

# **Guaranteed Fixed Price Remediation Contracts**

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## Overview

- Guaranteed Fixed Price Remediation (GFPR) Contracting
- Environmental Management GFPR Initiatives
- Air Combat Command (ACC) Design-Build Restore and Remediate Contract (DBR2)



## What is GFPR

- Part of the Performance-Based Contracting Methodology
- Measures performance and quality standards at the outset using private sector expertise/initiatives
- Cap clean-up costs and lock in schedules through insurance
- Incentivize contractors for finishing before/on schedule



## What is GFPR (cont)

- Philosophy whereby work is performed with minimal contract focus on process
- Focus is on Results* with compensation tied to results
- DOE not abdicating Roles/Responsibilities
  - Shifting performance risk to contractor
  - Incentivizing to meet agreed upon objectives
  - Teamwork is still the key to success

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ATTRIBUTE	TRADITIONAL	GFPR
<b>Scope of work</b>	DOE develops SOW and prescriptive criteria	DOE develops performance objectives
<b>Contractor selection</b>	DOE selects from IDIQ contract	Conduct Fair Opportunity amongst contractors; awards made on basis of best value
<b>Remedy selection</b>	DOE Selects	Contractor selects and implements with DOE and regulator approval
<b>Regulatory submittals</b>	DOE Submits	Contractor submits (DOE is copied)
<b>Document approval</b>	DOE/Regulators	Regulators
<b>Project risk</b>	Primarily the DOE	Majority of risk shifts to contractor; however, DOE maintains liability
<b>Cost growth</b>	Typically funded by the DOE	Responsibility of contractor (can be mitigated by cost cap type of insurance)
<b>Payment</b>	Progress and milestones	Performance driven; payment made when established objectives are achieved



## What GFPR is not

- GFPR is not always the least expensive approach
- GFPR is not the answer for every site/project
  - Characterized nature and extent?
  - Status of ROD? Performance ROD?
  - Will contractor have ability to control cost and risk?
  - Insurance may help, but only to the degree insurance provider can quantify risks
- Stakeholder buy-in is critical for success
  - DOE Team
  - Regulatory Agencies (State, Federal)
  - Other Stakeholders

# **Guaranteed Fixed-Price Remediation Contracting**

**\*\*Implementation Initiatives\*\***

**Office of Contract & Project Execution**

**\*\*\*\*\***

**U.S. Department of Energy**

**Office of Environmental Management**

**Office of Acquisition and Project Management**

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## EM GFPR Background

### Conference Report – 2006 Appropriation (PL109-103)

- DOE Identify 2 Candidate GFPR Pilot Projects in FY06

### Conference Report - 2005 Appropriations (PL108-447)

- DOE Report on Feasibility of Applying GFPR to its Remediation Projects
- Conclusion => GFPR is a Go for Non-High Risk Projects

### 2006 Conference Report Extract

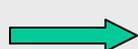
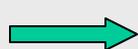
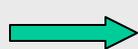
*“The conferees are encouraged by this report and direct the Department to identify at least two remediation projects or portions of projects as candidates for a pilot use of GFPR in FY2006”*

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## EM GFPR Implementation Initiatives

### 3/27/06 – EM-1 Issued Memo to Field Managers requesting Suitable Candidates

#### 3 Conditions Guided Search:

-  Adequate Characterization Data
-  Defined Regulatory Requirements for Remediation/Closure
-  No Pre-determined Remediation Methodology

#### Engage GFPR Support Contractor

- ✓ Train Federal Staff & Contractors on Use of GFPR Platform
- ✓ Introduce Contractors to Environmental Insurance Carriers
- ✓ Assist in the Development of Solicitations
- ✓ Consult on Contract Requirements

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**EM GFPR Candidate Projects**

**GFPR Pilot Projects Identified**

**Stanford Linear Accelerator Center:**

Multiple Sites – No Radiological  
Clear Characterization Data  
Defined Regulatory Requirements  
No Final Remediation Method

**Savannah River – Gunsite 012 Project:**

Single Site for Soils Remediation  
No Radiological Contamination  
Some Characterization Data  
CERCLA Based Remediation

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## EM GFPR Candidate Projects

### GFPR Pilot Projects Identified

#### **SPRU @ KAPL**

2 Large Projects => D&D and Soils  
Includes Radiological Contamination  
Well Defined Characterization Data  
Regulatory Requirements will be Refined  
No Set Methodology

#### **Brookhaven National Laboratory:**

D&D of 2 Support Buildings  
Includes Radiological Contamination  
Reliable Characterization Data  
Clear Regulatory Requirements  
No Final D&D Methodology



## DBR2 Contract Description

- Eight year IDIQ Contract (Base +7 one-year options)
  - Awarded 29 Sept. 2006
  - \$500 million ceiling
  - Two year close out period
- GFPR, FFP, FPI, T&M, CPFF, CPIF, CPAF
- Eight Contracts were awarded
  - Shaw Environmental, Inc.
  - Innovative Technical Solutions, Inc.
  - Kemron Environmental Services, Inc.



## DBR2 Contract Description (cont.)

Eight Contracts were awarded (cont.)

- CH2M Hill Constructors Inc.
  - URS Group, Inc.
  - CAPE Inc.
  - Tetra Tech, Inc.
  - Environmental Chemical Corporation
- 
- Task Orders awards based upon Best Value Fair Opportunity
    - Technical more important than cost



## DBR2 Contract Description (cont)

- No Service or Access Fees
- Available Federal-wide
- Decentralized Task Order Award and Execution
  - DOE award and administered (governed by MOA)
- Ability to perform work worldwide
- Task Order award goal in 30 days from receipt of a complete Task Order Package



### DBR2 Contract Description (cont)

- Restoration, performance-based remediation, construction, repair and maintenance, demolition, force protection, homeland security, **radiological waste removal and support**, and a full range of operation/services and tasks that support environmental requirements



## DBR2 Contract Description (cont)

- Restoration activities include:
  - Planning
  - Project Management
  - Operations Support
  - Investigations
  - Design
  - Operations and Monitoring
  - Optimization of environmental treatment or control systems



## DBR2 Contract Description (cont)

- Contractor's Guarantee
  - Contractor's guarantee to complete requirements on each fully funded task order regardless of cost or difficulty subject to the defined guaranteed limits
    - Guaranteed limit specified in each task order
    - Typical guaranteed limit example would be twice the amount of the project price



## DBR2 Contract Description (cont)

- Environmental Insurance
  - As specified in each task order, the contractor shall maintain insurance (clean-up cost cap, pollution legal liability) for the total effort to include warranty periods
  - Tailored language preventing changes/differing site conditions clause situations
  - Self-Insurance (small dollars) or 3<sup>rd</sup> Party Insurance (large dollars)



## DBR2 Contract Description (cont)

- Insurance requirements depend on the complexity (i.e. getting to closure and cost overrun protection) and cost of the task order.
- Insurance provider shall be A.M. Best A+ rated
  - Contractor submits with their proposal the draft policy and endorsements.
- Typical insurance premiums are 8-10%
  - \$1- 3 million T.O. - \$100-\$150K
  - \$12 million T.O. - \$1-2M



## Lessons Learned & Best Practices

- Have documents available electronically and post on the web
- Have contractors review a draft of the SOO/PWS
- Site visit – allow contractors to review SOO/PWS before site visit
- Get regulatory buy-in early on – talk the same language as regulators
- Payments should be tied to a milestone/deliverable
- Contractors may try to make everything a deliverable so they constantly have cash coming in
- Large \$\$ PBRs can not be funded all at once (need to be funded incrementally) - project tasks need to be severable
- Smaller \$\$ PBRs spanning multiple years may be able to be funded in one lump sum



## DBR2...The Path Forward

- DBR2 awarded 29 September 2006
- DOE and ACC enter into Memorandum of Agreement (MOA)
- ACC contracting issues a contract control log number
- DOE issues any special contract clauses
- DOE conducts “Fair Opportunity” among the Eight DBR2 contractors
- DOE hosts a site visit
- DOE selects contractor; work begins