

Y12 Evalut 2006 NNSA.

efficiencies enabled a majority of the planned FY 2006 QE work scope to be completed in late August or early September. High Challenge scope was completed.

- Container deliveries to the PANTEX Plant supporting dismantlement activities for the W62, W70, W78, B61, and W76 Programs were completed. This included containers to support BWXT Y-12 PANTEX Stretch Goals. In addition, the contractor continued to provide strong support in the preparation of safety documentation for nuclear packaging.

During FY 2006, there were several key areas where performance was less than satisfactory. Opportunities for improvement have been identified and include the following:

- B61 ALT 357 Program execution – BWXT Y-12 was unable to complete all the required baseline work scope due to several factors including issues with surface defects, an extended critical facility outage, equipment problems, and late design changes. Of the planned PPI production, only about 21% of the requirements were achieved. The contractor's performance during FY 2006 has put this program at high risk of failing to support PANTEX and ultimately NNSA's DoD customer. Financial management of this program was less than satisfactory as evidenced by the need to "borrow" budget from the W76-1 LEP in the last quarter of FY 2006 to ensure actual costs did not exceed available budget.
- W87 JTA4 deliverables – The contractor struggled throughout the evaluation period to complete the baseline work on the W87 JTA4 program. Only 30% of the required units were completed which will necessitate this work being carried over into a third fiscal year for execution. The planned work scope on the composite deck (primarily associated with tooling) was not fully completed due to conflicts with tooling requirements for the B61 and W76 programs.
- Although cost and schedule performance was acceptable at the overall DSW level, there remain certain subprograms that need improvement. Those subprograms include the B61 ALT 357 (both cost and schedule performance must be improved) and DSW Complementary Work (schedule performance must be improved). In addition, DSW needs to improve the cost management and control system as communicated by the Federal Program Manager.

The senior Federal Program Manager provided the following summary communication regarding BWXT Y-12's performance in FY 2006: "Y-12 demonstrated outstanding performance in significantly exceeding FY 2006 dismantlement requirements and positioning themselves to achieve dismantlement rates in FY 2007 and beyond. Y-12's performance in the areas of surveillance, the W76 LEP, and Production Support was Good. The majority of surveillance requirements were met, Production Engineering activities for the W76 LEP were supported, and a balanced Production Support program was achieved despite numerous challenges. Y-12's performance with the B61 LEP was Satisfactory. The B61-7 ALT 357 quantities were not achieved. Additionally, the B61-7 ALT 357 DRAAG was postponed due to delays in receiving required data from Y-12."

Campaigns

The overall rating in the area of Campaigns was Good.

The objective of the Campaigns Program is to ensure Campaigns will be managed and executed in accordance with Work Authorization Directives and implementation plans with focus on Level I, II, and III milestones. The Campaigns will re-establish and enhance the manufacturing capability at Y-12 needed for the long-term stewardship of the stockpile. These efforts will result in the revitalization of Y-12's ability to meet its mission requirements in a more responsive, efficient, and cost effective manner while improving security and worker safety and health.

The Campaigns at Y-12 continue to provide significant support to the modernization program at Y-12 this year, particularly the Uranium Processing Facility Technology Development. Campaigns funds projects that are technically challenging, multi-year, multi-functional efforts to

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one facility should be near a decision for resolution. This has been an unresolved issue for the duration of the period, with a special task team established to provide a path forward. Management attention is required to assure continued progress in this area and to address other outstanding issues.

III. OPERATIONS (40%)

The Operations area included the following topical areas: Engineering, Authorization Basis, Criticality Safety, Emergency Management, Fire Protection, Packaging and Transportation, Environmental and Waste Management, and Worker Protection, and Conduct of Operations, Maintenance, Quality Assurance, Training and Qualifications, and Readiness. Some improvements in configuration management and training of engineers are being accomplished. Improvements in delivering design inputs and in controlling design changes are needed. Authorization Basis is partially meeting expectations. BWXT Y-12 achieved approval of the 9212 10 CFR 830 compliant safety basis documents and continues to improve in performing Unreviewed Safety Question determinations. Improvements in the implementation of the 9212 facility compliant safety documents and in ensuring supporting documents are completed before submitting the analysis reports for NNSA approval are needed. Improvements in accomplishing corrective actions for longstanding issues were attributed to an effective usage of the Criticality Safety Officers and management support to complete these items. A significant criticality safety event associated with casting operation pointed to deficiencies in the conduct and control of the Uranium Holdup Survey program. BWXT Y-12 took strong and positive recovery actions, but will still need sustained management attention to ensure continued effectiveness of corrective actions coming out of this event. BWXT Y-12 training and exercise performance remained at a high state and the joint YSO - Office of Secure Transportation (OST) exercise benefited both NNSA field and OST organizations. This was a very beneficial test of the concept of operations governing transportation accidents that may occur at NNSA field sites. Improvements in radiological postings have been accomplished and management response to noted deficiencies is exceptional. Fire Protection performance remained steady. Completions of actions included in the Fire Protection Program Corrective Action Plan slowed due to reduced funding allocations. Efforts to recover these actions and to develop a new baseline of the plan are needed. Despite strong performances in pollution prevention, where BWXT Y-12 has earned significant awards, and maintaining excellent relations with external regulators, the performance in completing Low Level Waste shipments of new wastes and in achieving reductions in legacy waste was less than expected. BWXT Y-12 continued its very long record (now 6 years) of excellent performance in precluding any significant reportable events. BWXT Y-12 continued to progress Behavioral Based Safety and wellness initiatives. The safety performance indicators are good and are showing an improving trend. BWXT Y-12's support for the Unneeded Chemicals and Materials initiative resulted in a significant reduction in legacy chemicals in its Development facilities and excellent progress is being made on implementing the 10 CFR 851 requirements.

Contractor FY 2006 performance in the CONOPS functional area was rated Good. Much of the work done at Y-12 was completed without incident. However, as reported throughout the year, the contractor was plagued with procedure compliance and use problems, safety basis violations (although fewer in number than last year), abnormal event investigation problems, occurrence reporting performance problems (2 of 3 performance targets were missed this year), and some high visibility performance problems and failures to declare and report violations. Performance was compounded by the contractor's failure to recognize, identify, and address several significant problems and events, necessitating vigorous YSO intervention to ensure satisfactory resolution. While positive performance was noted during four months of the year (February, March, June, and July), overall, the conduct of operations area has not shown significant improvement over the year. Improved ratings in the future will be dependent upon the contractor's determination and ability to be more self-critical in evaluation of CONOPS performance. YSO assessments indicated that QA programs were generally being implemented in operations; however, implementation in some areas such as projects was lacking. After a significant failure by BWXT Y-12 in the oversight of HEUMF construction activities, YSO has observed a continual improvement in the area of

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PERFORMANCE BASED INCENTIVES

PCD Requirements

B61 ALT 357 LEP

The FY 2006 performance measure for this metric was the completion of B61 hardware and other technical support according to the baseline plan.

All planned disassemblies were completed as planned. The fabrication of Test and Evaluation (T&E) hardware and the performance of Post Test Evaluation of certain T&E hardware were completed on a "mixed" schedule meaning about half was on schedule and the remaining half not on schedule. As communicated by the Federal Program Manager, although the product was ultimately provided in an acceptable condition, the contractor did not meet several schedules. This necessitated other NWC sites to reschedule their work to accommodate the delays experienced at Y-12. Regarding war reserve production, BWXT Y-12's execution was unacceptable as evidenced by the contractor delivering only about 21% of the required units on schedule. As communicated by the Federal Program Manager, the contractor did not perform against the required DSW work scope. BWXT Y-12 was not able to neither achieve the appropriate scope nor maintain the budget.

The Federal Program manager for the B61 program expressed concern that not all of the workscope had been completed, which adversely impacted other sites performance. Concerns raised by the B61 Program Manager did not recognize that Production Support and RTBF Operations of Facilities funding were insufficient to support this workload. He also indicated that improvement in cost management, control and reporting processes were needed.

Dismantlement - The FY 2006 performance measure for this metric was the completion of all base dismantlement work schedule.

This work included completing 100% of the W56 Phase I and Phase II dismantlements and 100 % of the B61 dismantlements. At the beginning of the year, it was questionable as to whether the W56 work could be completed. In fact, BWXT Y-12 had requested that the performance measure be reduced. YSO refused to reduce the performance measure, and as a result, significant productivity improvements were made by BWXT Y-12 that allowed the performance measures to be met. Additionally, a readiness activity was completed on schedule.

Disposition - The FY 2006 performance measure for this metric was the disposition of retired weapon parts at the Nevada Test Site.

One-hundred percent of the retired weapons parts were shipped to NTS.

Joint Test Assemblies (JTA's)

The FY 2006 performance measure for this metric is the on time production and shipment of JTA's and other high priority weapons hardware according to the incentive plan table.

Overall performance was good as evidenced by the on-schedule delivery of all JTA's and related product with only one exception. The W87 JTA4 and associated work scope achieved only 30% of the baseline work. Much of this work was already carried over from FY 2005. Since this work was not accomplished in FY 2006, this work had to be carried over into FY 2007. Additionally, all baseline work scope associated with the composite deck was not completed due primarily to the unavailability of tooling. BWXT Y-12 has been unable to resolve tooling conflicts among the DSW programs over the past two FY's. Partly as a result of BWXT Y-12's inability to complete the W87 work scope, NNSA removed \$1.1M in funding from this program and transferred same to another NWC site.

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Quality Evaluation

The FY 2006 performance measure for this metric is the completion of eight (8) Phase 1's, nine (9) Phase 2's, nine (9) Phase 3's, thirteen (13) QE Reports, and forty-five (45) NDE screening units by the end of FY 2006. For FY 2006, the contractor completed all the baselined QE work.

W76 Life Extension Program

The FY 2006 performance measure for this metric included the startup and operation of the Purification Facility and produce initial material, complete DISLEPs, perform some Process Methods Development work, complete the reacceptance testing on certain components, and produce some PPI hardware.

The contractor was successful in completing all the base incentive work on the W76-1 LEP. Additionally, BWXT Y-12 was successful in completing a Stretch metric to complete the reacceptance testing of certain components.

Modernization

Exemption 2

The QE relocation is behind schedule and not expected to complete startup before the end of the fiscal year.

Exemption 2

The argon preheat furnace is expected to meet the PBI due date, however, the salt bath installation and start up will fall short due to late delivery by the vendor. The salt bath has been designed, procured, accepted, and delivered to Y-12.

Steam Plant Life Extension Project

Although the Title II design was completed early, by September 28, 2006, based on the assumptions provided in the PBI, this milestone was subject to renegotiation. The assumption applies to the need to evaluate the Title II design estimate for cost overruns to the current baseline. Some of these changes (positive or negative) resulting from events outside the contractor's control has affected the project's ability to execute the submitted Title II design. The submitted Title II design will need significant revisions to match the proposed reduced work scope in order to meet the existing performance baseline. Thus, a full award of this design was not recommended. The awarded fee is representative of the two-thirds of the design that is executable within the approved baseline.

Exemption 2

In October 2005, NNSA Unilaterally issued Multi-Year Performance Based Incentive for HEUMF was established to provide greater assurance of project performance against approved baselines. This PBI included \$6.7M in earnable fee tied to cost and schedule performance against the approved project baselines. It places a substantial portion of earned fee "at risk" pending successful completion of the project. Additional fee above base PBI fee can be earned by the contractor for achieving a TPC underrun.

The Multi-Year PBI included 3 performance areas: 1) cost/schedule performance (section 6.1); 2) annual Objectives (section 6.2); and 3) end of project cost sharing (section 6.3). Because the third area, 6.3, concerning cost sharing is not applicable until the end of the project, there is no status summary provided.

- Overall cost and schedule performance in FY 2006 was hampered by NNSA DBT directed change execution and BWXT Y-12/CBJV project execution performance issues. Because of this shared/complicated parallel events that have impacted the cost and schedule performance of this project there will be no provisional or incremental payments awarded in FY 2006.

Exemption 2

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