# Acquisition Plan
# Nuclear Weapons Production Plants

1. **Purpose –** The purpose of this paper is to set forth the acquisition plan the Department of Energy (DOE) intends to utilize to competitively select the contractors for the management and operation of the nuclear weapons production facilities at the Pantex Plant near Amarillo, Texas, the Kansas City Plant (KCP) in Kansas City, Missouri, and the Y-12 Plant at Oak Ridge, Tennessee. These facilities represent key production capability in the Department's Nuclear Weapons Complex (NWC).

2. **Corporate Objectives -** The Department is committed to maintaining a viable NWC with appropriate capacity and capabilities to meet current and future requirements while assuring a safe, secure and reliable enduring nuclear weapons stockpile. Since the inception of nuclear weapons in the 1940s, DOE and its predecessor agencies have been responsible for management of the Nation's stockpile. In response to the end of Cold War the emphasis has shifted dramatically from developing and producing new weapons to dismantlement and maintenance of a smaller, enduring stockpile. About one half of the Nation's nuclear arsenal is scheduled for refurbishment over the next decade. DOE must be able to remanufacture weapon components and continue to certify them as safe, secure and reliable against threats of the 21st century. These three weapons plants are a critical part of that capability. Our overarching planning goals are to have a balanced nuclear weapons complex workload, to have a modern integrated complex with unique and interdependent facilities, have an operationally-ready state-of-the-art production capability (efficient, agile, responsive, streamlined), and have a stimulating environment to attract and retain a workforce with the required technical skills and capabilities. The following corporate programmatic objectives will be reflected in the three procurements:

   a. Establish a culture of world class leadership and manufacturing excellence;
   b. Improve mission performance, project management and cost effectiveness;
   c. Improve integration, partnering, and support among the NWC contractors;
   d. Assure effective human resource management and the availability of critical skills and capabilities;
   e. Develop and deploy effective strategic planning for the mission in the environment of changing budgets and technical and regulatory requirements; and
   f. Ensure facility is managed in a safe, secure, reliable and environmentally conscious manner.

3. **Acquisition History –** The following is a brief history of the plants.

   **a. Pantex Plant -** The primary mission of the Pantex Plant is the assembly and disassembly of nuclear weapons, including the manufacture of high explosive parts. The Mason & Hanger Corporation has operated the Pantex Plant since 1956. The Mason & Hanger contract had been extended through the contract year ending September 30, 1991. The contract was competed and awarded to Mason & Hanger beginning October 1, 1991. The contract is a Performance Based

Management Contract (PBMC), Management and Operating (M&O), Cost-Plus-Award Fee (CPAF) contract. It currently has an estimated annual budget of approximately $300 million and will expire on September 30, 2000.

b. **Kansas City Plant –** The primary mission of the Kansas City Plant is the production and delivery of electrical, electronic, mechanical, electro-mechanical, and plastic replacement components and hardware for the Stockpile Stewardship Program. AlliedSignal or its predecessors have operated the facility since 1948. The current contract is a PBMC M&O type, CPAF contract with an estimated annual budget of approximately $275 million. The contract has a current expiration date of March 31, 2000, but will be extended through December 31, 2000.

c. **Y-12 Plant -** The primary mission of the Y-12 Plant is to support national security programs through production of weapons components and parts; stockpile evaluation and maintenance; stockpile surveillance; dismantlement; and nuclear materials management, storage, and disposition. The Y-12 Plant has been operated by LMES, formerly Martin Marietta Energy Systems, Inc. since 1984. The current contract is a PBMC, M&O type, CPAF contract with an estimated annual budget of approximately $600 million. The contract has a current expiration date of March 31, 2000, but will be extended consistent with the schedule for transition to the new contract.

4. **Acquisition Strategy** - Key acquisition strategy elements are set forth below. The Department intends to conduct three independent acquisitions that reflect a common set of corporate programmatic objectives and allow for tailoring to meet the different plants' missions.

a. **Full and Open Competition** –These procurements will provide for full and open competition consistent with Federal competition requirements. In the interest of competition, DOE will accept proposals from entities proposing individually or in other legal business combinations (see paragraph 5h.ii (2) below).

b. **Source Selection Authority (SSA) and Source Evaluation Boards (SEBs) -** A single SSA will make the selections on the three acquisitions. SEBs will be established for each acquisition. Common senior level ex-officio membership will be established consisting of senior Headquarters officials and Albuquerque and Oak Ridge Operations Office officials to oversee the overall conduct of the acquisitions and assure the acquisitions achieve Departmental corporate programmatic objectives. The SEBs may consist of representatives from Headquarters, Operations Offices, and Area or Site Offices.

c. **Number of contract awards to a single offeror** - The solicitations will not restrict any one offeror from receiving more than one of the three contract awards. Offerors will be required to provide unqualified letters of intent for each key person of the proposed management team. Offerors are cautioned, however, that if an offeror proposes the same key person(s) on more than one solicitation and is selected for award of one of the contracts, then that offeror will not be afforded the opportunity to revise their proposal(s) for subsequent solicitation(s), and those proposals will be considered invalid.

**d. Alternate Proposals –** DOE will not entertain or evaluate alternate proposals including those that are contingent on winning more than one award. However, as discussed elsewhere in this paper, offerors may be asked to propose ideas for improving complex-wide integration and site specific efficiencies that reduce cost or provide programmatic improvements.

**e. Selection Process –** Consistent with the Department's objective of reducing acquisition cycle time and in consideration of the rigorous schedules mandated by the Secretary of Energy, each procurement will be managed to a strict schedule. Accordingly, source selection streamlining techniques will be utilized to the maximum extent practicable. The following processes will be accomplished in order to insure effective communication with industry as well as promoting and encouraging industry participation. The processes are broken into two phases:

i. Pre-Solicitation Processes – Prior to the release of the solicitation, a web-site will be established for information pertaining to each contract site. This web-site will be used for all three acquisitions and will augment communicating the Department's plans and requirements to potential bidders. The web-site will include:

(1) This acquisition plan.
(2) Portions of the draft solicitation as they are completed in order to streamline the process and initiate industry comments and recommendations early in the process.
(3) Comments by industry along with responses from the SEB.
(4) A reading room to include the Stockpile Stewardship Plan, Chiles Commission Report, and specific plant background information, such as: a briefing and/or tour of the three facilities, programmatic environmental impact statements (PEIS), past performance evaluation reports and plans, and other pertinent data related to the applicable plant and contract. This reading room will facilitate the dissemination of information and streamline the process thus eliminating the need for a pre-solicitation or pre-proposal conference.
(5) Informational meeting announcements if necessary and any minutes.
(6) Pertinent schedule information and progress reports.

ii. Solicitation, Evaluation and Source Selection - These procurements will be conducted in accordance with the procedures set forth in Federal Acquisition Regulation (FAR) Subpart 15.3. The SEB will streamline the process to the maximum extent practicable by:

(1) Reducing cycle time by adherence to a strict schedule which provides for contract award within 6 months of the solicitation release;
(2) Making award without discussions unless it is determined after initial evaluation that discussions are warranted and in the best interest of the government;
(3) Issuing the solicitations electronically and providing for the electronic submission of proposals;
(4) Requiring unconditional acceptance of contract terms and conditions;
(5) Utilizing a limited number of critical discriminating evaluation criteria and sub-criteria;

(6) Minimizing the page count of proposals received;
(7) Permitting the advance submission of business and past performance information by offerors and providing advisory "downselects";
(8) Limiting past performance information requirements to the minimum needed for evaluation purposes and standardizing the past performance questionnaire; and
(9) Utilizing oral presentations.

**f. Key Technical and Business Emphasis Areas -** The evaluation criteria utilized for the three procurements will be responsive to the corporate programmatic objectives stated in paragraph 3 above, but tailored, as applicable, to suit the needs of the individual procurements. The selection for award will be based on those firms providing the best overall value to the Government. The SEB evaluation criteria will focus on the critical discriminating elements. These common key emphasis areas will form the basis for the evaluation criteria and sub-criteria for the three procurements:

(1) Key personnel experience and leadership in creating an organization capable of managing complex manufacturing operations, causing overall positive change, improving performance and meeting commitments to customers, and adapting to changing requirements;
(2) Approach to technical, business, cost and productivity efficiencies at the plant and across the NWC sites;
(3) Approach to managing plant facilities in a safe, secure, reliable, and environmentally conscious manner;
(4) Approach for managing the work force to support the mission while improving organizational efficiency, and meeting applicable recommendations from the Chiles Commission report;
(5) Strategic approach to meet plant specific and NWC-wide mission requirements while improving manufacturing quality; balancing near-term and long-term mission objectives; and addressing the broad range of risks, challenges, and other requirements;
(6) Past performance; and
(7) Small Disadvantaged Business Participation: Consistent with Subpart 19.1202 of the Federal Acquisition Regulation, the extent of small disadvantaged business concern participation will be evaluated.

**g. Cost Considerations -** Cost will not be point-scored. The offerors' proposed transition cost, fee proposal, and executive compensation will be evaluated for reasonableness and realism. In addition, offerors may be required to submit fixed price elements of work. The RFP will include a budget estimate for the work to be performed at each plant, broken down into appropriate cost categories (i.e. Production, R&D, EM) in accordance with DEAR 970.15404-4-5. Potential offerors will propose a corresponding fee for that year's budget of work to be performed.

**h. Other Key Requirements**. - The following represent the other key requirements that must be met by each offeror to be eligible for award:

i. **Hiring of Existing Personnel**. The offeror must commit to: (a) offer employment to all Regular (as defined in Appendix A of the RFP) personnel currently employed by the existing M&O contractor, with the exception of those individuals defined as Key Personnel and other identified senior management, at comparable compensation packages; (b) Take over existing pension plans established specifically for the current contract and establish or take over savings plans at the same employer and employee contribution rates allowable under the existing contract; (c) credit employees length of service requirements with the existing contractor toward any length of service requirements of the replacement contractor for the purpose of establishing fringe benefits and; (d) recognize all currently certified collective bargaining agents and their existing bargaining agreements.

ii. **Contractor Performance**

(1) **Performance Guarantee** - A performance guarantee will be required to protect the government's interest in the event the prospective contractor is newly created (a separate corporate entity) and/or lacks the financial resources to carry out performance under the contract, including any liabilities it could incur to the Department under the terms of the contract. While no contractual relationship will exist with the guarantor, the performance guarantee will be signed by the guarantor(s), [e.g., parent corporate entity(ies)], who itself must be found to have sufficient resources to satisfy the guarantee, and will contractually bind the guarantor(s) to fulfill all contractual obligations of the contract.

(1) **Contractor Accountability -** In the interest of competition, DOE will accept proposals from individual firms as well as corporate teaming arrangements. In the event a corporate teaming arrangement is proposed, a single point of responsibility and accountability will be required. A management and integrating contract arrangement is not desired

iii. **Foreign Ownership, Control or Influence (FOCI)**

iv. **Organizational Conflict of Interest**

v. **Organization Size** – Must have annual revenue greater than $100 million

vi. **Total Available Fee –** The total available fee will be established strictly in accordance with the Department's fee policy set forth in DEAR 970.1504-4. Each contract will provide for all fee to be at risk (e.g. no base fee).

**5. Contracting considerations**

a. **Contract Type -** A cost-plus-award/incentive-fee, Performance-Based Management and Operating Contract (PBMC) is anticipated. This type of contract is considered most appropriate due to: 1) the significant complexity and magnitude of the work being performed, 2) the need to draw upon the existing program and management expertise of the private sector, 3) the need for the Government to retain broad program management responsibility with the contractor responsible for day-to-day management and performance of work, and 4) the need to ensure performance results are achieved at reduced cost. The resultant contract will set forth performance objectives, measures, and expectations and utilize critical performance incentives to reflect program priorities and promote quality performance at less expense. This approach allows the government to put the appropriate emphasis on critical performance areas such as delivery performance, environment, safety and health (ES&H), and safeguards and security. This type of contract utilizes two basic types of performance incentive arrangements - Award Fee and Performance Based Incentive Fee. Both the award fee and the performance based incentive fee can be applied to either site specific or multi-site activities, as discussed below.

i. **Award Fee -**Award fee will be used when it is necessary to subjectively determine if performance meets criteria established in the contract. This is in contrast to the objective validation of performance used with incentive type arrangements. Performance is evaluated and given a numeric and adjectival score that is converted by a fee conversion chart into a specific earned percentage of total award fee available. The areas typically covered by the award fee type incentive are quality, creativity, technical ingenuity, process improvement, and general management.

ii. **Performance Based Incentive (PBI) Fee –** Where critical work performance can be objectively measured and assessed, PBIs are typically used. These incentives tie a specific fee amount to a measurable outcome or output e.g., delivery, schedule, cost. When performance targets are met, specific amounts of fee are earned. It is anticipated that the resulting contracts will have at least 50% of the total available fee devoted to PBIs.

iii. **Site Specific Incentives -** Site specific incentives require that contractors achieve their individual site tasks. They can be either award fee or PBI type incentives. These incentives are independent of actions by other NWC contractors and are aimed at improving site specific performance or reducing cost. Examples of site-specific incentives are integrated safety management performance, construction projects, environment, safety and health performance, or a totally independent production activity.

iv. **Multi-Site Incentives -** Multi-Site incentives require integration with other contractors in the NWC plants and laboratories. These incentive structures focus the contractors on the execution of common objectives and programs instead of a focus on sites. These incentives will be predominantly of the PBI type, but could include subjective award fee elements. The contractors earn fee based on the collective accomplishment or performance against the common objectives of the team. Participating contractors all receive their pre-established share of the total fee when the final objective is achieved. When the final objective is not achieved the contractors will receive either no fee or, where failed interim milestones are involved, have their share of the fee reduced by a pre-established amount, regardless of which contractor is responsible for the failure. The purpose is to promote improved teamwork and integration among the NWC contractors. Examples of multi-site incentives include W87 Life Extension Program, Limited Life Component Exchange (LLCE) Production Program, Master Production and Planning System, Joint Test Assembly (JTAs), Multi-Site Cost Reduction Program, and other nuclear weapons production programs. The DOE is piloting this concept in FY 2000 and expects to expand the use of these incentives to include all multi-site weapons production delivery programs.

**b. Term of Contract -** The standard period of performance for a DOE management and operating contract is a five-year basic contract with an option for an additional five-year period. However, DOE is considering whether a shorter base period with multiple option periods adding to the same total contract term of ten years is a preferable contract schedule. Extension of the contract through execution of any subsequent option periods will be dependent upon contractor performance in core mission areas including ES&H and security. The schedule for award also contemplates a separate two-to three-month cost with no-fee transition effort.

**6. MILESTONES FOR THE ACQUISITION CYCLE -** The dates below are tentative dates:

| | Pantex | Y-12 | KCP |
|---|---|---|---|
| Develop Acquisition Plan | 11/24/99 | 11/24/99 | 11/24/99 |
| Solicitation Issued | 1/24/00 | 3/10/00 | 4/14/00 |
| Proposal Due | 3/10/00 | 4/21/00 | 5/31/00 |
| Clarifications/Evaluations* | 3/10 – 6/9/00 | 4/24 – 7/14/00 | 5/31 – 8/31/00 |
| Selection | 6/30/00 | 7/28/00 | 9/20/00 |
| Contract Award | 7/7/00 | 7/31/00 | 10/02/00 |
| Perform Transition | 8/15 – 9/30/00 | 7/31-09/30/00 | 11/01-12/31/00 |
| Assume Operations | 10/01/00 | 10/01/00 | 1/01/01 |

*Note: Each of these schedules anticipates contract award without discussions.