



Department of Energy  
National Nuclear Security Administration  
Washington, DC 20585



MEMORANDUM FOR NEILE MILLER  
PRINCIPAL DEPUTY ADMINISTRATOR  
NATIONAL NUCLEAR SECURITY ADMINISTRATION

FROM: Kevin W. Smith  
MANAGER

SUBJECT: Los Alamos National Security, LLC, DE-AC52-06NA25396,  
FY 2012 Performance Fee Recommendation

The National Nuclear Security Administration (NNSA), Los Alamos Site Office (LASO) has completed its assessment of Los Alamos National Security, LLC's effectiveness in meeting the performance expectations established in the FY 2012 Performance Evaluation Plan (PEP) for the period of October 1, 2011 through September 30, 2012. Based on assessments provided in our FY 2012 Performance Evaluation Report, the recommended award fee amounts and award term are as follows:

	<u>Available</u>	<u>Recommended</u>
At-Risk	\$41,904,818	\$29,917,594
Multi-Site	\$4,656,091	\$4,306,885
<b>Total At-Risk</b>	<b>\$46,560,909</b>	<b>\$34,224,479</b>
<b>At-Risk Recommended %</b>		<b>74%</b>

<b>Management Fee Adjustment</b>	<b>(\$2,600,000)</b>	<b>\$31,624,479</b> <b>68%</b>
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In addition, the fixed fee and total fee summaries are provided below for your information:

Fixed Fee	\$19,954,675	\$19,954,675
WFO(Fixed Fee)	\$7,994,910	\$7,994,910
<b>Total Fixed Fee</b>	<b>\$27,949,585</b>	<b>\$27,949,585</b>
<b>Total Summary</b>	<b>\$74,510,494</b>	<b>\$62,174,064</b>
<b>Total % Including the Recommended At-Risk Fee</b>		<b>83%</b>

<b>New Total Summary</b>	<b>\$74,510,494</b>	<b>\$59,74,064</b>
<b>New Total % Including the Recommended At-Risk Fee</b>		<b>80%</b>

Award Term Yes

~~No~~ Yes. Contingent  
on LANS Letter  
attached.

Based on my recommendation, I request your approval of the recommended at-risk fee amount of \$31,624,479 no later than December 7, 2011.

APPROVED: See attached  
BY: Neile Miller  
NEILE MILLER  
PRINCIPAL DEPUTY ADMINISTRATOR  
National Nuclear Security Administration

DISAPPROVED: \_\_\_\_\_  
DATE: 12/7/12



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DEC 07 2012

Dr. Charles F. McMillan  
Laboratory Director  
Los Alamos National Security, LLC  
P.O. Box 1663, MS-A100  
Los Alamos, New Mexico 87544

Dear Dr. McMillan:

Los Alamos National Security, LLC's (LANS') contract clause H-13 entitled, "Award Term" stipulates that the award term clause becomes inoperable if the laboratory does not receive the required rating stipulated in the Performance Evaluation Plan (PEP). The LANS Bilateral PEP states that in order to meet the Award Term gateway the contractor must have achieved all three of the following:

- (1) Performance Based Incentive Measures and Performance Objective Measures— earn greater than or equal to 80 percent overall at-risk fee (objective and subjective, essential and stretch), in the areas of Multi-Site, Programs, Operations, and Business and Institutional Management.
- (2) Award Term Measures – Successful completion of the Mandatory Award Term Measure.
- (3) Award Term Measures – Achieve success in four of the five Award Term Measures.

LANS met measures two and three, but earned less than 80 percent overall at-risk fee. The National Nuclear Security Administration (NNSA) Fee Determining Official (FDO) has nevertheless expressed a desire to award LANS the award term in recognition of LANS' acceptance of full responsibility and accountability for problems that have arisen under the Nuclear Materials Safeguards and Security Upgrades Project Phase II Project and for moving aggressively to correct the issues. In order to facilitate the FDO's wishes, I hereby provide a one-time waiver to the restrictions of clause H-13 so that the clause remains operable and the award term remains available for the FDO to grant for the FY-12 performance evaluation notwithstanding LANS is being awarded \$31,624,479 (or 68 percent) of overall at-risk fee.



This one-time waiver is contingent upon LANS providing no later than Friday, December 7, 2012, a memo signed by an authorized representative, addressed to the Site Office Contracting Officer, stating LANS' agreement that in consideration for this waiver the FY-12 NNSA fee determination is final.

Should you have any questions, please contact Robert M. Poole at (505) 665-1244 or by e-mail at [rpoole@doeal.gov](mailto:rpoole@doeal.gov).

Sincerely,

A handwritten signature in black ink, appearing to read 'Joseph Waddell', written over a horizontal line.

Joseph Waddell  
Senior Procurement Executive

cc: N. Miller, NA-1  
M. Lempke, NA-00  
R. Raines, NA-APM-1  
S. Turner, NA-GC-30  
E. Sellers, NA-10  
B. Stearrett, NA-APM-13  
K. Smith, LASO  
R. Poole, LASO  
S. Shook, LANL