

**U. S. DEPARTMENT OF ENERGY
STRATEGIC PETROLEUM RESERVE
PROJECT MANAGEMENT OFFICE**

**MANAGEMENT AND OPERATING
CONTRACTOR**

**PERFORMANCE EVALUATION AND
MEASUREMENT PLAN**

**DYNMCDERMOTT PETROLEUM OPERATIONS
COMPANY
CONTRACT NO. DE-AC96-03PO92207**

FISCAL YEAR 2011

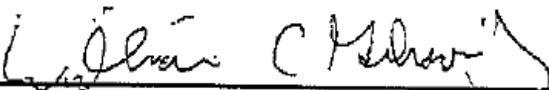
Revision 3

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

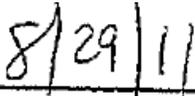
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SUBMITTED BY:

DEPARTMENT OF ENERGY



**WILLIAM C. GIBSON, JR.
PROJECT MANAGER**



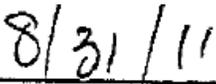
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ACCEPTED BY:

DYNMCDERMOTT PETROLEUM OPERATIONS COMPANY

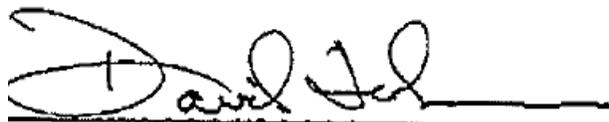


**ROBERT E. MCGOUGH
PROJECT MANAGER**

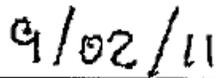


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APPROVED BY:



**DAVID F. JOHNSON
DEPUTY ASSISTANT SECRETARY
FOR PETROLEUM RESERVES**



DATE

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION	1
ORGANIZATION AND RESPONSIBILITIES	2
METHOD FOR DETERMINING EARNED FEE	3
CHANGES IN PLAN COVERAGE	5
ATTACHMENT 1 - SCHEDULE OF ACTIVITIES	7
ATTACHMENT 2 - PERFORMANCE FEE BOARD MEMBERSHIP	8
ATTACHMENT 3 - PERFORMANCE EVALUATION COMMITTEE MEMBERSHIP	9
ATTACHMENT 4 - CRITICAL PERFORMANCE MEASURES	10
ATTACHMENT 5 - COST REDUCTION INCENTIVE – PROCEDURE FOR EXCLUDING ITEMS OF COST	33

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

INTRODUCTION

This Performance Evaluation and Measurement Plan (PEMP) supplements and implements the total available fee provisions of Contract No. DE-AC96-03P092207 with DynMcDermott Petroleum Operations Company. Total available fee consists of a base fee and a performance fee. For each evaluation period, the Government and the contractor will mutually agree upon, or in the event agreement cannot be reached, the Government will unilaterally establish the evaluation areas and the allocation of fee to such areas. The contractor's performance relative to the evaluation areas determines the amount of fee earned. The method for arriving at this determination is described herein. Attachment 1 summarizes the performance evaluation process, including the schedule summary.

Consistent with the "Conditional Payment of Fee" clause of the contract, the Government expects the contractor to perform all contract work in a satisfactory manner. Therefore, if the contractor's performance is considered to be less than the minimum level of performance in any area of contract performance, regardless of whether a weight or fee has been specifically assigned, the amount of otherwise earned fee may be reduced in whole or in part. In exercising this discretion, the Government will place particular emphasis on the requirements and related performance measures contained in the Work Authorization Directives and will consider the extent to which the unfavorable performance:

- ◆ Posed a threat to the environment or the health and safety of workers and/or the public as defined by the Integrated Environmental Safety and Health Management System.
- ◆ Contributed to the occurrence of a catastrophic event such as a fatality or serious workplace related injury or illness; hazardous material exposure exceeding regulatory limits; loss of control over classified material; or an event that causes significant damage to the environment.
- ◆ Jeopardized attainment of overall contract requirements, including essential mission requirements.
- ◆ Increased the cost to the Government.

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

In support of the goals of the Department of Energy's Transformational Energy Action Management (TEAM) initiative, and the goals and objectives contained in Executive Order 13423, Strengthening Federal Environmental, Energy, and Transportation Management, the Contractor shall cooperate with federal Site Office personnel to provide full and open access to the maximum extent practicable to NNSA/DOE-contracted Energy Savings Performance Contractors (ESPCs) to facilitate on-site assessments of opportunities to improve the Site's energy efficiency, water reduction and renewable energy improvements, and shall provide advisory assistance in reviewing ESPC recommendations as directed by the Contracting Officer. The Contractor shall ensure ESPC personnel are granted access pursuant to contractual requirements; monitor ESPC activities to ensure that site safety and security requirements are adhered to; promptly provide information requested by ESPC personnel to assist them in developing viable recommendations; and, when directed by the Contracting Officer, assist the Site Office in the monitoring and execution of ESPC projects.

ORGANIZATION AND RESPONSIBILITIES

The following organizational structure is established for administering the performance fee process:

Fee Determination Official. The Fee Determination Official (FDO) is the Deputy Assistant Secretary for Petroleum Reserves. The primary responsibilities of the FDO are to:

- ◆ Approve the PEMP and any significant changes.
- ◆ Determine the amount of performance fee earned and payable for each evaluation period.

Performance Fee Board. The Performance Fee Board (PFB) membership, set forth in Attachment 2, is comprised of the SPR Senior Staff, Contracting Officer, and a Senior Program Office representative. The primary responsibilities of the PFB are to:

- ◆ Prepare and submit the PEMP, including any significant changes, for the approval of the FDO.

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

- ◆ Submit a PFB report to the FDO covering its findings regarding performance and recommendations for the determination of earned performance fee.

Performance Evaluation Committee. The Performance Evaluation Committee (PEC), identified in Attachment 3, is comprised of SPR Division Directors, the Contracting Officer, and the Configuration Management Officer. The primary responsibilities of the PEC are to:

- ◆ Monitor and evaluate the contractor's performance.
- ◆ Conduct quarterly meetings with the contractor to provide feedback on performance.
- ◆ Submit reports to the PFB covering the evaluation of the contractor's performance.
- ◆ Recommend, as appropriate, changes to this plan.

METHOD FOR DETERMINING EARNED FEE

The amount of fee earned will be based on an assessment of the contractor's performance relative to the critical few performance measures contained in Attachment 4. The method for determining earned fee is described below.

Critical Few Performance Measures

The critical few performance measures represent the evaluation areas crucial to the successful execution of the Strategic Petroleum Reserve mission. The critical few measures are divided into two categories: positive and negative fee. A fee allocation is assigned to each positive fee measure, while a deductive amount is assigned to each negative fee measure. Hence, the contractor's failure to achieve the outcomes identified for the negative fee measures will reduce the otherwise earned (positive) fee. Notwithstanding the contractor's success in achieving the targets assigned to each critical few measure (positive or negative), the final determination of fee will consider the extent to which material performance deficiencies (if any) occurred in any area of contract performance. In determining the amount of reduction to otherwise earned fee because of material performance deficiencies, due consideration will be given to the timeliness and adequacy of corrective

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

actions as well as the overall success of the contractor in exceeding the Government's expectations.

In applying these standards, the Government will consider any mitigating factors presented by the contractor. Such mitigating factors must have directly and materially affected the contractor's ability to achieve the specified standard, and must be beyond the control and responsibility of the contractor.

The evaluation cycle consists of one annual evaluation period, corresponding to the fiscal year. During the evaluation period, the PFB/PEC will meet with the contractor quarterly to address the contractor's progress, any changes in goals and priorities, any serious problems or issues requiring resolution, and the results of the contractor's self-assessment process. Normally, the PFB, including the Contracting Officer, will attend these meetings. Staff members, who provide input to the PEC, are also invited to attend. The Executive Secretary to the Performance Fee Board will provide a schedule for these quarterly progress meetings.

Within 5 workdays after the end of the evaluation period, the contractor has the option of providing a written self-assessment report addressing its performance against the critical few performance measures and its overall success in exceeding the Government's expectations (as applicable), setting forth data and information to demonstrate actual accomplishments relative thereto. It is incumbent upon the contractor to address any serious deficiencies noted during the evaluation period, accompanied by actions planned or taken to correct the deficiencies and avoid their recurrence. If the contractor presents a claim of mitigating factors, sufficient details must be provided to permit a thorough evaluation by the Government. The contractor distributes the self-assessment to the members of the PFB and the PEC and must notify the Government if a quarterly self-assessment report will not be provided by the 5th workday after end of the evaluation period.

PEC members will submit input to the PEC Chair within 10 workdays following the end of each quarterly assessment period. Within 20 workdays after the end of the evaluation period, the PEC Chair submits a report to the PFB covering its assessment of the contractor's performance and to the contractor for comment. Any comments the contractor chooses to make must be provided to the PFB within 7 workdays after receipt of the PEC report. After the contractor comments are received and before the quarterly PEC debrief, the PFB will meet to review the performance status of the measures against the targets established and the Validation Plans. The quarterly PEC debrief

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

to the contractor will be conducted within 35 workdays after end of evaluation period.

Within 50 calendar days after the end of the fiscal year, the PFB submits an annual evaluation report with fee recommendation to the FDO based on its consideration of the PEC reports, contractor's self-assessment and comments to the PEC reports, and any other relevant performance information available. The PFB also prepares a draft performance fee determination memorandum for the FDO to issue to the contractor. The contractor will be provided the annual PFB report for review and comment prior to submitting to the FDO.

Within 70 calendar days after the end of the fiscal year evaluation period, the FDO notifies the contractor of his determination of earned performance fee. If the fee determination varies from the PFB recommendation, the FDO informs the PFB of the rationale therefore so that the record can be documented accordingly.

Within 30 calendar days after the FDO approval of award fee, the PFB Chair debriefs the contractor on the final determination and bases for the decision.

For performance measures being evaluated upon completion during the fiscal year, the contractor submits a completion report within 20 calendar days after completion; the FDO will notify the contractor in writing of his determination of earned fee within 50 calendar days after receipt of the completion report.

CHANGES IN PLAN COVERAGE

This Plan may be changed unilaterally by the Government as stipulated in the total available fee provisions of the contract. All parties involved in the performance fee process, including the contractor, are encouraged to recommend changes with a view toward redirecting management emphasis, motivating performance improvements, or enhancing the performance fee process. Any changes to the Plan will become effective consistent with the timeframes outlined in the total available fee clause of the contract, or by mutual agreement of the parties. The FDO approves all changes to the Plan, with the exception of administrative changes (e.g. changes in PEC membership), which can be approved by the PFB Chairperson.

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

For those measures with fiscal year completion dates, at the end of the fiscal year, the contractor will submit a summary report addressing the completion status of these measures (positive and negative) against the targets established.

**PERFORMANCE EVALUATION AND MEASUREMENT PLAN
 CONTRACT NO. DE-AC96-03PO92207
 FISCAL YEAR 2011
 Revision 3**

ATTACHMENT 1

SCHEDULE SUMMARY

ACTION	SCHEDULE
Commence the development of performance objectives and incentives	June 1
PFB coordinates Plan with contractor	75 calendar days prior to start of fiscal year
PFB submits Plan for FDO approval	30 calendar days prior to start of fiscal year
PFB issues Plan to contractor	Upon approval of FDO
Contractor provides self-assessment reports, as applicable	5 workdays after end of quarter
PEC members quarterly input	10 workdays after end of quarter
PEC submits written quarterly assessment to PFB and contractor	20 workdays after end of quarter
Contractor submits comments on PEC report	7 workdays after receipt of PEC report
Quarterly PFB meetings	After receipt of contractor comments
PEC meets quarterly with the contractor (excluding 4 th quarter)	35 workdays after end of quarter
PFB submits fiscal year evaluation report to FDO	50 calendar days after end of fiscal year
FDO issues fee determination	20 calendar days after PFB recommendation
PFB Chair debriefs contractor	30 calendar days after fee determination

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

ATTACHMENT 2
PERFORMANCE FEE BOARD MEMBERSHIP

Chairperson:	Project Manager Strategic Petroleum Reserve
Members:	SPR Program Office Representative Assistant Project Manager* Management and Administration Assistant Project Manager Maintenance and Operations Assistant Project Manager Systems and Projects Assistant Project Manager Technical Assurance Chief Counsel SPR Project Management Office
Ex-officio Member:	Contracting Officer SPR Project Management Office
Executive Secretary:	Special Assistant Office of the SPR Project Manager

* REPRESENTS THE CHIEF FINANCIAL OFFICER

**PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3**

ATTACHMENT 3

PERFORMANCE EVALUATION COMMITTEE MEMBERSHIP

**Nabil Shourbaji, PEC Chair, Director, Crude Oil, Drawdown Readiness,
and Cavern Integrity Division**

Sheldra Wormhoudt, Director, Planning and Financial Management Division

Todd Judice, Director, Systems Engineering and Analysis Division

Gerard Berndsen, Configuration Management Officer

Jerry Packard, Director, Security and Emergency Operations Division

Julie Gallego, Director, Quality and Performance Assurance Division

Kelly Gele, Contracting Officer

Gary Landry, Director, Acquisition and Sales Division

John O'Brien, Director, Information Systems and Technical Services

Nick Palestina, Director, Project Engineering Division

James Quern, Director, Site Operations and Maintenance Division

Brad Wallace, Director, Environmental, Safety & Health Division

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

ATTACHMENT 4
CRITICAL FEW PERFORMANCE MEASURES

Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p style="text-align: center;">System Test Exercises</p> <p>Ensure the SPR's ability to drawdown each site at established rates</p>	<p>Conduct dynamic oil flow system test exercises (STEs) at Bryan Mound</p>	<p>Target: Achieve the approved rate within a 24-hour window (pending commercial terminal availability) utilizing equipment requirements outlined in the approved STE test plan</p> <p>Minimum: Achieve the approved rate within a 48-hour window (pending commercial terminal availability) utilizing variances/ workarounds outlined in the approved STE test plan</p>	<p>Target: \$200,000</p> <p>Minimum: \$150,000</p>
<p style="text-align: center;">Drawdown Rate</p> <p>Ensure the SPR's capability to respond to an energy emergency consistent with the established drawdown criteria</p>	<p>90-day sustainable drawdown rate in barrels per day</p>	<p>Meet and sustain drawdown rate in accordance with the approved RECAP Report (4.40 Million Barrels per Day)</p>	<p>\$795,000</p>

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p style="text-align: center;">2011 Drawdown</p> <p>Meet the main mission of the SPR</p>	<p>Delivery of awarded crude oil at West Hackberry, Big Hill, and Bryan Mound</p>	<p style="text-align: center;">Target: Sucessfully deliver 30 MMB of sweet crude to customers that were awarded contracts per the 2011 Drawdown Notice of Sale</p>	<p style="text-align: center;">\$700,000</p>
<p style="text-align: center;">Degas Plant Performance</p> <p>Ensure effective execution of the latest approved degas performance plan revision</p>	<p>Number of gross observed barrels degassed in FY 2011 at Bryan Mound</p>	<p style="text-align: center;">Target: 17 MMB</p> <p style="text-align: center;">Minimum: 15 MMB</p>	<p style="text-align: center;">Target: \$500,000</p> <p style="text-align: center;">Minimum: \$450,000</p>
<p style="text-align: center;">Cavern Pressure Maintenance at Bayou Choctaw</p> <p>Ensure the safe and consistent maintenance of SPR Bayou Choctaw cavern pressures</p>	<p>Percent of "Total Cavern Days" ("Total Cavern Days" defined by 6 Bayou Choctaw caverns multiplied by 365 days/year) that caverns are maintained within their approved operating ranges. The Execution Targets include allowances for FY 2011 planned activities impacting cavern operating ranges</p>	<p style="text-align: center;">Stretch: ≥ 96.3%</p> <p style="text-align: center;">Target: ≥ 95.8%</p> <p style="text-align: center;">Minimum: ≥ 95.3%</p>	<p style="text-align: center;">Stretch: \$95,000</p> <p style="text-align: center;">Target: \$50,000</p> <p style="text-align: center;">Minimum: \$30,000</p>

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p style="text-align: center;">Cavern Pressure Maintenance at Big Hill</p> <p>Ensure the safe and consistent maintenance of SPR Big Hill cavern pressures</p>	<p>Percent of "Total Cavern Days" ("Total Cavern Days" defined by 14 Big Hill caverns multiplied by 365 days/year) that caverns are maintained within their approved operating ranges. The Execution Targets include allowances for FY 2011 planned activities impacting cavern operating ranges</p>	<p style="text-align: center;">Stretch: ≥ 94.8%</p> <p style="text-align: center;">Target: ≥ 94.3%</p> <p style="text-align: center;">Minimum: ≥ 93.8%</p>	<p style="text-align: center;">Stretch: \$140,000</p> <p style="text-align: center;">Target: \$100,000</p> <p style="text-align: center;">Minimum: \$75,000</p>
<p style="text-align: center;">Cavern Pressure Maintenance at Bryan Mound</p> <p>Ensure the safe and consistent maintenance of SPR Bryan Mound cavern pressures</p>	<p>Percent of "Total Cavern Days" ("Total Cavern Days" defined by 20 Bryan Mound caverns multiplied by 365 days/year) that caverns are maintained within their approved operating ranges. The Execution Targets include allowances for FY 2011 planned activities impacting cavern operating ranges</p>	<p style="text-align: center;">Stretch: ≥ 80.2%</p> <p style="text-align: center;">Target: ≥ 79.7%</p> <p style="text-align: center;">Minimum: ≥ 79.2%</p>	<p style="text-align: center;">Stretch: \$195,000</p> <p style="text-align: center;">Target: \$150,000</p> <p style="text-align: center;">Minimum: \$100,000</p>

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p>Cavern Pressure Maintenance at West Hackberry</p> <p>Ensure the safe and consistent maintenance of SPR West Hackberry cavern pressures</p>	<p>Percent of "Total Cavern Days" ("Total Cavern Days" defined by 22 West Hackberry caverns multiplied by 365 days/ year) that caverns are maintained within their approved operating ranges. The Execution Targets include allowances for FY 2011 planned activities impacting cavern operating ranges</p>	<p>Stretch: ≥ 95.1%</p> <p>Target: ≥ 94.6%</p> <p>Minimum: ≥ 94.1%</p>	<p>Stretch: \$120,000</p> <p>Target: \$95,000</p> <p>Minimum: \$50,000</p>
<p>Maintenance Performance Appraisal Rating (MPAR)</p> <p>Maintain SPR facilities and systems at a level adequate to meet program requirements</p>	<p>Calculated percentage of MPAR effectiveness SPR-wide</p>	<p>Target: ≥ 98% of possible points each month</p> <p>Minimum: ≥ 95% of possible points each month</p>	<p>Target: \$300,000</p> <p>Minimum: \$250,000</p>
<p>Vehicle Availability</p> <p>Maintain the availability of an operating tactical vehicle (HMMWV/ Gurkha) at each SPR field site</p>	<p>Time in-service will be converted into a calculated percentage of tactical vehicle availability at each SPR field site. Specifically: Availability = Days in Service/Days in period for each of the SPR field sites, based upon the daily Security Alarm Status Feeder Reports (ASFRs)</p>	<p>Target: ≥ 95%</p> <p>Minimum: ≥ 85%</p>	<p>Target: \$121,000</p> <p>Minimum: \$75,000</p>

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

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<p style="text-align: center;">Cavern Workover Remediation Program</p> <p>Ensure safe and successful execution of FY 2011 cavern workover remediation program</p>	<p>Based on an approved priority-focused schedule, develop procedures for and safely execute workovers for remediation of caverns on the SPR</p>	<p style="text-align: center;">\$60,000 per successful well remediation (success based on successful Cavern Integrity Test following remediation)</p> <p style="text-align: center;">Plan for 5 well remediations in FY 2011</p>	<p style="text-align: center;">\$300,000</p>
<p style="text-align: center;">Ullage Management Plan</p> <p>Ensure all 8 cavern streams have an ullage management plan providing accurate forecasting on a quarterly basis of ullage impact resulting from all activities requiring fluid movements into and out of caverns</p>	<p>Develop an easily manageable database and spreadsheet that incorporates all changes to ullage (including impact of workovers, degas, interface surveys, sonars, creep, and any other fluid movements) for every cavern and summarized for each of the 8 crude oil streams on the SPR</p>	<p style="text-align: center;">Submission of and concurrence with easily manageable database for 4 most critical crude oil streams by December 31, 2010</p> <p style="text-align: center;">Submission of and concurrence with easily manageable database for 4 remaining crude oil streams by March 31, 2011</p>	<p style="text-align: center;">\$200,000</p>

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p>Cavern Management Database</p> <p>Ensure all cavern documentation is in a structured, easily accessible, and user friendly format</p>	<p>Develop a well database that includes each cavern-related data and history for each cavern on the SPR</p>	<p>Deploy database by September 30, 2011</p>	<p>\$150,000</p>
<p>Cavern Workover Regulations</p> <p>Ensure compliance with regulations requiring in-depth inspection of cemented casings in SPR wells</p>	<p>Develop procedures for and safely execute 7 workovers for removal of brine strings in order to obtain multi-sensor caliper surveys (and down-hole video surveys, if deemed necessary) for caverns on the SPR. This is to comply with the regulations stating all boreholes need casing inspection by the Year 2016. This program will provide data necessary to generate and implement a complete remediation plan and schedule.</p>	<p>Completion of 7 diagnostic workovers to obtain multi-sensor caliper surveys</p>	<p>\$100,000 (\$50,000 following successful execution of 5 workovers by the end of FY 2011. \$50,000 additional fee following successful execution of 2 additional workovers by the end of FY 2011.)</p>

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

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<p style="text-align: center;">Reliability Availability Maintainability (RAM)</p> <p>Provide adequate assurance of the availability and reliability of system components necessary to carry out the SPR mission</p>	<p>Calculated percentage of site availability to be validated by quarterly equipment exercise and required performance of drawn-down critical equipment to support full rate drawdown</p>	<p style="text-align: center;">Target: ≥ 95 percent for each site each quarter</p> <p style="text-align: center;">Minimum: ≥ 95 percent for SPR-wide average each quarter calculated</p>	<p style="text-align: center;">Target: \$300,000</p> <p style="text-align: center;">Minimum: \$250,000</p>
<p style="text-align: center;">Master Project Milestone Schedule</p> <p>Ensure effective mission execution through management and control of project milestones</p>	<p>Percentage of FY 2011 Level 1, 2, and 3 milestones for which DM is responsible (excluding milestones associated with the Bayou Choctaw Cavern 20 Replacement Project and Program Cyber Security Plan (PCSP) Implementation) that are completed in compliance with established Control Milestone Change Requests (CMCRs)</p>	<p style="text-align: center;">Target: Complete all Level 1 and 2 milestones by the scheduled date. Complete at least 95% of all Level 3 milestones by the end of the fiscal year and at least 93% within 30 days of scheduled date</p> <p style="text-align: center;">Minimum: Complete all Level 1 and 2 milestones by the scheduled date. Complete at least 90% of all Level 3 milestones by the end of the fiscal year and at least 85% within 30 days of the scheduled date</p>	<p style="text-align: center;">Target: \$345,000</p> <p style="text-align: center;">Minimum: \$300,000</p>

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p>Program Cyber Security Plan (PCSP) Implementation</p> <p>Ensure effective progress of technical solution implementation of our Federal Information System Management Act (FISMA) systems based on the Under Secretary of Energy PCSP Version 1.2, with transition to Version 3.0</p>	<p>a. Percentage of plan of actions and milestones (POAMs) closed by the scheduled completion date</p> <p>b. Develop, document and implement a continuous monitoring plan for critical security controls that is consistent with the Under Secretary of Energy Program Cyber Security Plan, NIST 800-53 Revision 3 and NIST 800-37 Revision 1. A report will be generated and submitted to the SPR Cyber Security Program Manager to demonstrate assessment of critical security control status.</p>	<p>a. Target: 100% of POAMs closed by the scheduled completion date</p> <p>Minimum: 90% of POAMs closed by the scheduled completion date</p> <p>b. Target: Complete documentation and implementation of continuous monitoring strategy by September 30, 2011</p>	<p>Target: \$300,000</p> <p>Minimum: \$250,000</p> <p>Target: \$300,000</p>

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

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<p style="text-align: center;">Bayou Choctaw Cavern 20 Replacement</p> <p>Ensure effective execution of the acquisition of Bayou Choctaw Cavern 102 and integration into the Bayou Choctaw site</p>	<p>a. Percent of all BC Cavern 20 Replacement project Level 1, 2, and 3 milestones for FY 2011 completed on or before approved milestone date(s) as defined by applicable milestone dictionaries</p>	<p style="text-align: center;">Target: 100% of all Level 1 and 2 milestones completed by the scheduled date, and 95% of all Level 3 milestones completed within 30 days of the scheduled date</p> <p style="text-align: center;">Minimum: 100% of all Level 1 and 2 milestones completed by the scheduled date, and 90% of all Level 3 milestones completed within 30 days of the scheduled date</p>	<p style="text-align: center;">Target: \$495,000</p> <p style="text-align: center;">Minimum: \$425,000</p>
	<p>b. Conduct DOE internal survey to measure the contractor's performance in fulfilling the requirements of this objective. Results will be quarterly for PEC reporting purposes; however, the Execution Target will be the average of the four quarters surveyed</p>	<p style="text-align: center;">Target: ≥ 85%</p> <p style="text-align: center;">Minimum: ≥ 75%</p>	<p style="text-align: center;">Target: \$245,000</p> <p style="text-align: center;">Minimum: \$200,000</p>

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p style="text-align: center;">Continuity of Operations for Business-Critical Application</p> <p>Ensure high availability and security of the Crude Oil Sales Offer Program (COSOP)/ Sales Offer Evaluation Program (SOEP) as a business-critical application</p>	<p>Develop a Phase 2 of the COSOP Cyber Security Enhancements Plan; and, as approved by DOE, implement the plan to ensure continuity of operations for COSOP/SOEP during events such as denial of service (DoS), network intrusion, and disaster recovery</p>	<p>Implement long-term solution to address continuity of operations for COSOP/SOEP by June 1, 2011</p>	<p style="text-align: center;">\$300,000</p>

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p style="text-align: center;">Emergency Response Organization</p> <p>Ensure continuous and effective communications between event scene responders, emergency managers, response facilities, and response organizations throughout the emergency event in accordance with DOE Order 151.1C</p>	<p>Demonstrate overall command and control of the site emergency response efforts from the event scene to the incident command structure</p>	<p style="text-align: center;">Target: 90%</p> <p>Demonstrate effective communication and complete 90% of the approved Preparedness for Response Exercise Program (PREP) Exercise Objectives.</p> <ul style="list-style-type: none"> a. On-scene responders accurately communicate initial event scene assessment to Incident Commander. b. Incident Commander provides direction to on-scene responders relative to response objectives. c. Web EOC accurately captures the PREP objectives and records the attainment of each objective. d. Response objectives are accurately documented in the incident action plan and the objectives are implemented by the emergency response team. 	<p style="text-align: center;">Target: \$245,000</p>

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p>Safety Statistics</p> <p>Provide an incentive for achieving stretch levels of excellence in safety and health standards</p>	<p>a. Days Away Restricted Time (DART) rate per 200,000 worker hours (DM and DM subcontractors)</p> <p>b. Total Recordable Case (TRC) rate per 200,000 worker hours (DM and DM subcontractors)</p>	<p>a. Super Stretch: ≤ 0.40 cases</p> <p>Target: ≤ 0.90 cases</p> <p>Minimum: ≤ 1.80 cases</p> <p>b. Super Stretch: ≤ 0.60 cases</p> <p>Target: ≤ 1.40 cases</p> <p>Minimum: ≤ 2.80 cases</p>	<p>Super Stretch:* \$425,000</p> <p>Target: \$395,000</p> <p>Minimum: \$345,000</p> <p>Super Stretch:* \$425,000</p> <p>Target: \$395,000</p> <p>Minimum: \$345,000</p> <p>*The additional fee for meeting or exceeding the Super Stretch level will be obtained from any unearned performance fee</p>
<p>Executive Orders 13423 and 13514</p> <p>Ensure the Contractor evaluates and implements appropriate strategies toward achieving the Executive Order 13423 and Executive Order 13514 requirements</p>	<p>Implement those proposals marked as "DOE Approved" (Level of Effort and funded for FY 2011) as stated in the SPR Executive Order 13423 Implementation Plan Matrix approved for 2011 and the SPR Executive Order 13514 Matrix, "SPR Strategy for Achieving EO 13514)</p>	<p>Target: 100% of all milestones completed on or before scheduled dates</p> <p>Minimum: 80% of all Level 3 milestones completed within 30 days of the scheduled dates</p>	<p>Target: \$300,000</p> <p>Minimum: \$250,000</p>

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p>Self-Assessment Oversight</p> <p>Ensure the Contractor has developed and executed a self-assessment program which identifies and corrects discrepancies in all functional areas</p>	<p>Demonstrate an effective self-assessment program for the functional areas listed below and ensure an independent validation is being performed per DOE O 414.1C. This will be measured by DOE program owners through On-Site Management Assessments and other oversight auditing methods which maybe included in an On-Site Management Assessment Report.</p> <p>Functional areas include but are not limited to: Environmental; Safety & Health; Quality Assurance; Security, Emergency Management; Cyber Security; Property; Purchasing; Engineering; Operations & Maintenance; Crude Oil, Drawdown Readiness & Cavern Integrity, Human Resources; and Data Systems.</p>	<p>Super Stretch: All sites must achieve 85% or greater positive findings during the On-Site Management Assessment conducted at each site</p> <p>Target: All sites must achieve 80% or greater positive findings during the On-Site Management Assessment conducted at each site</p> <p>Minimum: Each site must achieve 75% or greater positive findings during the On-Site Management Assessment conducted at each site</p> <p>Targets are established against findings only recorded in the Assessment Tracking System</p>	<p>Super Stretch:* \$250,000 (\$50,000 per site, including New Orleans/Stennis)</p> <p>Target: \$125,000 (\$25,000 per site, including New Orleans/Stennis)</p> <p>Minimum: \$75,000 (\$15,000 per site, including New Orleans/Stennis)</p> <p>*The additional fee for meeting or exceeding the Super Stretch level will be obtained from any unearned performance fee</p>

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p>Integrated Safety Management (ISM) System Program Independent Assessment</p> <p>Provide an accurate Independent 3rd party assessment of ISM across the SPR to validate ISM implementation, program effectiveness, and to identify areas for improvement</p>	<p>Utilize an Independent ISM Subject-Matter Expert (SME) to conduct a strategic ISM gap analysis that addresses overall conformance to core functions and guiding principles</p>	<p>Submit Gap Analysis by September 30, 2011.</p> <p>The analysis must:</p> <ul style="list-style-type: none"> a. Capture all ISM policies, requirements, and practices b. Define organizational and working relationships between DOE, the M&O contractor, and any prime contractor working for the SPR c. Compare existing practices within the SPR to ISM requirements, industry standards, and practices of DOE Policy 450.4, DOE Order 450.2, and DOE Manual 450.4 	<p style="text-align: center;">\$100,000</p>

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p>Customer Service Questionnaire</p> <p>Conduct employee satisfactory surveys as a means to measure the contractor's performance in fulfilling contract requirements taking into account the Department's goals and objectives</p>	<p>Conduct DOE internal customer service questionnaire on a quarterly basis. Results will be calculated quarterly for PEC reporting purposes; however, the final customer service rating will be averaged from the four quarters surveyed.</p>	<p>Stretch: ≥ 85%</p> <p>Target: ≥ 80%</p> <p>Minimum: ≥ 75%</p>	<p>Stretch: \$325,000</p> <p>Target: \$300,000</p> <p>Minimum: \$275,000</p>

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p style="text-align: center;">Cost Reduction Incentive</p> <p>Reduce the cost of contract performance by \$10,000,000 based on a contract baseline of \$532,766,386, as reflected in the Final Annual Operating Plan for FY 2008 and the FY 2010 Budget Request (FYs 2009-2013) during the period April 1, 2008 – March 31, 2013</p>	<p>Dollar Amount Saved</p>	<p style="text-align: center;">\$10,000,000</p>	<p style="text-align: center;">\$1,000,000</p> <p>The Fiscal Year 2011 performance fee allocated is reduced by \$200,000. The total of the fiscal year reductions below represents the fee the Contractor can earn at the end of the five-year contract term under the Cost Reduction Incentive measure.</p> <p>FY 2008 \$100,000 FY 2009 \$200,000 FY 2010 \$200,000 FY 2011 \$200,000 FY 2012 \$200,000 FY 2013 \$100,000</p>
<p style="text-align: center;">Total Fiscal Year 2011 Performance Fee</p> <p style="text-align: center;">Fiscal Year 2011 Cost Reduction</p> <p style="text-align: center;">Fiscal Year 2011 Fee Pool</p>			<p style="text-align: center;">\$8,286,000</p> <p style="text-align: center;">\$200,000</p> <p style="text-align: center;">\$8,086,000</p>

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Deductive Fee
<p style="text-align: center;">Information Security</p> <p>Assure protection of sensitive Personally Identifiable Information (PII), as defined in Under Secretary of Energy Program Cyber Security Plan</p>	<p>Instances of compromise (loss of control) of an SPRPMO owned/ operated FISMA system by DM or its subcontractors, of protected PII because of an error or omission, specifically excluding user error</p>	<p style="text-align: center;">Target: 0 instances</p>	<p>For failure to achieve the target: Deduct \$50,000 per instance from the otherwise earned fee</p>

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Deductive Fee
<p style="text-align: center;">Cyber Security</p> <p>Provide a high level of integrity for all major systems and major applications</p>	<p>a. Percentage of intrusion attempts to major systems and applications blocked with no unrecoverable loss or corruption of data at the server level</p> <p>b. Timeliness of security patches</p>	<p>a. Target: $\geq 99.999\%$ quarterly average with 0 instances of unrecoverable loss or corruption of data</p> <p>Minimum: $\geq 99.995\%$ quarterly average with 0 instances of unrecoverable loss or corruption of data</p> <p>b. Target: Apply 99% of cyber security patches within the time allotted by the vulnerability management procedure (quarterly average)</p> <p>Minimum: Install 95% of all cyber security patches within the time frame allotted by the vulnerability management procedure (quarterly average)</p>	<p>a. For failure to achieve the target: Deduct \$10,000 from the otherwise earned fee for each quarter that the target is not achieved</p> <p>For failure to achieve the minimum: Deduct \$30,000 from the otherwise earned fee for each quarter that the minimum is not achieved</p> <p>b. For failure to achieve the target: Deduct \$5,000 from otherwise earned fee for each quarter that the target is not achieved</p> <p>For failure to achieve the minimum: Deduct \$10,000 from the otherwise earned fee for each quarter that the minimum is not achieved</p>

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Deductive Fee
<p style="text-align: center;">Contractor Assurance System Program Performance</p> <p>Ensure the Contractor has developed and implemented a comprehensive Contractor Assurance System (CAS) program in accordance with the requirements of DOE O 226.1A</p>	<p>Demonstrate an effective CAS program in accordance with DOE O 226.1A by September 30, 2011 for the programs listed below.</p> <p>This will be measured by each DOE program owner who will perform a validation of the CAS program documentation required, including status and supporting documentation which meets the governmental prescriptive requirements. The CAS data is identified in Publication AAA7003, DM Contractor Assurance System Program Description and Implementation Plan Procedures, Appendices A through F. Program areas include: a. Environmental, b. Safety and Health; c. Quality Assurance; d. Security; e. Emergency Preparedness; f. Cyber Security. This will be measured by each DOE program owner who will perform a validation of the CAS program data required and identified in AAA 7003.</p>	<p>The result of each CAS program area validation process performed by DOE shows that 100% of the CAS data is accurate and complete</p>	<p>Deduct \$50,000 from the otherwise earned fee if 15% of the CAS data for each program area is inaccurate or incomplete</p> <p>Deduct \$125,000 from the otherwise earned fee if 34% of the CAS data for each program area is inaccurate or incomplete</p> <p>Deduct \$250,000 from the otherwise earned fee if 50% of the CAS data for each program area is inaccurate or incomplete</p>

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Deductive Fee
<p>Occupational Safety and Health Administration (OSHA) Voluntary Protection Program (VPP) Star Status</p> <p>Optimize and validate the effectiveness of the SPR's Safety Program</p>	<p>Complete annual evaluation and maintain OSHA VPP Star Status at the four sites</p>	<p>Maintain Star Status</p>	<p>For each site that fails to maintain Star Status: Deduct \$250,000 from the otherwise earned fee</p>

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Deductive Fee
<p>Annual Operating Plan Execution</p> <p>The FY 2011 measure will be validated based upon the year-end close completion and an audit being conducted by month-end close August 2011 to determine the validity of the purchase requisitions (PRs), purchase orders (Pos), and costs upon which the executed value is based. Additionally, the M&O contractor will provide to DOE, on a quarterly basis, an Open PR/PO report</p>	<p>Successful execution of obligations versus the Final AOP Baseline and beginning FY Uncosted Obligation balance.</p>	<p>Target: 95%</p> <p>Minimum: 90%</p>	<p>For failure to achieve the target: Deduct \$150,000 from otherwise earned fee</p> <p>For failure to achieve the minimum: Deduct \$250,000 from otherwise earned fee</p>
<p>Procurement Balanced ScoreCard Self-Assessment</p> <p>Establish and maintain procurement business systems and procedures which meet Departmental requirements</p>	<p>Percent of Contractor Balanced ScoreCard Core Measures achieved</p>	<p>Target: 85% of the Core Performance Measures as set forth in the Contractor Balanced ScoreCard Self-Assessment</p> <p>Minimum: 70% of the Core Performance Measures as set forth in the Contractor Balanced ScoreCard Self-Assessment</p>	<p>For failure to achieve the target of 85%: Deduct \$25,000 from the otherwise earned fee</p> <p>For failure to achieve the minimum of 70%: Deduct \$50,000 from the otherwise earned fee</p>
<p>Fiscal Responsibility</p> <p>Foster the tenets of fiscal responsibility and accountability in executing the SPR mission</p>	<p>Number of material deficiencies found during the annual financial statement audit for FY 2010</p>	<p>0 material deficiencies</p>	<p>For each material deficiency: Deduct \$200,000 from the otherwise earned fee</p>

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

In addition to evaluating the contractor's achievement of the above execution targets, the Government will consider the impact of any material performance deficiencies in all areas of performance, regardless of whether a weight or fee has been specifically assigned. This includes, for example, marginal or unacceptable performance of work authorization directive (WAD) requirements; or less serious, but recurring and/or systemic, negative events. In evaluating the impact of performance deficiencies, the Government will consider the timeliness and adequacy of corrective actions as well as the overall success of the contractor in exceeding the Government's expectations.

The contractor's performance, as a whole, for all evaluation periods will be a factor in considering the exercise of any contract option.

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

PROVISIONS FOR THE COST REDUCTION INCENTIVE DURING
CONTRACT PERIOD APRIL 1, 2008 – MARCH 31, 2013

The amount of fee earned is based on a cost reduction target of \$10,000,000. The total available fee the contractor can earn is \$1,000,000, or 10 percent of the cost reduction target. The contractor can earn fee if he demonstrates a cost reduction of 80 percent of the target, or \$8,000,000 over the contract period. The amount of fee earned will be equivalent to the percent of target achieved; i.e., if a cost reduction of 80 percent is achieved, the contractor can earn \$800,000, or 80 percent of the fee.

The final determination of fee earned and paid in total will occur at the end of the five-year period. The contractor will report quarterly on the cumulative status of the cost reductions over the five-year contract period. No retroactive exclusions will be accepted prior to the commencement of the contract period April 1, 2008.

No additional fee will be calculated above the \$10,000,000 in savings. An adjustment will be made for Major Maintenance in FY 2008 once year end has completed to determine the value related to one-half a year.

Carryover is included in the FY 2008 value as this is a Final Annual Operating Plan. An adjustment has been taken for carryover in FY 2013 at 6% based upon historical actual carryover.

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

ATTACHMENT 5

**COST REDUCTION INCENTIVE –
PROCEDURE FOR EXCLUDING ITEMS OF COST**

Introduction

The management and operating (M&O) contract contains an incentive to reduce the cost of contract performance. The details of this incentive are set forth in this Performance Evaluation and Measurement Plan (PEMP). It involves comparing actual cost incurred to a measurement baseline to determine the amount of reduction achieved. For the purpose of this comparison, certain items of incurred cost are excluded. Generally, these exclusions involve items that were not included as part of the initial design of the incentive (e.g., Major Maintenance construction tasks); or items that by their nature or scope represent a material change in the scope of the contract reflected in the measurement baseline (e.g., HBCU program costs and incremental cost of elevated security levels).

The purpose of this procedure is to formalize the process for determining items that should be excluded from the cost reduction incentive.

Requests for Exclusions

The M&O contractor will submit a formal written request to the Contracting Officer when it believes that an item of cost valued at \$100,000 or greater, which has otherwise been authorized by DOE, should be excluded from consideration under the cost reduction incentive. The request must include a full description of the scope of the item in question; a cost estimate; a schedule or clear identification of the period(s) in which the costs proposed for exclusion will be incurred; and a thorough exposition of the rationale for the proposed exclusion. This rationale must address the main tenet of the cost reduction program; that the contractor will deliver at least the same level of performance contemplated at the outset of the contract at a reduced cost. Thus, an item of cost that is necessary to sustain the requisite performance level, even though it was not planned or expected, would not ordinarily qualify for exclusion.

DOE expects that only requests that have a reasonable expectation of being approved will be submitted. Therefore, the contractor should ensure that these requests undergo a thorough management review before presentation. To further facilitate the process, the contractor should consult with cognizant DOE personnel prior to submission.

PERFORMANCE EVALUATION AND MEASUREMENT PLAN
CONTRACT NO. DE-AC96-03PO92207
FISCAL YEAR 2011
Revision 3

Review and Approval

Upon receipt of an exclusive request, the Contracting Officer will coordinate and review the request with the DOE subject matter disciplines and formulate a recommendation for submittal to the Performance Fee Board (PFB). If additional information is required, the Contracting Officer will obtain it from the contractor. Within 45 calendar days of receipt of the request or any supplemental information, whichever is later, the Contracting Officer will present to the PFB the recommended disposition of the exclusion request.

The Contracting Officer will notify the contractor of the final decision made by the PFB. If the request is approved, the Contracting Officer, in consultation with the DOE Budget point of contact and the contractor, will determine the best method for implementation. That is, whether such costs should be purged from actual costs/projections for evaluation purposes or whether an adjustment to the measurement baseline would better effect the decision.

Reporting

The contractor will include in its status reporting on the cost reduction program an itemization of the approved exclusions and those pending approval. DOE will also include a similar itemization in its status reporting at the quarterly Program Reviews.