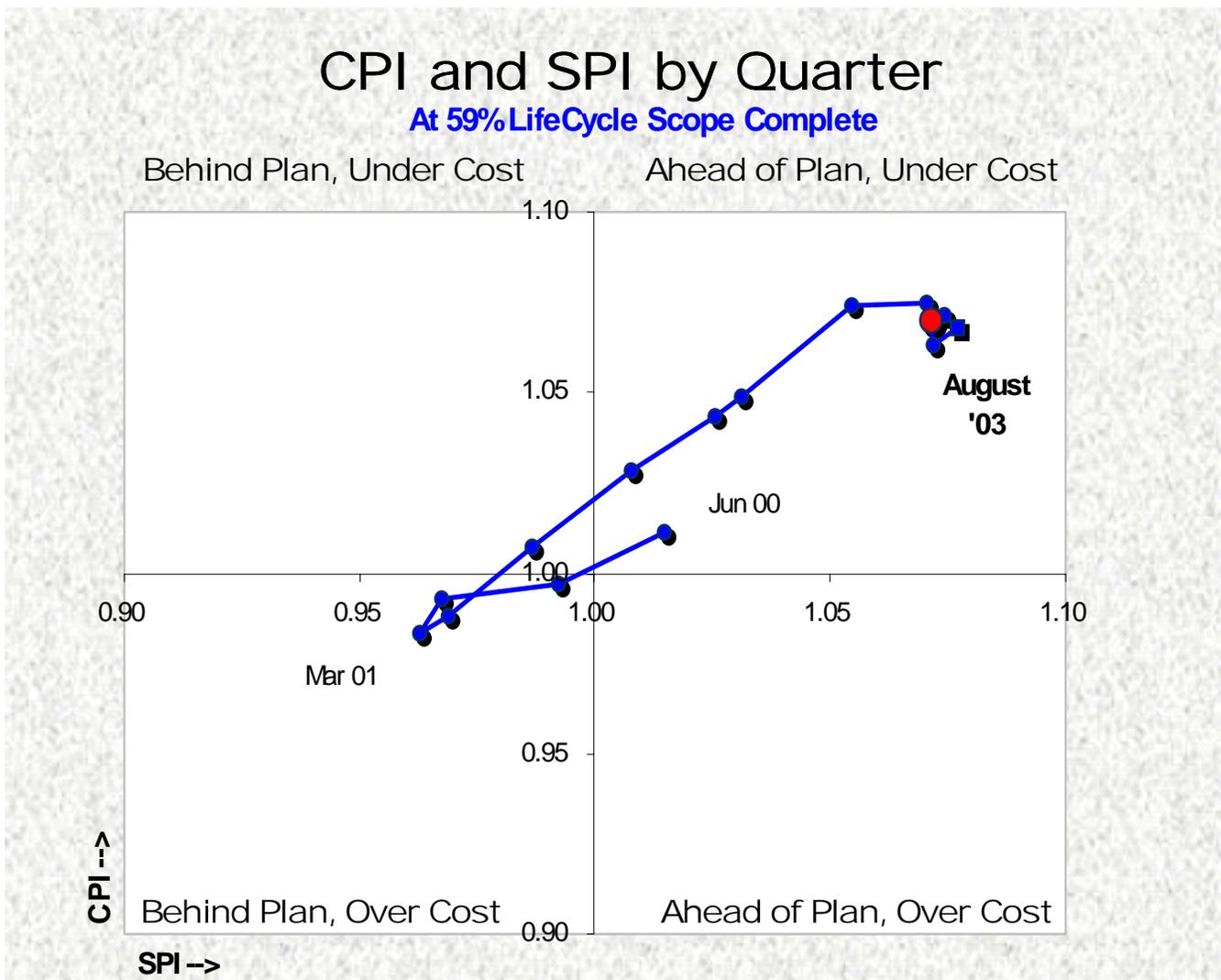


ROCKY FLATS

Monthly Project Report

FY03

August, 2003



Executive Summary

Contract Status

TC: 3.973B (Original: 3.963)

TF: \$340.8M (Original: \$340M)

TCD: 15 December 2006

Penalty Assessment

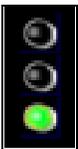
No Fee Penalties were issued in August. To date, four fee penalties have been issued under the terms of this contract with total penalties equaling \$510,000.

Requests for Equitable Adjustments (REAs):

National Emergency REA-HQ is reviewing RFFO's response to issues on the Proposed Settlement. WIPP/WAC Part III has been revised and K-H is responding to additional issues raised by RFFO. A revised estimate is expected on the Size Reduction/Shipment of items to SRS-REA and a revised PuSPS Moisture measurement REA is pending fact finding. No REAs have been incorporated into the contract this month.

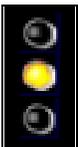
Pending REA's: ~ \$36.3M

- ~ \$16.4 million: National Emergency (2002 – 2003 Costs)
- ~ \$12.1 million: WIPP WAC Part III (projected 2002 - 2005 costs)
- ~ \$2.7 million: Size Reduction/Shipment to SRS
- ~ \$2.6 million: PuSPS Moisture measurement
- ~ \$2.5+ million in these miscellaneous REAs: - System Engineers/B371 VSS - NTS Waste Acceptance Criteria - PuSPS outside SRS Requirement - Beryllium Monitoring



Critical Path

The remaining Critical Path continues to run through B371 D&D activities, followed by site grading. RFFO is monitoring the critical path and near critical path activities and for the time being will continue to utilize December 15, 2006 as the estimated completion date.



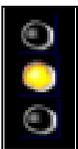
GFS/I Performance

Most requirements have been and continue to be met. The key remaining issue is the identification of disposal sites for LLMW between 10 and 100 nCi/g activity.

Two possible sites have been identified: Hanford, and the Nevada Test Site (NTS):

- Disposal at Hanford depends upon a Record of Decision that is not expected until October 2003.
- Disposal at NTS depends upon permit approval from the State of Nevada - with no specific timeframe.

Without disposal capability, these "orphans" may need to be stored offsite at increased cost. Some may be returned to the site after treatment, only to face diminishing storage capacity as facilities are deactivated and demolished.



Safety

0 Events of "Significant Concern" or Above

OFFSITE HOSPITALIZATIONS: None.

LOCK-OUT-TAG-OUT VIOLATIONS: None.

POTENTIAL UPTAKES: None.

RAD/HAZ TRANSPORT INCIDENTS: None.

SITE NONCOMPLIANCE TRACKING REPORTS: None.

SKIN CONTAMINATIONS: (3 – in two separate incidents)

B371, leach through: RCT's leg contaminated from CC Wet (a fixative used to reduce airborne contamination during cleanup activities), which leached through his anti-C's.

B776, D&D: Two D&D workers incurred skin contamination while working on an exhaust plenum.

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Cost Performance



Cost

Cost Variance +7%, +\$152M

LIFECYCLE: 59% of scope completed; 55% of target cost expended

Cost Variance for target activities improved slightly (\$328K this month), while remaining at a positive 7% variance against the baseline plan. The Cost Variance on the Project remains significantly positive, with more than \$152 million in cost savings accumulated since the beginning of the contract.

Most of the negative variance in the project remains concentrated in PBD A (B371). Over the past year, PBD A has averaged an increase of nearly \$3M per month in negative cost variance – mostly from PuSPS and related activities which ended this month. CV is expected to improve in the future. Activities in this PBD dominate the critical path.

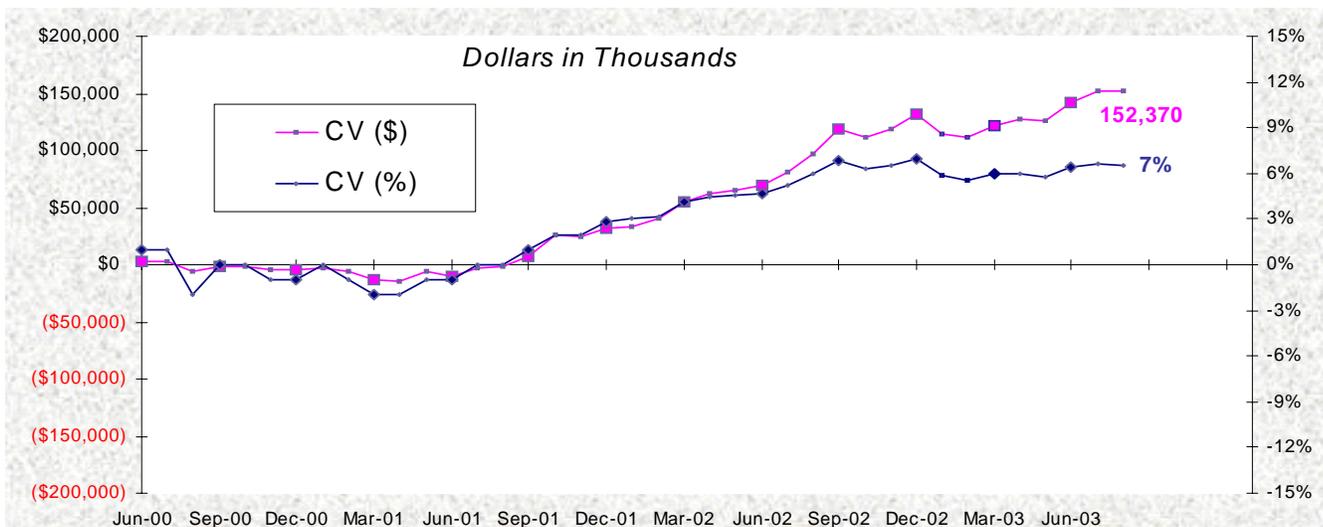
Positive cost variances continue to be concentrated in: PBD E, Industrial and Site Services Project; PBD G, the Environmental Remediation Project, and in the level-of-effort activities in PBD J, Support Project. Significant cost savings in PBD F's Waste Programs and Operations are offset by cost overruns in that same PBD in the areas of Safeguards and Security, Facility Management, and PA Closure.

Cost Performance by PBD*:

Project Description	BCWP	ACWP	CV (\$)	CV (%)
1A 371 Complex Project	292,882	336,375	(43,492)	-15%
1B 707 Complex Project	171,031	176,093	(5,062)	-3%
1C B771/774 Closure Project	201,975	209,314	(7,339)	-3.6%
1D B776/777 Closure Project	172,434	162,946	9,488	6%
1E Industrial and Site Services Project	431,777	346,450	85,327	20%
1F Material Stewardship Project	531,511	520,659	10,852	2.0%
1G Remediation Project	86,882	46,510	40,372	46%
1H Engr., Environ, Safety & Quality	155,347	135,917	19,429	13%
1J Support Project	294,962	252,167	42,795	15%
Project Totals	2,338,801	2,186,431	152,370	6.5%

Includes *all target* fund sources: EW05, FS40, EW09, GG08, NN61 and YN01

Cumulative Cost Variance Over Time



NOTE: Currently, the closure project has accumulated \$23M in non-target Site Closure (EW05) and Safeguards and Security (FS40) costs. These non-target costs are generally the result of technical direction and may eventually be considered as part of potential Requests for Equitable Adjustment, and / or will impact cost variance.

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Schedule Performance

DEFINITIONS OF ROCKY FLATS' SCHEDULE PERFORMANCE INDICATORS CAN BE FOUND IN THE GLOSSARY AT THE BACK OF THIS REPORT.



Comparative Schedule Performance

The project-level positive schedule variances reflect the contractor's continued success at accelerating workscope. However, the majority of accelerated activities have been in PBDs E, G, and D – not on the Critical Path where they could contribute to accelerated closure. The current critical path remains dominated by activities in Building 371 (PBD A), although SNM Removal – which has accounted for about 1/3 of the all the negative SV in the project, has been completed. K-H is applying cost savings realized in other PBDs to fund schedule reduction in PBD A, and it is anticipated that PBD A's schedule variance will continue to improve in the future.

Project		SV _{TRAD}	SV _{PWA} *	SV _{MM}	SV _{P3} +/- Days
1A	371 Complex Project	1%	6%	1%	119*
1B	707 Complex Project	6%	35%	15%	67
1C	B771/774 Closure Project	3.8%	19%	7%	36
1D	B776/777 Closure Project	14%	60%	31%	225
1E	Industrial and Site Services Project	21%	189%	80%	156
1F	Material Stewardship Project	3%	119%	12%	170
1G	Environmental Remediation	39%	2371%	44%	139**
Total Project:		7%	65%	24%	139**

*These are K-H reported values. RFFO validates and reports on PWA performance quarterly, in the Total Project Report
 **Under RFFO Review



P3 Completion

The K-H generated Estimated Completion Dates (using P³ project scheduling software), are represented below.

K-H continues to examine the critical path activities to identify schedule acceleration opportunities. RFFO is monitoring the critical path and for the foreseeable future will continue to utilize December 15, 2006 as the estimated completion date.

PBD	Activity Description	Baseline Early Finish	Stated Early Finish
A	B371	11-Oct-06	04-Apr-06*
B	B707	13-Mar-06	22-Nov-05
C	B771/774	18-Aug-04	28-Jun-04
D	B776/777	31-Oct-06	01-Nov-05
E	Industrial Sites	11-Oct-06	06-Feb-06
F	Material Stew.	13-Dec-06	17-Mar-06
G	ER	14-Dec-06	04-May-06*
Total Project		14-Dec-06	04-May-06*

*Under RFFO Review

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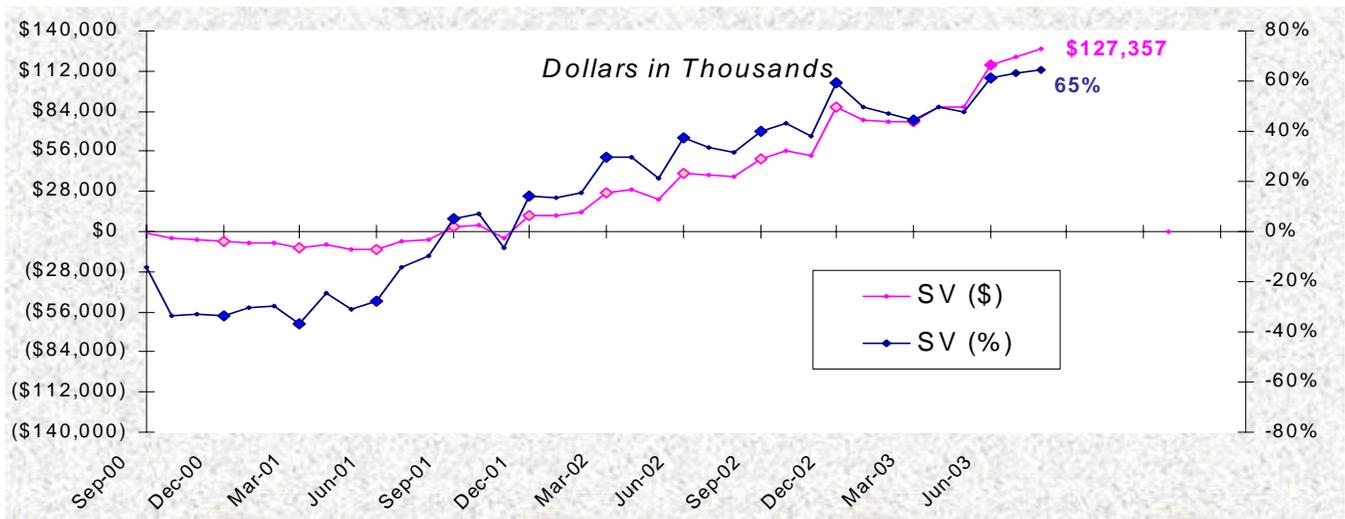


Predetermined Work Activities

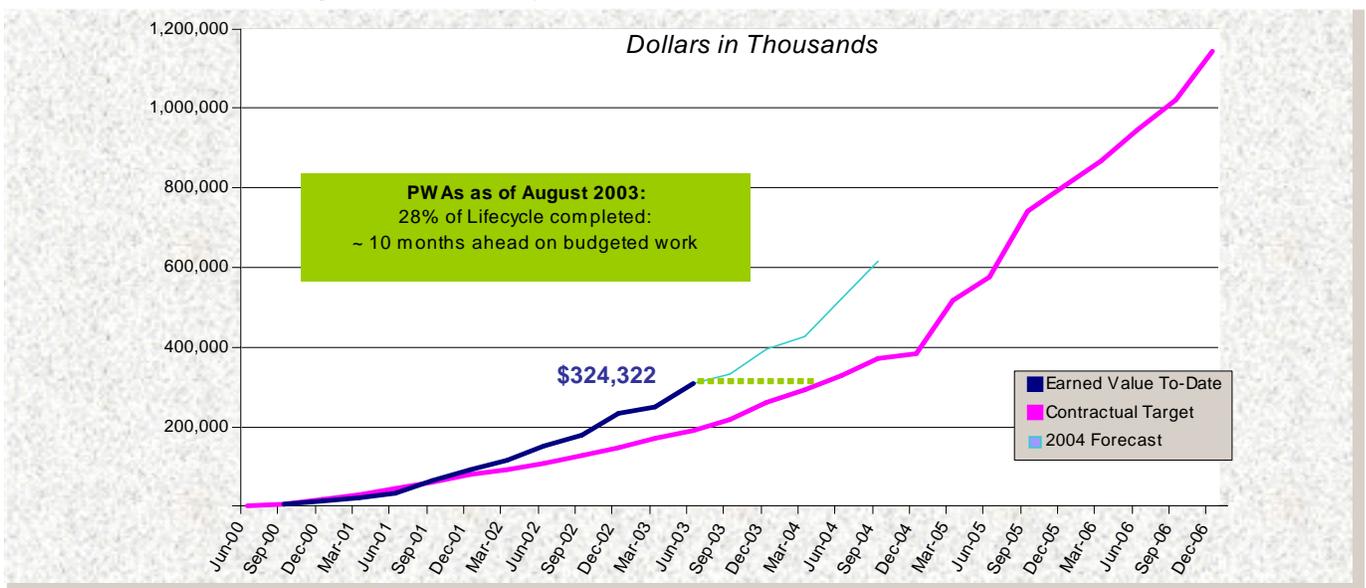
SV_{PWA} (+\$127M, +65%)*

Another \$10M in critical closure scope was completed during the month of August. The schedule variance on Predetermined Work Activities continues the positive gains they achieved last quarter. The current PWA schedule variance remains highly positive, and shows that the contractor has completed more than half again as much critical closure work than their baseline estimate. The current BCWS for these activities is \$197M with a lifecycle BCWS of \$1.145B. At the end of August, 2003, 59% of the contract schedule had elapsed (43 out of 82.5 months), 17% of the PWA scope was scheduled for completion (\$197M), and 28% (\$324M) of the PWA scope is complete.

*These are K-H reported values. RFFO validates and reports on PWA performance quarterly, in the Total Project Report



PWA Schedule: Actual against Baseline Projection



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August 2003

Project Metrics

Project Metric	Life Cycle Planned ¹	Actuals to Date	LC Completion	CPB Planned for end of FY	FY Completion	Actuals for Month	FY Actuals	FY Plan (AWA)
Low Level Waste Disposed (m ³)	184,475	94,393	51%	67,521	125%	9,823	46,853	37,000
Low Level Mixed Waste Disposed (m ³)	44,614	23,527	53%	6,170	348%	2,053	20,238	8,700
TRU Waste Disposed (m ³)	12,355	7,765	63%	6,119	121%	342	3,630	3,000
Certified 3013 Containers Produced	1,895	1,895	100%	1,900	100%	0	911	716
MAAs Eliminated	7	7	100%	0	∞	1	1	
B371 Project Work Sets	60	19	32%	17	112%	2	14	14
B707 Project Work Sets	98	57	58%	43	133%	0	22	17
B771 Project Work Sets	106	68	64%	33	206%	0	18	15
B776 Project Work Sets	82	72	88%	61	118%	0	6	13
Facilities Demolished	290	120	41%	86	140%	5	38	43
Nuclear Facilities Decommissioned	6	1	17%	0	NA	0	0	
Radioactive Facilities Decommissioned	54	10	19%	0	∞	1	10	
Industrial Facilities Decommissioned	317	196	62%	157	125%	4	28	
Environmental PWAs Completed	65	22	34%	11	164%	4	20	9
Environmental Remediation Sites Completed	359	187	52%	158	112%	10	59	18
Gloveboxes removed	1,324	1,013	77%			12	259	403

¹ "Life Cycle" based on Closure Project Baseline metrics and New Corporate Performance Measures

Key Definitions / Terms

Rocky Flats' schedule performance indicators:

All indicators (except P3) use the standard formula $SV=BCWP-BCWS$ and are measured in dollars, not time. Performance is measured against the Life-Cycle Baseline as presented in June 2000 with minimal adjustments approved through our rigorous Change Control Process. The indicators defined below differ mainly in which budgeted costs are included in the analysis.

Traditional Schedule Variance (SV_{TRAD}): This indicator addresses schedule performance compared to plan for the entire project contracted with Kaiser-Hill. It includes all "Target" costs as defined by the contract (EW05, EW09 (formerly EW02), FS40, GG08, YN01, and NN61). It does NOT include budgeted costs for things like performance fee, technology deployment, and program (RFFO) funds. A positive variance means that, compared to the original plan, more work was accomplished than planned. A negative variance means that less work has been accomplished than planned.

Modified Milestone Schedule Variance (SV_{MM}): This schedule performance indicator is designed to focus on all the 'real' work at the site. It removes level-of-effort activities from the analysis, but adds the Technology Deployment budget. Again, the variance indicates that more work or less work was accomplished than planned.

Predetermined Work Activities Schedule Variance (SV_{PWA}): In order to best assure that the government is awarding performance fee for the accomplishment and acceleration of the most important work at Rocky Flats, our contract with Kaiser-Hill includes a list and schedule of ~900 "Predetermined Work Activities" against which performance is measured and provisional fee is paid. Generally, SV_{PWA} calculations allow for earning value only when an activity is 100% complete (all or none), unless the activity is a quantity-based measure. These activities represent critical work necessary to the timely closure of the Site, and performance is measured against the baseline schedule set out at the beginning of the contract. Although the contractor is free to realign specific work activities as they see fit, the dollar amount of work accomplished against these critical activities is expected to remain on plan to facilitate timely closure of the site.

Primavera Project Planner Schedule Variance (SV_{P3}): In contrast with the previous indicators, the P3 schedule variance is measured in units of time (days). The Primavera project scheduling software computes the longest (critical) path through the contractual work on the Project and arrives at the Stated Early Finish, (a.k.a. Estimated Completion Date). Variance is measured against the Baseline Early Finish as established in June 2000.

Orphans – Low Level Mixed Waste Orphans. Wastes which must be removed from the Site but for which no disposal / treatment path has been identified and/or approved.

D&D – Deactivation and Decommissioning. Deactivation: the process of placing a "building" in a safe and stable condition. Decommissioning: All activities that occur after deactivation. Includes decontamination and dismantlement /demolition.

M5 - RFCA Earned Value Aggregate (over 50%) Milestone. Fiscal Milestones M1 – M4 require that 50% of the FYBCWS in each individual category be completed in that fiscal year. The FY M5 Milestone tracks the dollar value of the remaining BCWS in those categories for the fiscal year and requires that it be completed before the end of the *following* fiscal year. The M5 Earned Value Milestone can be satisfied with any combination of BCWP from LLW, D&D, ER, and TRU. However, the M5 milestone must be completed for each fiscal year before BCWP can be applied to Milestones M1 – M4 in the following year.

PBD A – 371 Complex Project. Liquid waste ops, Plutonium Stabilization & Packaging System (PuSPS), repackaging of residues, SNM removal (including shipping), and D&D. Building demolition by October 11, 2006.

PBD B – 707 Complex Project. SNM holdup removal, consolidation of SNM into B371, classified matter removal, and D&D. Building demolition by 3/1/06.

PBD C – 771 Complex Project. Complex D&D and D&D Programs (site decommissioning program and EM-50 funded projects). Building demolition by 8/04/04.

PBD D – 776 Complex Project. D&D. Building demolition by 10/27/05. Removal of the slab/foundation by 4/26/06 and project completion by 10/31/06.

PBD E – Industrial / Site Services Project. The industrial and site services portion of the RISS Project, and other bldg D&D.

PBD F – Material Stewardship Project. Technical program direction and operational support for commodities, engineered services, procurement, traffic & transportation, and disposition of waste.

PBD G – Remediation Project. The Environmental Restoration (ER) Program portion of the RISS project. The overall scope includes Industrial Area and Buffer Zone Closure and environmental restoration including any remaining characterization.

PBD H – Engineering, Environmental, Safety, Quality, and Health. Infrastructure. Includes; project management, assessment, oversight, regulatory compliance and monitoring, waste certification, technical training, Nuclear Safety and Licensing, Criticality Safety, Fire Protection, Engineering, Safety/Work Control, and Radiological Protection.

PBD J – Support Project. General Counsel & Audit (GC&A), Strategic Planning & Integration, Administration, and the K-H Executive Office.