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006247

FLUOR

May 15, 2006

Fernald Closure Project
Letter No. C:BSOP(CA/PC):2006-0038

Mr. Timothy L. Jones, Contracting Officer
U. S. Department of Energy
EM Consolidated Business Center
250 East Fifth Street, Suite 500
Cincinnati, Ohio 45202

Dear Mr. Jones:

CONTRACT DE-AC24-010H20115, REQUEST FOR DISPOSITION INSTRUCTIONS FOR RAIL ASSETS

Reference: DOE Letter EMCBC-00585-06, T. Jones to R. Norton, "Disposition Instructions for Rail Assets," dated April 13, 2006

Fluor Fernald, Inc. (Fluor Fernald) hereby provides notification that implementation of the direction contained in the referenced letter will have an adverse impact on the Fernald Closure Project (FCP) cost and schedule. Specifically, the required effort to scan the material for free release is expected to add six weeks to the project schedule. Based on current projections, removal of the last rail and trestle will be the critical path and directly impact Fluor Fernald's Declaration of Physical Completion. The enclosed spreadsheet shows that the direction provided in the referenced letter is the most costly approach for the FCP and DOE as a whole (\$3.8M). Fluor Fernald recommends that DOE reconsider its decision to not re-use the rail in 40-foot sections as contaminated material. This would provide the overall least cost to DOE (\$517K).

Alternatively, if DOE does not want to reuse this material as is, Fluor Fernald proposes that it be offered for sale to the qualified public (e.g. WCS, Energy Solutions). This will result in overall less cost to DOE than trying to free release the rails as requested (\$3.5M vs. \$3.8M). It can also be done without adversely impacting the project schedule. WCS has expressed a desire to receive this material as is for eventual reuse on its licensed facility. Additionally, MOAB has expressed an interest in obtaining 8,000 LF of this material as is. Fluor Fernald is currently coordinating with a Stoller site representative to arrange for them to obtain as much "as is" material as they need prior to any sale to the public.

Fluor Fernald will begin the property screening process the week of May 15, 2006. This will start the process for eventual sale of this material as is. However, other DOE sites or Government agencies will be able to obtain this material prior to sale and have the option of making the necessary efforts to free release that material on their sites. **Portsmouth, Paducah, and MOAB should have sufficient contaminated areas to store this material and**

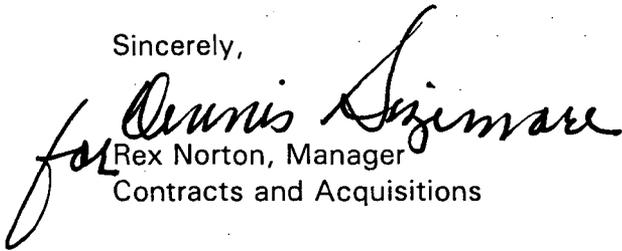
schedule prior to their actual need date. This would allow them to conduct the same activities that the FCP is being asked to do without adversely impacting closure.

Fluor Fernald plans to start removing track in whole sections the week of June 1, 2006. Concurrently, Fluor Fernald is putting a contract in place that will allow us to start shipping this material to any directed location(s) beginning June 15, 2006.

Regarding other rail assets, the referenced letter stated that additional guidance would be provided. Fluor Fernald has not received any completed SF 122, property transfer forms, for any of this material. Also enclosed is an updated table of the expected release dates for such equipment. Please note that some items are at the FCP and are available now and additional lids will be released from Energy Solutions each week starting May 18, 2006. DOE owned rail cars are expected to be released from Energy Solutions by mid June 2006. Fluor Fernald is releasing the leased cars back to the Lessor. All rail cars and lids will be decontaminated by Energy Solutions in accordance with the standards specified in the DOE-OH/Energy Solutions contract.

Fluor Fernald would like to discuss these issues at your earliest convenience. I can be reached at 513-484-2205, or 648-4322.

Sincerely,


for Rex Norton, Manager
Contracts and Acquisitions

RN:jmb

Enclosures

c: John S. Brown, DOE/EMCBC
Angela Cooney, DOE/EMCBC
Dennis G. Dalga, MS 88
Glenn Griffiths, DOE/EMCBC
Ralph E. Holland, DOE/EMCBC
David Lojek, DOE/EMCBC
John Lopez, MS1
Paul E. Mohr, MS1
Cornelius M. Murphy, MS 1
Dennis A. Nixon, MS 1
Patrick O'Neill, MS 14
Johnny W. Reising, DOE-FCP, MS 2
Dennis Sizemore, Fluor Fernald, Inc. Prime Contract, MS 1
Tammy Terry, MS 1
Administrative Record (w/2 Enclosures), MS 6
File Record Subject: Rail Assets
Letter Log Copy, MS 1

Rail Assets Dispositioning

ITEM	15 May	18 May	24 May	31 May	7 Jun	14 Jun	21 Jun	28 Jun	5 Jul	Total
Spare Lids	5									5
Track Mobile	1									1
Locomotives						1	2			3
Lids		10	10	10	10	52	52	53	53	250
DOE Owned Rail Cars						32	52	53	53	190
Leased Rail Cars		10	10	10	10	20				60
Rail Phase I				Start						
Rail, Balance						Start				

Assumptions:

- 1) Total of 186 train shipments from FCP (Includes Silos debris)
- 2) Train 184 is last SP7 material shipment on 25 May
- 3) Begin releasing rail cars 4 shipments prior to last SP7 material load out and building 50 car unit trains instead of current 60 car unit trains
- 4) Start Rail Phase 1 removal 1 Jun. Rail ready for shipment 15 June
- 5) Start Rail Phase 2 on 14 Jun following last Silo Debris shipment. Rail ready for shipment 29 June. All rail off site by 15 July.

Rail Road Dispositon Cost Options										
	A	B	C							
	Free Release Rail Only	Reuse Contaminated sections at DOE Site	Remove in Sections, sell to WCS							
FCP Costs:										
Remove Track (note 1)	\$1,019,388	\$517,700	\$517,700							
Tie Disposal @ Ecare(note 3)	\$1,320,540	\$0	\$0							
Scan Rail (note 2)	\$638,000	\$0	\$0							
Shipping Costs (note 4)	by others	by others	\$875,000							
Total Cost to FCP	\$2,977,928	\$517,700	\$1,392,700							
Cost By Other DOE Sites:										
Cost of new Rail (note 5)	\$0	\$0	\$1,334,000							
Cost of new Ties (note 6)	\$798,000	\$0	\$798,000							
Total Cost to Other Sites	\$798,000	\$0	\$2,132,000							
Direct Cost to DOE	\$3,775,928	\$517,700	\$3,524,700							
Schedule Impact to FCP (note 7)	6 wks	\$0	\$0							
Extended Schedule Cost	6 wks									
Assumptions:										
28,000 LF of FCP installed track										
58,000 LF of rail										
14,000 rail road ties										
Notes:										
1) Subcontract Cost bid \$517K for removal in sections and \$849,490 for pieces, plus expected 20% adder for scanning support										
2) Scan 2 crews scanning 58,000 LF of rail at 1,000 LF/day x \$11,000 per day = \$638,000 and 58 work days (10 weeks)										
3) all ties = 30 rail cars x \$14,640 freight each = \$439,200 30 cars x 74 cyd ea x \$397 per cyd disposal cost = \$881,340										
4) 28,000 LF/40ft sections= 700 sections/4 per truck= 140 trucks X \$5000 per truck = \$875,000 This assumes worse case and we pay shipping costs										
5) 40 Ft rail@\$840 each + joint splice@ \$80/joint = \$920 per 40 ft rail										
6) Tie @ \$42 each plus 2 tie plates @ \$11per pair + 8 spikes@. 50 each = \$57 per set										
7) Track removal is on critical path, 10 weeks of scanning less 4 weeks (June) concurrent activities = 6 weeks schedule impact										
Options:										
A) Separate rail from ties and free release rail only-- This is the Option DOE has directed										
B) pull sections out and reuse on other DOE sites as contaminated										
C) Remove in sections and sell WCS for reuse										