

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

**MANAGEMENT AND OPERATING
CONTRACTOR**

**PERFORMANCE EVALUATION AND
MEASUREMENT PLAN**

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

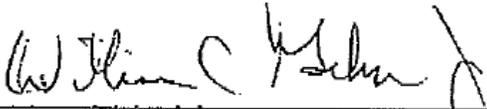
FISCAL YEAR 2012

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SIGNATURE PAGE

SUBMITTED BY:

DEPARTMENT OF ENERGY



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PROJECT MANAGER**

8/29/11

DATE

ACCEPTED BY:

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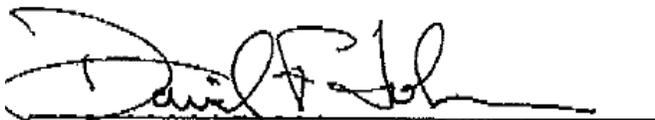


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INTRODUCTION

This Performance Evaluation and Measurement Plan (PEMP) supplements and implements the total available fee provisions of Contract No. DE-AC96-03P092207 with DM 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.

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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," and EO 13514, "Federal Leadership in Environmental Energy and Economic Performance," 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.

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- ◆ 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

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consideration will be given to the timeliness and adequacy of corrective 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

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the targets established and the Validation Plans. The quarterly PEC debrief to the contractor will be conducted within 35 workdays after end of evaluation period.

Within 50 workdays 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 60 workdays 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 20 workdays after the FDO approval of award fee, the PFB Chair debriefs the contractor on the final determination and bases for the decision.

Performance measures completed during the fiscal year will be processed quarterly for determination of earned fee. Within 5 workdays after the completion of a measure, the contractor will submit to the Contracting Officer, with copy to the PFB Executive Secretary, a detailed completion report identifying specific information against the measures objective(s) and target(s) established, i.e., cavern numbers, milestone completion dates, etc. The contractor's report will be forwarded to the Quality and Performance Assurance Division (Q&PAD) and the measure's Subject Matter Expert (SME) for validation against the methodology established. The SME will have 10 workdays to validate the contractor's performance against the established measure. Validation of the contractor's performance should be in accordance with the validation plan developed by the SME which identifies the objectives and targets that the contractor should work toward during the fiscal year. Part of the methodology used to validate and document the contractor's performance includes the use of Scorecard.

The DOE SMEs should be conducting a quarterly validation of the information documented in Scorecard by the Contractor Process Owners for accuracy and completeness against the targets established. A DOE commentary

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section is provided within Scorecard for use by the SME to document their quarterly review. If a unique performance management system is utilized by an SME for a process that documents the progress of a CFPM, including supporting backup documentation, then this system can be used to supplement Scorecard as another means of validation and should be identified within Scorecard. In this case, both systems should be included on the associated validation plan.

The Q&PAD will then conduct an interview with the SME to ensure documentation supports the SME's validation methods used to verify work performed by the contractor. The Q&PAD will issue a QA Surveillance Report with distribution to the PFB Executive Secretary and SME within 15 workdays after SME completes the validation. A memorandum signed by the Project Manager will be forwarded to the FDO quarterly for his review and concurrence on earned performance fee within 5 workdays after receipt of QA Surveillance Report addressing all measures completed during the respective fiscal year quarter. Contractor will be notified of FDO's determination within 15 workdays after receipt of memorandum.

For those measures with fiscal year completion dates, at the end of the fiscal year, the contractor will submit a summary report within 10 workdays addressing the completion status of these measures (positive and negative) against the targets established. The SME will have 5 workdays to validate the contractor's performance once the contractor's summary report is received and the Q&PAD will have 30 workdays to complete their Surveillance Reports once the SME completes the validation.

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.

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ATTACHMENT 1

SCHEDULE SUMMARY

ACTION	SCHEDULE
Commence the development of performance objectives and incentives	June 1
PFB coordinates Plan with contractor	55 workdays prior to start of fiscal year
PFB submits Plan for FDO approval	25 workdays 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 workdays after end of fiscal year
FDO issues fee determination	10 workdays after PFB recommendation
PFB Chair debriefs contractor	20 workdays after fee determination

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**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

General Attorney
Office of Chief Counsel

Ex-officio Member: Contracting Officer
Acquisition and Sales Division

Executive Secretary: Special Assistant to the Manager
Office of Performance and Fee Management

* REPRESENTS THE CHIEF FINANCIAL OFFICER

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ATTACHMENT 3

PERFORMANCE EVALUATION COMMITTEE MEMBERSHIP

Todd Judice, PEC Chair, Director, Systems Engineering and Analysis Division

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

Sheldra Wormhoudt, Director, Planning and Financial Management 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, Supervisor, 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

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**ATTACHMENT 4
 CRITICAL FEW PERFORMANCE MEASURES**

Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p>System Test Exercises</p> <p>Ensure the SPR's ability to drawdown each site at established rates</p>	<p>Results of scheduled system test exercises (STEs). Actual flow test will be conducted at Bayou Choctaw</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>Target: \$225,000</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>Minimum: \$150,000</p>
<p>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>\$1,302,760</p>

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Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p style="text-align: center;">Cavern Leach Program</p> <p>Safely leach the designated SPR caverns in accordance with the cavern leach program</p>	<p>Additional authorized storage capacity created at Big Hill, Bryan Mound, and West Hackberry</p>	<p>Per approved cavern leach program schedule and in accordance with established milestones</p>	<p style="text-align: center;">\$350,000</p>
<p style="text-align: center;">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 style="text-align: center;">Target: $\geq 98\%$ of possible points each month</p>	<p style="text-align: center;">Target: \$350,000</p>
		<p style="text-align: center;">Minimum: $\geq 95\%$ of possible points each month</p>	<p style="text-align: center;">Minimum: \$300,000</p>

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Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p>Cavern Workover Remediation Program</p> <p>Ensure safe and successful execution of FY 2012 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>\$60,000 per successful well remediation (success based on successful Cavern Integrity Test following remediation)</p> <p>Plan for 6 well remediations in FY 2012</p>	<p>\$360,000</p>
<p>Sonar Database</p> <p>Ensure all sonar documentation is in a structured, easily accessible, and user friendly format</p>	<p>Update in FY 2012, sonar database that includes related data and history for each cavern on the SPR not to exceed 90 calendar days</p>	<p>Update database for each occurrence by September 30, 2012</p>	<p>\$350,000</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 to safely execute 10 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>Target: Completion of 10 diagnostic workovers to obtain multi-sensor caliper surveys in FY 2012</p> <p>Minimum: Completion of 7 diagnostic workovers to obtain multi-sensor caliper surveys in FY 2012</p>	<p>Target: \$250,000</p> <p>Minimum: \$150,000</p>

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Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p>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>Target: ≥ 95 percent for each site each quarter</p>	<p>Target: \$350,000</p>
		<p>Minimum: ≥ 95 percent for SPR-wide average each quarter calculated</p>	<p>Minimum: \$300,000</p>
<p>Master Project Milestone Schedule</p> <p>Ensure effective mission execution through management and control of project milestones</p>	<p>Percentage of FY 2012 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>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>Target: \$375,000</p>
		<p>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>Minimum: \$325,000</p>

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<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 2.0</p>	<p>a. Percentage of plan of actions and milestones (POAMs) closed by the scheduled completion date</p>	<p>a: Target: 100% of POAMs closed by the scheduled completion date</p>	<p>Target: \$325,000</p>
		<p>a: Minimum: 90% of POAMs closed by the scheduled completion date</p>	<p>Minimum: \$275,000</p>
	<p>b. Test critical controls and non-critical controls for each SPR information system in accordance with the Under Secretary of Energy Program Cyber Security Plan, NIST 800-53, Revision 3, and NIST 800-37 Revision. Mitigate vulnerabilities discovered during testing in accordance with SPR Vulnerability Management Procedures</p>	<p>b. Target: Complete testing of 100% of critical controls and 25% of non-critical controls by September 30, 2012. Mitigate 100% of vulnerabilities discovered during testing in accordance with SPR vulnerability management procedures</p>	<p>Target: \$325,000</p>
		<p>b. Minimum: Complete testing of 100% of critical controls and 10% of non-critical controls by September 30, 2012. Mitigate 100% of vulnerabilities discovered during testing in accordance with SPR vulnerability management procedures</p>	<p>Minimum: \$275,000</p>

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Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p>Cyber Security Continuous Monitoring and Threat Management</p> <p>Ensure effective cyber security continuous monitoring and threat management in accordance with DOE O 205.1B, Department of Energy Cyber Security Program, and the Under Secretary of Energy Program Cyber Security Plan 2.0</p>	<p>a. Define and implement use cases for critical applications within SPR information systems, including customized data views</p>	<p>a. Target: Define and implement use cases for critical applications within 100% of SPR unclassified information systems, including consolidation and correlation of anomalous activities and display information for each critical application in a customized data view (with 5 or more use cases for the Business Operations General Support System (GSS), and 3 or more use cases for the SPR Physical Security Major Application (MA) and SPR Distributed Control System MA)</p>	<p>Target: \$325,000</p>
		<p>a. Minimum: Define and implement use cases for critical applications within 100% of SPR unclassified information systems, including consolidation and correlation of anomalous activities and display information for each critical application in a customized data view (with 4 or more use cases for the Business Operations GSS, and 2 or more use cases for the SPR Physical Security MA and SPR Distributed Control System MA)</p>	<p>Minimum: \$275,000</p>

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Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p>Cyber Security Continuous Monitoring and Threat Management (continued)</p> <p>Ensure effective cyber security continuous monitoring and threat management in accordance with DOE O 205.1B, Department of Energy Cyber Security Program, and the Under Secretary of Energy Program Cyber Security Plan 2.0</p>	<p>b. Configure the SPR Security Information and Event Management (SIEM) system to increase efficiency and effectiveness of continuous monitoring execution within the SPR unclassified information system environment by automating the execution of continuous monitoring test plans</p>	<p>b. Target: Automate 20% of test plans for the Business Operations GSS to execute and display results within a SIEM data view</p>	<p>Target: \$325,000</p>
		<p>b. Minimum: Automate 10% of test plans for the Business Operations GSS to execute and display results within a SIEM data view</p>	<p>Minimum: \$275,000</p>

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Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p>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 2012 completed on or before approved milestone date(s) as defined by applicable milestone dictionaries</p>	<p>a. 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>Target: \$495,000</p>
		<p>a. 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>Minimum: \$425,000</p>
		<p>b. Target: ≥ 85%</p>	<p>Target: \$250,000</p>
		<p>b. Minimum: ≥ 75%</p>	<p>Minimum: \$200,000</p>

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Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p>Safety Statistics</p> <p>Strive to achieve “zero” work-related recordable injuries or illnesses</p>	<p>a. Days Away Restricted Time (DART) rate per 200,000 worker hours (DM and DM subcontractors)</p>	<p>a. Super Stretch: ≤ 0.40 cases</p>	<p>*Super Stretch: \$425,000</p>
		<p>a. Target: ≤ 0.90 cases</p>	<p>Target: \$395,000</p>
		<p>a. Minimum: ≤ 1.80 cases</p>	<p>Minimum: \$345,000</p>
	<p>b. Total Recordable Case (TRC) rate per 200,000 worker hours (DM and DM subcontractors)</p>	<p>b. Super Stretch: ≤ 0.60 cases</p>	<p>*Super Stretch: \$425,000</p>
		<p>b. Target: ≤ 1.40 cases</p>	<p>Target: \$395,000</p>
		<p>b. Minimum: ≤ 2.80 cases</p>	<p>Minimum: \$345,000</p>
			<p>*The additional fee for meeting the Super Stretch level will be obtained from unearned performance fee</p>

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Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p>Site Sustainability Plan</p> <p>Ensure the M&O contractor evaluates and implements appropriate strategies toward achieving compliance with Attachment 1 to DOE Order 436.1, Departmental Sustainability, Contractor's Requirement Document</p>	<p>Submit the completed SPR Site Sustainability Plan in accordance with Headquarters guidance to the DOE Environmental, Safety and Health Division (ESHD)</p>	<p>Stretch: Completes and submits the SPR Site Sustainability Plan to DOE ESHD 30 days before the milestone date</p>	<p>Stretch: \$325,000</p>
		<p>Target: Completes and submits the SPR Site Sustainability Plan to DOE ESHD on the milestone date</p>	<p>Target: \$275,000</p>
<p>Environmental Management System</p> <p>Ensure the M&O contractor implements and maintains an Environmental Management System (EMS) that conforms to and is certified compliant with the International Organization for Standardization's (ISO) 14001:2004(e)</p>	<p>Submits the SPR EMS twice yearly to a surveillance audit by a certified registrar for certification of its compliance with ISO 14001:2004(e)</p>	<p>Stretch: Attaining the registrar's recommendation for continual certification of the SPR EMS to the ISO standard, with zero (0) new conformances, corrective or preventive actions as a result of both audits</p>	<p>Stretch: \$325,000</p>
		<p>Target: Attaining the registrar's recommendation for continual certification of the SPR EMS to the ISO standard as a result of both audits</p>	<p>Target: \$275,000</p>

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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 414.1D. This will be measured by DOE program owners through On-Site Management Appraisals and other oversight auditing methods which may be included in an On-Site Management Appraisal Report.</p>	<p>Super Stretch: All sites must achieve 85% or greater positive findings during the On-Site Management Appraisal conducted at each site</p>	<p>*Super Stretch: \$250,000 (\$50,000 per site, including New Orleans/Stennis)</p>
	<p>Functional areas include but are not limited to: Environmental; Safety & Health; Quality Assurance; Security, Emergency Management; Cyber Security; Property; Purchasing; Engineering; Operations and Maintenance; Crude Oil, Drawdown Readiness and Cavern Integrity, Human Resources; and Data Systems.</p>	<p>Target: All sites must achieve 80% or greater positive findings during the On-Site Management Appraisal conducted at each site</p>	<p>Target: \$150,000 (\$30,000 per site, including New Orleans/Stennis)</p>
	<p>Minimum: Each site must achieve 75% or greater positive findings during the On-Site Management Appraisal conducted at each site</p>	<p>Minimum: \$100,000 (\$20,000 per site, including New Orleans/Stennis)</p>	
	<p>Targets are established against findings only recorded in the Assessment Tracking System</p>	<p>*The additional fee for meeting the Super Stretch level will be obtained from unearned performance fee</p>	

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Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation
<p>Integrated Safety Management System Independent Assessment Phase II</p> <p>An independent 3rd party assessor will develop a comprehensive Integrated Safety Management (ISM) implementation plan and a collective action plan addressing each SPR organizational division in accordance with the requirements of DOE Policy 450.4A, DOE O 450.2, and DOE M 450.4-1. The implementation plan will include a recommended Performance Metrics that captures the strategic elements of the ISM program in a measurable manner for each organization.</p>	<p>Compare the Phase I gap analysis completed in FY 2011 to the comprehensive implementation plan to verify that 100% of the identified gap is addressed with a corrective action and implementation plan</p>	<p>Target: 100% of the work completed and approved by DOE no later than November 15, 2011</p>	<p>Target: \$75,000</p>
		<p>Minimum: 100% of the work completed and approved by DOE no later than December 31, 2011</p>	<p>Minimum: \$50,000</p>

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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>Stretch: \$350,000</p>
		<p>Target: ≥ 80%</p>	<p>Target: \$325,000</p>
		<p>Minimum: ≥ 75%</p>	<p>Minimum: \$300,000</p>

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Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Fee Allocation										
<p 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 align="center">Dollar Amount Saved</p>	<p align="center">Target: \$10,000,000</p>	<p align="center">\$1,000,000</p>										
		<p align="center">Minimum: Reduce the cost of contract performance by at least 80% of the target, or \$8,000,000</p>	<p align="center">Amount of fee earned will be equivalent to the percent of target achieved.</p> <p>The Fiscal Year 2012 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> <table border="0"> <tr><td>FY 2008</td><td>\$100,000</td></tr> <tr><td>FY 2009</td><td>\$200,000</td></tr> <tr><td>FY 2010</td><td>\$200,000</td></tr> <tr><td>FY 2011</td><td>\$200,000</td></tr> <tr><td>FY 2012</td><td>\$200,000</td></tr> <tr><td>FY 2013</td><td>\$100,000</td></tr> </table>	FY 2008	\$100,000	FY 2009	\$200,000	FY 2010	\$200,000	FY 2011	\$200,000	FY 2012	\$200,000
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 align="center">Total Fiscal Year 2012 Performance Fee</p>			<p align="center">\$8,172,760</p>										
<p align="center">Fiscal Year 2012 Cost Reduction</p>			<p align="center">\$200,000</p>										
<p align="center">Fiscal Year 2012 Fee Pool</p>			<p align="center">\$7,972,760</p>										

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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 current Under Secretary of Energy Program Cyber Security Plan (PCSP)</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>0 instances of compromise</p>	<p>For each instance of compromise: Deduct \$50,000 per instance from the otherwise earned fee</p>

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Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Deductive Fee
<p>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>a. Target: ≥ 99.999% quarterly average with 0 instances of unrecoverable loss or corruption of data</p>	<p>a. Target: 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>a. Minimum: ≥ 99.995% quarterly average with 0 instances of unrecoverable loss or corruption of data</p>	<p>a. Minimum: 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. Timeliness of security patches</p>	<p>b. Target: Apply 99% of cyber security patches within the time allotted by the vulnerability management procedure (quarterly average)</p>	<p>b. Target: For failure to achieve the target: Deduct \$5,000 from otherwise earned fee for each quarter that the target is not achieved</p>
		<p>b. Minimum: Install 95% of all cyber security patches within the time frame allotted by the vulnerability management procedure (quarterly average)</p>	<p>b. Minimum: For failure to achieve the minimum: Deduct \$10,000 from the otherwise earned fee for each quarter that the minimum is not achieved</p>

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Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Deductive Fee
<p>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 226.1B</p>	<p>Demonstrate an effective CAS program in accordance with DOE O 226.1B by September 30, 2012 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 and AAA 9009.6 thru AAA 9009.11.</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>

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Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Deductive Fee
<p>Annual Operating Plan Execution</p> <p>Annual execution of obligations to include obligations in the Final Annual Operating Plan (AOP) Baseline (October-September) and beginning Fiscal Year Uncosted Obligation balance</p>	<p>Successful execution of obligations versus the Final AOP Baseline and beginning Fiscal Year Uncosted Obligation balance. Validation will be based on a year-end audit which will determine the validity of the open purchase requisitions and purchase order amounts included in the end-of-year Uncosted Obligation balance.</p>	<p>Target: 95%</p>	<p>Target: For failure to achieve the target: Deduct \$150,000 from the otherwise earned fee</p>
		<p>Minimum: 90%</p>	<p>Minimum: For failure to achieve the minimum: Deduct \$250,000 from the 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>Target: For failure to achieve the target of 85%: Deduct \$25,000 from the otherwise earned fee</p>
		<p>Minimum: 70% of the Core Performance Measures as set forth in the Contractor Balanced ScoreCard Self-Assessment</p>	<p>Minimum: For failure to achieve the minimum of 70%: Deduct \$50,000 from the otherwise earned fee</p>

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Key Contract Objectives	Effectiveness and Efficiency Measures	Execution Targets	Deductive Fee
<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 2011</p>	<p>0 material deficiencies</p>	<p>For each material deficiency: Deduct \$200,000 from the otherwise earned fee</p>
<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>

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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.

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**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.

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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.

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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.