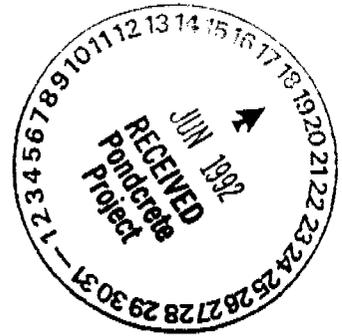


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EG&G ROCKY FLATS

EG&G ROCKY FLATS, INC.
ROCKY FLATS PLANT, P.O. BOX 464, GOLDEN, COLORADO 80402-0464 • (303) 966-7000



June 17, 1992

COPY

Halliburton NUS Environmental Corp.
452 Burbank Street
Broomfield, Colorado 80020

Attn: Bob Orwig

REFERENCE: Your Letter RF-HED-92-0323 dated June 9, 1992

TREATMENT OF BAR SUBCONTRACT COST AND FEE UNDER SUBCONTRACT PC 84017JB - SEH-112-92

The referenced letter is incorrect in its regard to EG&G's statements made during negotiation of Subcontract PC 84017JB. The attached memo summarizes the discussions which occurred during those negotiations regarding the treatment of fee on the Brown and Root (BAR) subcontract.

It is not, nor has it been, EG&G's intent to require Halliburton NUS (HNUS) to follow accounting practices which violate HNUS' disclosure statement. However, it is important to note that the negotiated pricing for Subcontract PC 84017JB, as summarized in the attached memo, includes the BAR total estimated cost but no BAR fee in the cost of the BAR subcontract to HNUS. Essentially, EG&G and HNUS agreed that BAR's performance would be charged to HNUS at cost. Recognition of (or reward for) BAR's performance is reflected in the amount of HNUS fee which was negotiated. Since HNUS and BAR are both "under" the Halliburton Company, the Halliburton Company, and therefore BAR, benefits from the fee paid to HNUS.

I suggest HNUS could honor its agreement with EG&G and not violate its disclosure statement, or that of BAR, by convincing BAR to perform the subcontract at zero fee. Otherwise, HNUS indirect costs applied to any BAR fee and billed to EG&G may not be reimbursed.

If further discussion is required, please contact the undersigned.

Steve Heiman
Subcontract Administrator
Environmental Services

cc: D. Ferrier, EG&G

File

ADMIN RECCRD



INTEROFFICE CORRESPONDENCE

DATE: June 17, 1992

TO: S. Heiman, Procurement Subcontract Admin., X3781

FROM: D. Wells, Procurement Cost Anal., X3740 *da*

SUBJECT: Revisit of HNUS Phase I Negotiation Agreement

On October 2, 1991, HNUS and EG&G came to an agreement for the total CPFF target price for phase I of the Solar Ponds/Pondcrete Project. The agreed to target price was \$14,163,000, but was based on the SOW as it was on September 9, 1991. The agreed to price was settled based on the following brief concessions by both HNUS and EG&G:

EG&G and HNUS initially agreed to a target cost of \$13,642,000. That cost was established by taking EG&G's initial cost offer of \$14,350,000, subtracting <\$90,000> for estimating costs, <\$150,000> for modularization, and <\$468,000> for Drawings/Specs reduction. The total of those items subtracted from EG&G's first offer equals \$13,642,000. At that point fee discussions began.

EG&G offered a fixed fee value equal to 8.0% of HNUS' target costs minus subcontract costs. The cost did not change, but EG&G felt that since the subcontract dollars included in the target cost included fee, the offer would not allow a duplication of fee dollars. EG&G stated the offer as 8.0% of HNUS costs or 4.75% of total target cost. The fixed fee offered dollars amounted to \$620,710. The offered target price was \$14,262,710. The following table breaks out the offered cost, fixed fee, and price:

Target Cost	\$ 13,642,000
Fixed Fee	<u>\$ 620,710</u>
Target Price	\$ 14,262,710

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HNUS then countered with a new target cost that takes the subcontract fee dollars out of target cost and was included in the total fixed fee amount. The total fixed fee amount then equated to 8.5% of the revised target cost, but was for all fee dollars, including subcontractor's fee. The following table breaks out HNUS' counter offer:

Target Cost	\$ 13,203,183
Fixed Fee	<u>\$ 1,071,271</u>
Target Price	\$ 14,274,454

EG&G then agreed to revising the format as HNUS offered above. However, if the subcontract fee dollars are taken out of the target cost, the applied overhead and G&A dollars needed to also be deleted. EG&G recalculated the target cost with no subcontractor fixed fee dollars and the overhead and G&A applied to those fee dollars. The following table identifies EG&G's second price offer:

Target Cost	\$ 13,100,000
Fixed Fee	<u>\$ 1,063,000</u>
Target Price	\$ 14,163,000

HNUS agreed to EG&G's second target price offer. The settlement was contingent upon a downward adjustment clause being included for incorporation of DCAA's rate recommendation.

The letter provided by HNUS, dated June 9, 1992, is incorrect in its facts. The areas felt to be incorrectly stated are given below:

The letter states that EG&G requested the removal of fee from subcontract cost prior to calculating the HNUS fee. This was never suggested by EG&G, and was not indicated as such in any offer until HNUS countered in this format.

It is true that there would be no impact to the total fixed fee dollars if HNUS included them in the direct cost level. However, per the estimate at negotiations, the direct cost would increase by \$103,183 due to additional overhead and G&A costs.

My recommendation is to not agree to the HNUS adjustment.