

June 9, 1992

EG&G Rocky Flats, Inc.  
Rocky Flats Plant  
Procurement, Bldg. 131  
P. O. Box 464  
Golden, Colorado 80402-0464

ATTENTION: Mr. Steve Heiman  
Subcontract Administrator

SUBJECT: SUBCONTRACT PC 84017JB ROCKY FLATS SOLAR POND/POND CONCRETE PROJECT  
BROWN & ROOT SUBCONTRACT COST AND FEE  
[WBS 710 PROJECT MANAGEMENT - HALLIBURTON NUS ROCKY FLATS DENVER]  
RF-HED-92-0323

COPY

Dear Mr. Heiman:

The purpose of this letter is for HALLIBURTON NUS (HNUS) to address the negotiation agreement made with EG&G on the treatment of fee earned by Brown and Root (BAR) in performance of their subcontract for Engineering, Procurement, and Support Services. During negotiations conducted on October 7, 1991, EG&G stated that they would not pay "profit on profit" and requested the removal of fee from the subcontract cost prior to calculating the HNUS fee on total cost. HNUS capitulated to EG&G's request even though it is the operating procedure of Halliburton Company not to allocate its costs to any of its subsidiaries. Although HNUS and BAR are both "under" the Halliburton Company, they are subsidiaries which (1) have separate G&A pools with no corporate assessments, (2) have independent disclosure statements which state "no transfer of expenses to corporate segments", and (3) maintain formal subcontracts arrangements with each other.

HNUS is currently in the process of updating the scope of the BAR subcontract and completing definitization of the letter subcontract on a revised estimate to complete. During this process, it was discovered that the BAR fee was never added back as a direct cost to HNUS prior to applying our indirect rates. Our disclosure statement requires that a subsidiary's cost and fee go into the total direct cost base for calculation of our overheads and G&A.

This has no impact on EG&G's total fixed fee payment to HNUS and only results in the proper classification of BAR fee as a direct cost to HNUS which is our usual and ordinary course of business. The fee paid to BAR will reduce HNUS's fee for purposes of showing the total price invoiced to EG&G.

If EG&G has no exception to this letter, HNUS will proceed with paying fee to BAR based upon the percent of work complete in the method described above.

If you have any questions, please contact the undersigned.

Sincerely,

HALLIBURTON NUS ENVIRONMENTAL  
CORPORATION

  
Robert W. Orwig  
Contract Administrator

cc: T. Bittner  
D. Dougherty  
D. Ferrier  
D. Newton  
J. Schmidt  
J. Shillinglaw