

U. S. Department of Energy
National Nuclear Security Administration
Kansas City Site Office

**AWARD FEE
PERFORMANCE EVALUATION
REPORT**

FOR THE PERIOD:
October 1, 2010 through September 30, 2011

Contract DE-NA 0000622

**Honeywell
Federal Manufacturing &
Technologies, LLC**

Date:

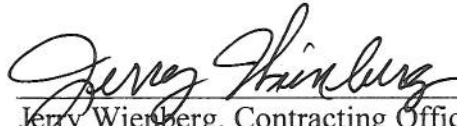
12/6/11



Mark Holecek, Manager
Kansas City Site Office

Date:

12/6/11



Jerry Wienberg, Contracting Officer
Kansas City Site Office

Performance Evaluation Report (PER)
Kansas City Plant
October 1, 2010 through September 30, 2011
Honeywell Federal Manufacturing & Technologies, LLC

Essential Targets	69%	\$20,753,125
Stretch Targets	21%	\$ 6,246,875
Multisite Targets	10%	<u>\$ 3,000,000</u>
Total		\$30,000,000

Performance Area	Award Fee (PO) Allocation/Weight		Incentive Fee (PBI) Allocation/Weight		Total Fee Allocation/Weight	
Program – Essential	\$7,862,500		\$1,500,000		\$9,362,500	
Program – Stretch	\$637,500		\$500,000		\$1,137,500	
Program Total	\$8,500,000	37%	\$2,000,000	28%	\$10,500,000	35%
Oper.– Essential	\$7,875,000		\$0		\$7,875,000	
Operations – Stretch	\$2,625,000		\$0		\$2,625,000	
Operations Total	\$10,500,000	46%	\$0	0%	\$10,500,000	35%
IM&B – Essential	\$3,515,625		\$0		\$3,515,625	
IM&B – Stretch	\$234,375		\$2,250,000		\$2,484,375	
IM&B Total	\$3,750,000	17%	\$2,250,000	31%	\$6,000,000	20%
Multisite –Essential	\$0		\$3,000,000	41%	\$3,000,000	10%
Totals	\$22,750,000	76%	\$7,250,000	24%	\$30,000,000	

The contract between NNSA and Honeywell Federal Manufacturing & Technologies (FM&T) states that the term Kansas City Plant, or KCP, covers operations at all FM&T locations. Those locations are: Kansas City, Missouri; Albuquerque, New Mexico; Los Alamos, New Mexico; and Fort Chaffee, Arkansas. However, for the purposes of clarifying when expectations are specific to one location or organization, the following terms are used in this PER.

Organizational References

FM&T = the overall organization Honeywell Federal Manufacturing & Technologies, LLC (In the PER, “FM&T” is used interchangeably with the term “Honeywell.”)

FM&T/KC = the organization that manages operations specifically located at the Kansas City, Missouri, facility

FM&T/NM = the organization that specifically manages operations at the facilities in New Mexico

KCSO = NNSA’s Kansas City Site Office

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May be exempt from public release under the Freedom of Information Act (5. U.S.C. 552), Exemption number and category: _____	
<u>3 Statutory Exemption</u>	
Department of Energy Review required before public release	
Name/Org: <u>Jerry Wienberg</u>	Date: <u>10/01/11</u>
Guidance (if applicable) <u>Source Selection Information, FAR 2.101 and 3.104</u>	

Location References

Ft. Chaffee = the NNSA facility specifically located at the U.S. Army's Fort Chaffee in Ft. Chaffee, Arkansas

KCP = Kansas City Plant; in this case referring specifically to the facility in Kansas City, MO

KO = Kirtland Operations; all facilities FM&T/NM operates.

NNSA has attempted to state a specific organization or location when appropriate. When no reference is made to a specific location or organization, NNSA intends for the expectation to cover all locations mentioned above.

2011 Performance Summary Statements

I. Performance Area - Program

Adjective Rating/Score
(Excellent/91.4%)

Performance Summary: FM&T effectively executed the Mission performance area amidst continued W76-1 production challenges, B61 funding and scope uncertainties, and aggressive Kansas City Responsive Infrastructure Manufacturing and Sourcing (KCRIMS) project planning and execution. In spite of existing challenges, FM&T maintained their exemplary ship performance trend by delivering over 121,000 weapon related components at a 99.97% on-time delivery rate. FM&T also actively led improvements and shared best practices on multi-site improvement teams related to Requirements Modernization and Integration (RMI), Quality Systems, Supply Chain Management Center (SCMC), and other functional business areas. Office of Secure Transportation (OST) task agreements, including 3,190 deliverables, were completed on time and within budget. FM&T also accomplished Engineering and Readiness Campaign Execution Plan requirements and Quality performance based requirements.

Noteworthy accomplishments for FY 2011 include:

- Completed 35 Directed Stockpile Work (DSW) milestones in the KCP DSW Execution Plan within budget.
- Actively participated in B61 Phase 6.2/2A Study design reviews and delivery of key Work Package Agreements (WPA) including subsystem and component production strategies, process flows, and Manufacturing Readiness Level (MRL) assessments.
- Delivered the first W76-1 Life Extension Program (LEP) Arming, Fuzing and Firing (AF&F) -05 incorporating a modified MC4710 Intent Stronglink.
- Delivered retainer rings to the DoD in support of B83-1 ahead of schedule.
- Participated on several NNSA and US Navy project teams to establish the W88 ALT Work Breakdown Structure and issue the draft integrated project schedule.
- Generated and updated Rough-Order-of Magnitude (ROM) cost estimate for all three variants of the adaptable fuse for the W88 Alt 370, W87 AFA, and W78 LEP AF&F.
- Exceeded W80 JTA-3 development and Process Prove In (PPI) requirements by achieving Life of Program production requirements for a JTA-3 Continuing Resolution (CR) component.
- Eliminated 6,452 items valued at \$78,403,252 from inventory, exceeding the FY11 inventory reduction goal by 1,375 sq. ft.
- Successfully transitioned Safeguard Transporter (SGT) refurbishment from Kansas City to Kirtland Operations (KO), while maintaining the refurbishment schedule, completing alternate use SGT build, and providing unprecedented amount of additional SGT fleet support.
- Supported all H1700 shipments and delivered all Base Spare and Equipment Requirements Schedule (ERS) – Program Control Document (PCD) equipment on schedule.
- Partnered with Surveillance Teams to identify surveillance enterprise improvements.

- Selected source providers for H-Gear and Overpacks associated with Overland Palletized Unit Shipper (OPUS) project, a multi-site project collaboration.
- Led and supported RMI and Integrated Phase Gates (IPG) training, documentation development activities, process improvement initiatives, and various RMI sub-teams and overcame significant project integration challenges to complete the site review comment resolution on schedule.
- Deployed the Active Risk Management (ARM) application designed to mature risk identification processes, elevate risk visibility, and effectively manage risk across DSW and Campaign programs.

In other areas, FM&T continued to support Product Realization Integrated Digital Enterprise (PRIDE) applications, digitized over 100,000 Nuclear Security Enterprise (NSE) historical data, provided consulting services to SNL for PRIDE application maintenance, and allocated additional staff to support PRIDE requirements. FM&T contributed to the NSE-wide cost savings goal of \$178 million with a forecasted \$360 million in savings reported by the multi-site team. FM&T's willingness to share expertise throughout the NSE is noteworthy.

W76 LEP Support

The impact of the Sandia External Production (SEP) supplied MC4682 Capacitors required FM&T to create a recovery response to the original build-ahead planning for the AF&Fs. The component shortage eliminated the ability to pre-build components prior to the move. The “Dual Capacity Plan” was created to minimize impact due to the component shortage that would have halted AF&F production at FM&T and Pantex. Continuous production for the AF&F was enabled by moving a few critical manufacturing capabilities early, to the KCP Botts location, to support production during the KCRIMS move period. FM&T expedited procurements for the equipment, gages, tooling and testers to support this capability and committed approximately \$5 million of FY11 funding to support this \$18 million plan.

Inventory Reduction

During FY11, FM&T eliminated 6,452 items valued at \$78,403,252 from inventory. See below table for data by category. Eliminating these items from inventory resulted in a 3,857 sq. ft. reduction in inventory space. Through additional inventory consolidations and other efficiencies, an additional 11,618 sq. ft. space reduction for a total 15,475 sq. ft. reduction was identified. This exceeded the FY11 inventory reduction goal by 1,375 sq. ft. FM&T remains on target to reduce inventory to the Botts Road Facility, 60,000 square feet requirement.

<u>Item Category</u>	<u>Total Items</u>	<u>Value</u>
Weapon related production components	3423	\$76,980,396
Tooling (gages, testers and fixtures)	549	\$933,600
Maintenance, Repair and Operating Supplies	2480	\$489,256

Weapon Quality Assurance

FM&T executed weapon quality assurance program activities in a manner that meets Weapon Quality Policy, QC-1 requirements. FM&T's dedication and commitment to weapon quality assurance management was demonstrated by performance that included the following highlighted accomplishments:

- Assessed against ISO 9001:2008 Standard and received no findings and five noteworthy practices.
- Conducted over 60 internal assessments to validate effectiveness of their quality management system and to identify opportunities for improvement.
- Realigned organization to emphasize quality focus.
- Utilized various Measurement System Evaluation (MSE) tools to assess and improve inspection personnel competencies.
- Executed 21 Enterprise Quality Improvement Process (EQIP) projects, resulting in an estimated \$700,000 savings related to reductions in scrap/rework and improvements in yield.
- Deployed the Fact Based Quality (FBQ)-IT project for real-time feedback from data collection and analysis system to operators and engineers for enhanced ability to manage/react to process control issues.
- Implemented an Issues-Management-Corrective Action Effectiveness process to evaluate root cause identification and corrective action effectiveness.
- Integrated Honeywell Operating System (HOS) leadership, training and support from the quality organization.

FM&T achieved an outstanding composite score of 139 out of a possible 140 for the FY11 Quality Index, demonstrating a significant improvement over the FY10 composite score of 109. FM&T's FY11 Quality Index improvements were attributed to a reduction in scrap product and quality escapes and improvements in vendor Parts Accepted Trouble Free (PATF). All Quality Index metrics (Escapes, Scrap, Rework, Yield and PATF-Vendor) achieved Stretch Performance Targets. The scrap metric was adversely impacted in March due to scrap disposition of a significant number of MC3600As. However, with significant overall FM&T Cost of Non-Conformance (CONC) improvements, FM&T achieved the Stretch Performance Target for this metric at year-end.

In FY11, some significant quality issues were identified as follows:

- KCSO assessment activities for recall/rework of stainless steel bar stock resulted in an Unsatisfactory Finding involving shipment of Nuclear Grade Steel to an unapproved supplier. FM&T was responsive in the implementation of corrective actions.
- An external Price-Anderson Amendments Act (PAAA) notification was required for an internal quality system escape associated with a pentagon S requirement. Initial FM&T communications and corrective actions taken when the PAAA quality escape was identified were not satisfactory.
- Corrective action implementation was not completed as scheduled for an Unsatisfactory Finding (QAS 3.0, March 2010) on FM&T's training system. Pilot system improvements followed by full deployment did not progress satisfactorily.
- Issues have been raised with FM&T in FY 2011 regarding high Corrective Action Report (CAR) reject rates and past due CARs.

B61 LEP and Lessons Learned

In order to integrate lessons learned from the W76-1 LEP into the B61 LEP study, FM&T categorized lessons learned and developed objectives for each category. One category, Production Strategies, was initiated across the B61 LEP prior to IPG Gate B. Production Strategies include Product Realization Team (PRT) lessons learned and best practices and were updated throughout the FY to support System Gate B and C. PRTs are fully engaged in the B61 LEP new phase gate process much earlier than on previous LEPs. A product from lessons learned was FM&T's establishment of a new organization, Integration Engineering (IE). IE provides the organization structure necessary to ensure successful implementation of lessons learned objectives and the new phase gate process. FM&T completed extensive work on B61 LEP Manufacturing Readiness Level (MRL) assessments and Critical Elements/Risks. A significant tester improvement is underway for the Multi-Site Common Tester Architecture project. FM&T achieved critical manufacturing influence to conceptual designs across the PRTs resulting from Design for Manufacturing Guide input, prototype builds, stereo lithography models, mechanical simulations and engineering residencies at SNL.

FM&T developed a B61 LEP qualification strategy, achieving another KCP B61 LEP performance target. FM&T identified and prioritized initiatives associated with the B61 LEP Qualification Strategy. A Quality Strategy document was released incorporating lessons learned for qualification planning development.

Other Considerations - Program:

- a. **(Excellent)** FM&T created a "Dual Capacity Plan" to minimize the impact of the MC4682 Capacitor shortage on NSE AF&F deliveries. The plan, enabling phased AF&F production at the existing Bannister facility and Botts facility, has been approved and integrated into KCRIMS facility execution plan.
- b. **(Unsatisfactory)** Honeywell FM&T failed to properly execute the process used for excess material and tooling disposal resulting in a loss of an estimated \$50,000 of tooling required to support the B61 LEP.
- c. **(Unsatisfactory)** Honeywell FM&T failed to properly mitigate manufacturing issues associated with a challenging cable design and a low performing cable supplier. As a result, W87 Joint Test Assembly (JTA) cables did not receive an acceptable qualification status and were shipped via a Production Waiver. In addition, production challenges associated with MC3600A End Caps, produced by a different supplier, is introducing high risk to the MC3600A KCRIMS build-ahead schedule.

Program Rating:

Milestone Composite Percentage:	93.4 %
Other Considerations:	-2.0 %
Performance Area Rating	91.4%

II. Performance Area - Operations

Adjective Rating/Score
(Excellent/98.1%)

Performance Summary: FM&T was outstanding in performance in Operations. All of the objectives for the KCRIMS project were met or exceeded in FY11. FM&T performed exceptionally by reviewing 133 design submissions for the design-build, fast track project. They partnered very closely with the General Services Administration and the KCRIMS developer team to provide a timely review of designs, formal submissions and cost reduction opportunities. Their efforts ensured the facility will meet requirements when completed and the project construction critical path was maintained. The detailed Program of Requirements has withstood developer challenges and change orders are currently projected to be less than 1%, which is exceptional.

The KCRIMS occupancy team has demonstrated effective management of scope, cost, and schedule. Significant progress has been made during preliminary planning. Schedule development and the level of rigor placed on earned value management and project controls has been exemplary. The earned value management system provides an effective tool for tracking performance, spotting trends, and maintaining project control on the various project elements. Five major sub-contracts were let in FY11 for relocation of property to the Botts Road facility.

The Integrated Project Plan (IPP) is a key tool to ensuring KCRIMS activities will be fully coordinated. Details of the move are being incorporated and refined as move planning continues to mature. The IPP team developed an FM&T resource-loaded plan to support relocation of all major capital equipment. Detailed checklists have been developed for Transfer Readiness Review (TRR), Relocation and Production Readiness Review (PRR) tasks and have been incorporated into the detailed planning process. Risks to the NSE, related to KCRIMS activity, have been included in project planning. An independent project review was performed prior to CD-2. The risk management process was recognized by the reviewers as a significant factor in the execution of KCRIMS planning and execution.

FM&T benchmarked the NSE for electrical equipment compliance requirements for the KCRIMS facility. This resulted in a significant decrease in the equipment procurement cost to ensure compliance with Nationally Recognized Testing Laboratories requirements,

FM&T continued high performance in facilities management, physical security, environment, safety and health, information technology, and cyber security. The Readiness in Technical Base and Facilities (RTBF) program continued to reduce costs exceeding the targets for the Functional Transformation Initiative (FTI) plan. The KCP continues to operate at a high level despite the reductions in facility operations. FM&T met or exceeded expectations for HS&E at both the KCP and KO. Illness/Injury statistics continue to be significantly better than comparable industry averages. Kirtland Operations has been OSHA-recordable-free for 26 months. The DOE VPP Star Program, ISO 14001, and strong Honeywell Corporate requirements continue to provide externally-validated bases for HS&E adequacy. Constructive dialogue continues between KCP management and labor in the context of multiple safety committees with a shared VPP commitment. Honeywell FM&T successfully completed an evaluation of the KCP beryllium program.

FM&T did an outstanding job managing the Roof Asset Management Program (RAMP), which continues to demonstrate outstanding value and responsiveness to the NSE needs. FM&T executed over \$25 million of construction consisting of 19 projects across the Enterprise. The program responded quickly in providing emergency repairs on two LANL buildings to prevent damage during the winter season. In addition, the construction crew earned a safety award from LANL reinforcing that even expedited work can be completed in a safe manner. FM&T continues to effectively support expansion of the RAMP model within the Department of Energy at Idaho National Laboratory. All projects met scope, cost, and schedule milestones for FY11.

FM&T made significant progress in supporting efforts for rapid sale/reuse of the existing Kansas City Plant. Communication with the developer, community and public was coordinated effectively by:

- Investigating reuse potential
- Conducting tours
- Providing informational briefings

FM&T provided outstanding support in developing an alternate strategy to avoid listing on EPA's National Priorities List by preparing a Resource Conservation and Recovery Act (RCRA) permit modification request. A National Priorities Listing (NPL) could have impacted the ability to dispose of the KCP once the facility is vacated at the end of FY14. The scope of work developed for the National Environmental Policy Act (NEPA) Disposition Environmental Impact Statement (EIS) resulted in a 30% reduction in cost for an EIS. The NEPA work was delayed at the direction of the KCSO. However, this activity was restarted after the RCRA modification was submitted. A review in accordance with the Missouri State Historic Preservation Office is in progress. Initial feedback indicates the KCP is a historical site but requirements for compliance will not impact reuse of the site.

KO operations improved significantly in FY11 compared to the previous year. The Craddock modification project was completed on schedule and was under budget by \$500,000. The first SGT refurbishment at KO was completed two weeks ahead of schedule. The NC-135 Transition Plan for relocation of the site was completed and successfully met the US Air Force approved Closeout Plan. During the preparation stage, the project team was able to reevaluate requirements and identify space use and production synergies. This resulted in reducing KO transition costs by about 40%.

Other Considerations - Operations:

- a. **(Excellent)** FM&T proactively addressed an issue with a production material that could not be stored at the new National Security Complex due to regulatory requirements. This was an extremely difficult activity that was essential to protect workers and the environment. FM&T's proactive approach avoided a potentially significant storage problem for the KCP.

- b. **(Excellent)** FM&T provided a Six Sigma baseline review of Savannah River of the Mixed Oxide (MOX) construction process at the request of NA-54 and the KCSO. The team identified a number of best practices and opportunities for improvement that will enable higher levels of MOX performance.

<u>Operations Rating:</u>	Milestone Composite Percentage:	96.6%
	Other Considerations:	1.5%
	Performance Area Rating	98.1%

III. Performance Area – Institutional Management and Business (IM&B)
Adjective Rating/Score (Excellent/97.7%)

Performance Summary: FM&T has effectively managed the IM&B program areas, supporting mission requirements in a cost effective manner and in accordance with applicable laws, regulations and directives. FM&T’s efforts to support numerous initiatives and share best practices with NSE-wide implications, such as KCRIMS, Supply Chain Management Center (SCMC), Honeywell Operating System (HOS), KCP Oversight Model, Congressional Affairs and Contractor Human Resources, demonstrate FM&T’s understanding of the KCP posture to drive future improvements throughout the NSE. The management of business areas has remained positive with a trend that continues to move upward while maintaining steady performance through budgetary, cost management, public relations and transformation challenges.

Noteworthy Highlights include:

- Exceeded cost savings target of \$5 million, with savings being reapplied to future KCP scope and target Functional Transformation Initiative goals were met. The FY11 labor cost estimate was \$341,321,000. The actual labor cost was executed at \$330,800,000, well under the target.
- Effectively led the NSE sites in achieving and exceeding SCMC goals and objectives. Over \$100 million was saved NSE-wide; multiple commodity teams were operated; four commodity agreements were awarded; all three targeted projects were completed and SCMC outreach led to DOE’s selection as the new leader of EM’s eSourcing initiative.
- Exceeded FM&T targets in support of the SCMC, increasing utilization spend to \$101 million surpassing the goal of \$80 million, resulting in a savings of \$11.7 million.
- Maintained NNSA Capabilities in Work for Others generating greater than \$60 million in overhead recovery.
- The FY11 business oversight dashboard/objectives matrix performance resulted in an “Outstanding” rating for procurement. Contractor human resources management was rated as “Excellent”.
- Achieved a “good” (highest rating) for all FY11 OFFM Performance Measures with numerous process improvements and best practices shared at other NSE Sites.

FEE CALCULATION

Performance Area	Fiscal Year 2010			Fiscal Year 2011		
	Weight	Adjective/Score	Weighted Rating	Weight	Adjective/Score	Weighted Rating
Mission/Program	35%	Excellent/91.6	32.06	35%	Excellent/91.4	31.99
Operations	35%	Excellent/96.5	33.78	35%	Excellent/98.1	34.34
Business	20%	Excellent/97.7	19.54	20%	Excellent/97.7	19.54
Multisite	10%	Excellent/100	10.00	10%	Excellent/100	10.00
Total		Excellent/95.4			Excellent/95.9	

<u>Fee Summary</u>	<u>Total Available Fee</u>	<u>% Fee Earned</u>	<u>Amount Earned</u>
Essential Fee	\$20,753,125	x 95.0%	\$19,714,488
Stretch*	\$ 6,246,875	x 96.8%	\$ 6,047,031
Multisite	<u>\$ 3,000,000</u>	x 100%	<u>\$ 3,000,000</u>
Total	\$30,000,000	95.9%	\$28,761,519
	FY11 Provisional Fee Paid		<u>\$10,675,000</u>
	Balance Remaining		\$18,086,519

*Stretch Fee earnings: A “gateway” approach related to Essential performance was used to determine stretch fee. Irrespective of performance in Stretch, to be eligible to earn any Stretch fee, the Essential performance had to be at least 80% success.

Attachment 1 – KCP FY11 PEP Milestone Final Performance Report

(See attached Excel milestone spreadsheet)