Performance Assessment

This was a very successful and productive year for the BWXT Safeguards and Security (S&S) program. BWXT was challenged with the task of being the first NNSA site required to fully meet the new Design Basis Threat (DBT). BWXT met that challenge and accomplished implementation of the DBT. This involved a daily focus on leveraging technology with a highly trained protective force to meet overall protection requirements. Through effective leadership the S&S program at Pantex continues to maintain a high level of vigilance, even in the face of more stringent requirements. While BWXT has many accomplishments this year, two significant events provide the most concise indicators of BWXT's performance. Those events are the ratings achieved in the PXSO Annual S&S Survey and the Office of Performance Assurance and Independent Oversight inspection. BWXT received ratings of "Effective Performance" in each of the five topical areas in both inspections. The results of these inspections indicate the safeguards and security program afforded the Pantex Plant by BWXT is effectively managed and adequately protecting NNSA security interests.

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BWXT effectively transitioned key management of the overall Pantex S&S program. The new leadership direction, management control systems, and internal assessments of the S&S program are appropriately focused and have demonstrated they are capable of implementing changes as required by the new DBT and Order/Manual requirements. In addition, BWXT has accomplished an organizational restructuring of overall S&S, as well as the protective force. This restructuring has allowed BWXT to focus on critical elements of leadership and management while meeting NNSA/PXSO expectations.

In order to meet the requirements of the DBT implementation plan BWXT refocused its training efforts to address new technologies and weapons systems. This required a restructuring of training priorities and the development of many new courses of instruction. All new training was accomplished in addition to the basic training burden.

BWXT management aggressively reviewed and reinforced the safety culture for firearms across the board in BWXT. This reinforcing action required significant hours of additional management attention and staff work to accomplish. BWXT's actions to ensure the integration of safety and security are notable.

BWXT Pantex successfully "rebuilt" the automated nuclear materials accounting system in order to develop and implement Local Area Network Material Accounting Software (LANMAS). The new software system enables effective tracking of critical assets and automatic update of nuclear material data bases as well as providing the capability to interface with other sites across the complex. Functionality of TEXMAS (the BWXT implementation of LANMAS) was very thoroughly reviewed as a part of this year's OA inspection. Results and comments were very favorable.

Comply with new Site Safeguard and Security Plan; Employ Technologies to Reduce Manpower Requirements; Maintain credible Cyber Security Program; Enhance "need-to-know Program; Strengthen vulnerability analysis resources.

BWXT has taken aggressive steps in meeting the Site Safeguards and Security Plan (SSSP). This year saw the culmination of a number of efforts in the procurement, testing and fielding of new weapons and detection equipment. Vulnerability analyses were performed to ensure the contributions each system made individually and collectively. In concert with the SSSP, the addition of technological enhancements avoided significant increases in the number of protective force personnel. BWXT made a sound management decision to include the DBT implementation plans in the SSSP. This enables the tracking and performance measurement of various aspects of the protection system. Foundational to the implementation of the FY03 DBT, BWXT Pantex implemented various additional upgrades that enhance the effectiveness of the protection system. The creation of a 40 person training cadre allows for on-duty

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training thus eliminating the need to train on overtime. The development of the protective force weapons simulator ensure security personnel are trained in various engagement scenarios and provides the opportunity to train small team tactics. Much of the simulator training can be now be performed by on-duty supervision and therefore does not present a burden on the dedicated training staff.

Given the new barriers and technology BWXT has put in place they have worked with the Site Office and NNSA HQ to bring about changes in the way in which force-on-force exercises are conducted.

The BWXT Cyber security program continues to maintain its effectiveness. BWXT made difficult management decisions when faced with budget cuts directly affecting the cyber program and has maintained a credible program.

BWXT revisited its focus on “the need to know” and initiated a comprehensive program for the control of Sigma-14 and -15 information. In addition, a plant-wide training program was instituted to address use control, classification courses, and the control of classification guides.

Additional resources were added to the vulnerability analysis section. BWXT also maintained a highly qualified support contractor staff to ensure the quality of the vulnerability analyses performed to support the SSSP.

Operate a satisfactory security program, for FY2006 as validated by local Site Office survey and/or Office of Security and Safety Performance Assurance independent assessments.

BWXT received overall ratings of “effective performance” in both the OA and PXSO inspections of the Pantex S&S program. Corrective action plans for identified findings have been effective allowing closure and validation of a number of inspection related issues.

Meet all cost and schedule milestones included in the Design Basis Threat (DBT) Implementation Plan approved for the 2004 DBT Policy.

BWXT successfully met all 2005 DBT implementation plan milestones. Because of BWXT’s ability to justify the need for funds additional funding was received for this fiscal year. BWXT successfully initiated projects to execute the 2005 DBT funding received in FY 2006. Projects were put on a fast track through conceptual and preliminary design to ensure they could be awarded this fiscal year.

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Implement a formal security cost reduction/cost avoidance program that results in the savings of 3 percent of new obligation authority that can be reallocated to otherwise unfounded high priority work.

BWXT's implementation of the protective force weapons simulator as well as an overall reduction in overtime has exceeded this performance target.

Maintain an effective self-assessment program that identifies and corrects problems in a timely manner.

BWXT has taken the action to increase the quality and quantity of self assessments performed within S&S. BWXT revised the performance assurance program test plan and has made specific organizational changes to enhance program performance.

Satisfactory accomplishment of all performance and scheduled milestones contained in the approved FY2006 Site Security Annual Operation Plan.

BWXT produced a very effective Annual Operating Plan for S&S. All milestones were formally tracked and a change control process was implemented. BWXT also established a monthly meeting whereby the PXSO can effectively status all AOP "deliverables." BWXT's actions have established a very effective method for continually tracking and emphasizing issues important to S&S.

Compliance with the PART performance requirements established by the NNSA and approved by OMB for FY2006.

BWXT has effectively complied with all performance requirements identified in the PART, as defined by the PXSO. Development of the SSSP, DBT implementation plans, and the AOP are examples of accomplishments that feed PART.

PO #19: Ensure Appropriate Levels of Environmental Protection/Pollution Prevention.

Performance Assessment

BWXT met expectations by receiving no significant violations or adverse regulatory actions from environmental regulators.

BWXT exceeded expectations by making significant improvements in pollution prevention. BWXT's input was critical to attaining Secretary Bodman's approval of Pantex as the pilot program to recycle scrap metal that has is subject to the July 2000 suspension, provided it meets the specified release criteria. Under the Texas Land Application Permit, BWXT discharged approximately 83 million gallons of treated wastewater through the underground, drip irrigation system, a 75% increase over FY05, resulting in no discharges to Playa 1. BWXT joined the Federal Electronics

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Challenge (FEC) and demonstrated a process to remove all memory-capable computer components for sanitization, and send the remainder for recycling. Excessed monitors are sold for reuse. BWXT received a White House Closing the Circle Award for alternative fuel usage and three NNSA FY06 Pollution Prevention Awards, for Environmental Management System, the underground drip irrigation system, and transferring moratorium metals to the Department of Defense (also nominated for a White House Closing the Circle Award). The US Environmental Protection Agency selected the DOE Pantex Plant for a Federal Government Honorable Mention in the Waste Wise Program.

PO #20: Maintain an Effective and Efficient ISM Program.

Performance Assessment

Achieve a site-wide injury and illness rate that is better than the sum of the rate of each completed contract year divided by the number of complete years BWXT has managed the contract. For FY 2006 this will be: Total Recordable Case Rate (TRC) = 1.83 and Lost Time Case Rate (LTC) = 0.57.

BWXT exceeded expectations by achieving a site-wide injury and illness rate that is significantly better than the sum of the rate of each completed contract year divided by the number of complete years BWXT has managed the contract. Year-end figures were TRC = 0.79 and LTC = .18. Both figures are well below the Performance Target of 1.83 and 0.57 respectively. PXSO conducted an injury and illness recordkeeping assessment during the second of FY06 and found deficiencies in recordkeeping that resulted in six first aid cases being re-classified as recordable. The six cases increased the TRC and LTC a small amount, but not enough to exceed the target goals.

However, while BWXT was successful in reducing the number of injuries and illness in FY06, thereby reducing injury and illness statistics, BWXT's performance in preventing significant safety and health events warrants continued management focus as evidenced by at least 8 major occurrences that led to personnel injury or had the potential for serious injury.

Conduct retesting of 20% of the active previously monitored processes that have a continued potential for beryllium exposure.

BWXT met expectations for retesting of 20 % active previously monitored processes that have a continued potential for beryllium exposure. BWXT retested six of 19 previously monitored processes for a retesting percentage of 32%.

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Conduct monitoring in support of construction projects that have a significant potential for beryllium exposure.

BWXT met expectations for beryllium monitoring of construction project with a significant potential for beryllium exposure. BWXT conducted monitoring on six of six or 100% of construction projects with potential beryllium exposure (surface monitoring and/or air sampling as appropriate).

Conduct medical surveillance of beryllium-associated-workers as outlined in 10 CFR 850.34.

BWXT met expectations for beryllium monitoring of beryllium-associated-workers as required by 10 CFR 850.34. BWXT identified and conducted medical surveillance of all beryllium-associated workers during the rating period.

Maintain American Industrial Hygienist Association Laboratory Certification for beryllium metal analysis.

BWXT met expectations for certification for beryllium metal analysis. BWXT successfully achieved a full laboratory certification from the American Industrial Hygiene Association (AIHA) Certification Program which includes certification for beryllium metal analysis.

Maintain sufficient respiratory protection equipment in a readiness status to supply 100% for both routine and emergency use. This includes the capability to repair, issue, and fit-test respiratory protection for employee use, in order to prevent occupation exposures in excess of the allowable limits.

BWXT met expectations for the supplying 100% of respiratory protection equipment for both routine and emergency use. BWXT has continued to supply sufficient respiratory protection to provide an adequate level of protection to meet the needs of Plant personnel during FT06.

Maintain a high level of performance throughout all areas of the Pantex Energy Employees Occupational Illness Program Compensation act (EEOIPCA) site program. Meeting the DOL/DOE timeframes for responding to data requests will be emphasized.

BWXT met expectations for a high level of performance in over seeing the Pantex Plant Energy Employees Occupational Illness Program Compensation Act. This performance has included timely responses to DOL data requests in support of EEOIPCA.

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PO #21: Implement and Maintain an Effective Counterintelligence Program.

Performance Assessment

The BWXT Counterintelligence (CI) Program substantially exceeded expectations in FY 2006. BWXT presented in-person CI Awareness briefings to a total of 4,321 personnel, resulting in the CI program reaching over 130% (exceeding the CI enterprise target of 85%) of the Plant population with relevant information and a reminder of DOE reporting requirements. BWXT completed an initiative to videotape scenarios wherein law enforcement officers will become knowledgeable of what course of action to follow in the event they come across classified information during the course of their normal duties (searches, traffic stops, etc). The BWXT Information and Special Technologies Program (ISTP) produced a first-ever analytic assessment of a software program and determined its accuracy in those areas relevant to CI. The BWXT CI Program completed a new site specific Threat Assessment (TA) and a comprehensive CI Support Plan for the Pantex Plant.

PO #22: Implement and Maintain an Effective Emergency Management Program

Performance Assessment

BWXT successfully met or exceeded all performance goals for this area. With minimal disruption to other plant activities, BWXT accomplished modifying the Operations Center with significant physical reconfigurations to accommodate the fire dispatcher facility, and OC and EOC changes and upgrades. Other BWXT accomplishments included: 1) Implementation of the MSDS Module in PassPort as an integral part of the Integrated Hazardous Materials Information System; 2) Securing Memorandum of Understanding (MOUs) from Carson and Armstrong Counties for the use of certain facilities as Alternate EOC and Continuity of Operations Plan (COOP) facilities; and 3) Becoming NIMS compliant by meeting the required training requirements. BWXT Pantex exceeded expectations in its support of the Office of Fossil Fuels, Strategic Petroleum Reserves Office, West Hackberry Site during its recovery from Hurricanes Katrina and Rita. BWXT continues to improve its close working relationship with the National Weather Service through awards achievement like qualifying for the NWS' Mark Trail Award, and getting a number of BWXT emergency responders and planners Storm Spotter trained and qualified. BWXT has also worked closely with the NWS to utilize their warning system (NOAA radios) to help notify residences and businesses located within the 10-mile Emergency Planning Zone. These efforts continue to reflect favorably on BWXT Pantex.

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Operations – Other Considerations:

- (+) BWXT received the Texas Commission on Environmental Quality (TCEQ) Total Coliform Rule Program Award for complying with the rule for 60 consecutive months (September 2001-September 2006).
- (+) BWXT accomplished exceptional coordination internally and with Burlington Northern Santa Fe (BNSF) Railroad, the Amarillo Railroad Museum (ARM), and the Pantex Site Office to disposition and preserve the historically significant DOE railcars and locomotives. At no charge, BNSF provided critical support in manpower, equipment, and logistics at several stages. Six railcars and one locomotive remained at Pantex, per the Programmatic Agreement/Cultural Resources Management Plan; two railcars are stored at ARM for the DOE National Atomic Museum; and the remaining cars, locomotive, some rail, ties, and switches were donated to ARM, where they will be restored and displayed.
- (+) BWXT proactively commented on the EPA proposed final rule for Other Solid Waste Incinerators, resulting in a provision in the final rule allowing a site to request an exclusion “if the incinerator unit is being used solely to incinerate national security materials...its use is necessary to safeguard national security.” On October 12, 2006, the EPA found that Pantex meets the exclusion under both 40CFR60 Subparts EEEE and FFFF. Incineration is the only feasible path forward for sanitization of certain classified components.
- (+) BWXT exceeded PXS0 expectations by receiving approval of the Pantex Ecological Risk Assessment from the state regulator. Acceptance of this assessment from the regulator is significant in that it documents no damage to natural resources has occurred as a result of Pantex legacy activities.
- (-) BWXT received two notices of violation from the TCEQ for three self-reported events, TCEQ took no adverse regulatory action, and no further action by BWXT was required. Additionally, for the second consecutive year, BWXT failed to ensure that designated personnel completed required regulatory storm water training.

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STRETCH INCENTIVES

Fiscal Year 2006
October 1, 2005 Through September 30, 2006

	<u>PBI Dollars</u>
PBI #23.0 – Reduce Inventory of Legacy Material in Support of Life Extension Program Activities.	\$ 402,634
PBI #24.0 – Design and Implement the High-Explosives Transportation Cart.	\$ 161,053
PBI #25.0 – Complete Additional Quantities of Programmatic Deliverables on the W76 and W80 Programs.	\$ 241,580
PBI #26.0 – Regulatory Closure of Waste Management Units.	\$ 281,844
PBI #27.0 – Achieve Unrestricted Access to Building 12-44 Cell 1.	\$ 281,844
PBI #28.0 – Further Reduce Deferred Maintenance at Pantex.	\$1,328,691
PBI #29.0 – Develop, Populate, and Implement an Electronic Technical Safety Requirement Flowdown Matrix.	\$ 603,950
PBI #30.0 – Convert 400 Workstations to Diskless.	\$ 724,740

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STRETCH INCENTIVES

Fiscal Year 2006
October 1, 2005 Through September 30, 2006

PBI #23: Reduce Inventory of Legacy Material in Support of Life Extension Program Activities.

Performance Assessment

BWXT earned 100% of the total available fee of \$402,634.

PBI #24: Design and Implement the High-Explosives Transportation Cart.

Performance Assessment

BWXT earned 0% of the total available fee of \$161,053.

PBI #25: Complete Additional Quantities of Programmatic Deliverables on the W76 and W80 Programs.

Performance Assessment

BWXT earned 100% of the total available fee of \$241,580.

PBI #26: Regulatory Closure of Waste Management Units.

Performance Assessment

BWXT earned 100% of the total available fee of \$281,844.

PBI #27: Achieve Unrestricted Access to Building 12-44 Cell 1.

Performance Assessment

BWXT earned 100% of the total available fee of \$281,844.

PBI #28: Further Reduce Deferred Maintenance at Pantex.

Performance Assessment

BWXT earned 100% of the total available fee of \$1,328,691.

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PBI #29: Develop, Populate, and Implement an Electronic Technical Safety Requirement Flowdown Matrix.

Performance Assessment

BWXT earned 100% of the total available fee of \$603,950.

PBI #30: Convert 400 Workstations to Diskless.

Performance Assessment

BWXT earned 100% of the total available fee of \$724,740.

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MULTI-SITE INCENTIVE

Fiscal Year 2006
October 1, 2005 Through September 30, 2006

PBI Dollars

PBI #31.0 – Integrated multi-site incentive between Los Alamos National Laboratory, Lawrence Livermore National Laboratory, Sandia National Laboratory and BWXT Pantex to meet specific program deliverables and Directed Stockpile Work (DSW) directive schedules in a safe and effective manner.

\$1,447,032

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MULTI-SITE INCENTIVE

Fiscal Year 2006
October 1, 2005 Through September 30, 2006

PBI #31: Integrated multi-site incentive between Los Alamos National Laboratory, Lawrence Livermore National Laboratory, Sandia National Laboratory and BWXT Pantex to meet specific program deliverables and Directed Stockpile Work (DSW) directive schedules in a safe and effective manner.

Performance Assessment

BWXT earned 100% of the total available fee of \$1,447,032.