



February 23, 2004

CCN 48111

Mr. T. H. Reed, Director  
Financial Services Division  
U.S. Department of Energy  
Idaho Operations Office (NE-ID)  
1955 Fremont Avenue  
Idaho Falls, ID 83401-1240

**CONTRACT NO. DE-AC07-99ID13727 - COST AND RATE PROJECTIONS FOR OUTYEAR  
INDIRECT AND OTHER DISTRIBUTABLE COSTS (FY 2005 AND FY 2006)**

Dear Mr. Reed:

This letter is to inform you of the cost and rate projections for outyear indirect and other distributable costs as required for FY 2006 program planning.

Fringe Benefit costs are projected to increase due to the Bechtel BWXT Idaho, LLC Retirement Plan. FY 2004 rates contain a \$24M company contribution whereas FY 2005/06 contributions are estimated to be a minimum of \$37.5M and \$50.0M, respectively.

Other major assumptions include \$11.2M of Idaho National Engineering and Environmental Laboratory (INEEL) earned fee, and 4.8% labor rate escalation in FY 2005 and in FY 2006.

The spending projection used to develop the indirect rates forecast has been conservatively estimated at \$759M (ICP \$406M) and \$778M (ICP \$410M) for FY 2005 and FY 2006, respectively. This is consistent with our current spending forecast of \$735M for FY 2004 and the assumption that funding will remain relatively flat.

The following table summarizes the FY 2005/06 rate projections and includes the FY 2004 execution rates as a point of comparison. The table also depicts a labor factor that includes all of the following rates.

	FY 2004 <u>Baseline</u>	FY 2005 <u>Projection</u>	FY 2006 <u>Projection</u>
Fringe Benefits	55.00%	59.00%	65.50%
Organization Management	16.00%	17.00%	14.50%
Facilities Service Center	\$ 4.30	\$ 5.30	\$ 5.80
G&A	35.00%	33.50%	34.50%
Labor Factor	2.607	2.692	2.769

FEB 26 2004

Mr. T. H. Reed, Director  
February 23, 2004  
CCN 48111  
Page 2

The total estimated FY 2005 cost impact to each major program area as a result of the rate structure increase is displayed below.

<u>Program Area</u>	<u>Impact</u>
ATR	\$ 1.0M
SMC	1.0M
ICP	6.5M
DOE Other	2.0M
WFO	1.0M
NE	1.0M
S&S	<u>1.0M</u>
Total	\$13.5M

Please call me at 526-4737 or Bryan Larson at 526-8685 if you have any questions or would like to meet to discuss this further.

Sincerely,



N. F. Grover, Director  
Financial Operations

MES:cfc

Attachment

cc: W. L. Bauer, NE-ID, MS 1221  
S. S. Crawford, INEEL, MS 3810 (w/o Att.)  
P. H. Divjak, INEEL, MS 3898  
B. M. Grover, NE-ID, MS 1240  
P. B. Keele, NE-ID, MS 1240  
C. N. McCammon, NE-ID, MS 1240  
P. E. Rosenkoetter, INEEL, MS 1313  
K. A. Vivian, NE-ID, MS 1240

**ASSUMPTIONS**

- Productive Hours
  - FY 2004 Planned 1800 (2,096 available)
  - FY 2005 Estimated 1790 (2,088 available)
  - FY 2006 Estimated 1780 (2,080 available)
  
- Spending
  - Flat with increase for pension and escalation
  
- Funding
  - Assumes funding remains flat
  
- Costs increase \$13.5M
  - Retirement Plan
  
- Labor Rate Escalation
  - 4.8%
  
- Charging Practices
  - Same methodology as FY 2004