

BUSINESS SENSITIVE
Department of Energy
Washington, DC 20585

Mr. Dwayne Wilson, President & CEO
Savannah River Nuclear Solutions, LLC
Savannah River Site
Building 730-1B, Room 333
Aiken, SC 29808

Dear Mr. Wilson:

SUBJECT: Final Fee Determination for Fiscal Year (FY) 2012 Base Work Performance Period

The purpose of this letter is to inform you of my determination of performance fee to be awarded to Savannah River Nuclear Solutions, LLC (SRNS) for FY 2012, in accordance with Contract No. DE-AC-09-88SR22470, Section H-28 (d)(2). Fee associated with the American Recovery and Reinvestment Act will be addressed in separate correspondence.

In 2012, SRNS increased its emphasis on personal ownership of working safely, achieving 10 million safe hours without an injury resulting in lost time. SRNS also significantly improved the site emergency preparedness and planning program, which was acknowledged by the Defense Nuclear Facilities Safety Board (DNFSB).

As a premier contractor to the Department's National Nuclear Security Administration (NNSA), safeguarding major portions of America's nuclear stockpile, you provided proactive support to, and received positive feedback from, the Department's recent Health, Safety and Security assessment; the results of which demonstrated stellar performance in the protection of national defense.

Amid the continuing challenge of reduced budgets and workforce restructuring, SRNS delivered strong operating performance that puts us in the top tier in our industry while maintaining the highest standards of safety, safeguards and security. As the Managing and Operating Contractor at the Site, SRNS has performed well supporting Site missions, such as:

- Completed final shipment of low enriched uranium (LEU) from SRS to the Tennessee Valley Authority (TVA), exceeding the current contract to ship 301 metric tons of LEU for use in TVA's nuclear power reactors. In 335 safe shipments, enough LEU has been delivered to power every home in the United States for 52 days, demonstrating how the use of Cold War-era nuclear waste can further nonproliferation efforts while removing nuclear waste from South Carolina.



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- Nuclear Materials Program Presentation Area Vault (PAV) was made operational several months ahead of schedule and \$15M under the baseline estimate of \$32M, allowing for further storage expansion. The additional storage is expected to allow for further consolidation of nuclear materials at the SRS, ultimately resulting in (expectation of) lower DOE complex storage costs.
- Nuclear Materials Program for Sodium Reactor Experiment fuel dissolution was completed and dissolution of the first bundle of fuel in the campaign was charged to the dissolver ahead of schedule.
- During FY 2012, SRNL consistently received positive feedback from the DOE Waste Disposition Project (WDP) office and the SRS Liquid Waste (LW) Contractor. SRNL provided particularly timely and needed technical support for the closure of tanks 18 and 19 and received a note of recognition from the SRS LW contractor.
- Successfully managed construction of a Mini-Thermal Cycling Absorption Process unit which promises significantly higher capacity from a reduced footprint while consuming 60% less energy.
- Took part in a DOE-wide response to the Fukushima, Japan nuclear disaster. SRNS supplied a radioactive liquid transport assembly and five large steel storage tanks. SRNS Environmental Bioassay Laboratory also assisted by analyzing soil and air filter samples for radioactive contaminants and by providing expedited analytical support for iodine analysis on milk and vegetation samples.

As a result of your outstanding performance, the Department extended your contract for an additional 38 months. I can confidently say that Savannah River Site continues to operate from a position of balance and strength.

We have also become increasingly global. In FY12, Savannah River National Laboratory (SRNL) increased opportunities for continued growth through partnerships with industry, academia, and small businesses. One noteworthy partnership is the Work for Others Agreement with the Tokyo Electric Power Company (TEPCO) to perform a study to assess the feasibility of applying the laboratories' unique technical expertise and capabilities to assist TEPCO in addressing the items of interest in connection with the accident at the Fukushima Site.

In making my final determination, I have had to consider every aspect of performance. Protection of the worker, the community and the nation are our top priority. However, we also have a responsibility, especially during these times of economic challenges, to deliver our services to the taxpayer in the most fiscally prudent manner.

This past year, SRNS was challenged to fully implement an improved software system to enhance procurement data collection and output. However, implementation was not well managed; resulting in late payments to small business vendors, untimely purchase of critical spare parts, and difficulty in meeting financial reporting requirements.

Additionally, we are a site of distinct projects, requiring discipline of the highest demand in order to achieve milestones in nuclear material operations. However, this past year the Waste

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Solidification Building (WSB) project failed to meeting scheduled milestones, resulting in cost over-runs. In addition, activities leading to preparation of feed to support the Mixed Oxide (MOX) project also experienced schedule delays and cost overruns.

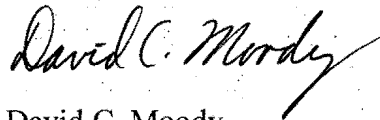
Resolution of the fee associated with work on Small Modular Reactors (SMR) is pending further review and will be addressed under separate correspondence at a later date.

Total fee available for SRNS in FY 2012 is \$48,950,000 per Contract No. DE-AC09-08SR22470, Section B-2.3, *Total Available Fee*. As a result of careful and considerate evaluation of the performance-based incentives, I have determined that SRNS has earned \$41,492,503.

Additional guidance will be provided to your office within the next 30 days providing you with direction on the distribution of the unearned fee.

If you have any questions, please call me or have your staff contact Mr. Douglas E. Hintze at (803) 952-8422.

Sincerely,



David C. Moody
Manager

AMMS-13-003

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