

ASRC AREOSPACE CORPORATION

Moderator: Damien Lavera
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12:00 p.m. CT

Operator: Good afternoon. My name is (Robin) and I will be your conference operator today. At this time I would like to welcome everyone to the NNSA Acquisition Strategy conference call. All lines have been placed on mute to prevent any background noise.

After the speaker's remarks there will be a question and answer session. If you would like to ask a question during this time, simply press star, then the number one on your telephone key pad. If you would like to withdraw your question, press the pound key. Thank you.

Mr. Damien Lavera, you may begin your conference.

Damien Lavera: All right, thanks (Robin). I appreciate it. Thanks everyone for joining us this afternoon. I know it's late on Friday. So we'll go through this as quickly as we can. We have here with us today Brigadier General Garrett Harencak, who most of you know runs our defense program.

He'll be giving us an overview of the decisions we're making today. On the line we also have Patty Wagner who was head of our acquisition strategy team for the last two years, and Mike Hickman, who is chairing the team that is working on our construction issues.

With that I'll turn it over to General Harencak.

Garrett Harencak: Well good afternoon everybody. Thanks for participating in this call. As many of you know the contracts for Pantex, Y12 at Oakridge, and the Kansas

City plant were all scheduled to expire within a few months of each other at the end of this year.

This provided us a unique opportunity for NNSA to accelerate our effort to transform cold war nuclear weapons complex into a 21st century nuclear security enterprise.

So after two years of extensive study and consultations with experts from industry, academia, NNSA is announcing its decision on a new contracting strategy for the nuclear non-nuclear production sites.

Specifically NNSA has decided to award a single contract for management of NNSA nuclear production at the Y12 national security complex and the Pantex plant, with an option to include the Savannah River Tritium operations.

Next, we're going to consider noncompetitively extending the contract for the management and operation of the Kansas City plant for up to five years. And next competitively award an integration management and execution construction management contract for selected construction projects throughout our enterprise.

Now this decision is consistent with all departmental and federal contract competition policies. Together these moves demonstrate our commitment to being good stewards of taxpayer's money and we hope will enable NNSA to improve the efficiency of its operations.

They will also strengthen NNSA's ability to fully deliver on the President's goals for nuclear nonproliferation and maintaining a strong nuclear deterrent. Consolidating the management of multiple nuclear production sites under a single contractor will provide opportunities to improve performance while reducing costs.

This merger will create a more cost effective and efficient enterprise by applying standard tools and processes across sites consistent with industry best practices. This decision affects the management of the sites, not their physical location.

Approval of the KCP contract extension is pending public notice of intent and consistent with federal regulations seeking and considering public comments regarding the agency's plan.

The five year extension will allow the Kansas City's Responsive Infrastructure Manufacturing and Sourcing (KCRIMS) to be completed successfully providing for a steady state of operations and less risks.

NNSA anticipates that this contract will be competed at a later date, after the completion of KCRIMS which will provide for a more robust and focused competition.

A single contract award for the Y12 and Pantex with an option to include Savannah River Tritium operations will move toward a fully integrated and independent enterprise with an (inaudible) performance, reduce costs, strengthen partnerships and improve stake holder confidence.

Awarding an integrated management and execution of IME construction management contract will allow the M&O contractors to provide greater focus on the nuclear security enterprise mission work while enabling project planning and execution efforts to be performed by design and construction experts.

Now in a few minutes Mike Hickman will talk about this in greater detail but we believe the IME will lead to improved construction management and reduced costs by providing the appropriate expertise, processes, and systems, and will manage all aspects of construction, to include design development, procurement of materials, and costs estimating.

It's important to note that NNSA M&O contractors will retain responsibility for developing project requirements and will participate in the review of design deliverables. The M&O contractors as the eventual facility operators will provide input to project development in the areas of maintenance and operations.

The M&O contractors will also retain the nuclear chemical safety authority for NNSA. Now, this decision is a result of over two years, of detailed analysis of alternative contracting options and contract terms and conditions, and are consistent with the recent records of decision associated with the supplemental programmatic environmental statement.

We're confident that they will accelerate our efforts to transform aging, outdated and expensive to maintain cold war nuclear weapons complex into a modern sustainable nuclear security enterprise.

Now I'd like Patty Wagner who chaired our acquisition strategy team to talk about how we reached these conclusions and then Mike Hickman to expand on the IME contract. Patty?

Patty Wagner: Thank you. Well thank you for being with us today. A little bit about our process from our acquisitions strategy. We had expiring contracts in 2010 at our Y12 national security complex and our Pantex plant and at our Kansas City plant.

And that created an opportunity and generated a need for an acquisition strategy for NNSA. The acquisitions are a very powerful tool for creating an integrated and interdependent enterprise and are a key to assisting NNSA in meeting its visions for the future.

The goals of our AST were to drive a fully integrated interdependent enterprise, enhance mission performance, reduce costs, strengthen partnerships, improve stake holder confidence, and finally support a more nimble financial information system.

Several types of efficiencies can come from vertical and horizontal integration of organizations such as combining similar operations, economies of scope, more productive use of variable resources, economies of scale, distribution of fixed activity costs, and people across more assets, best practice adoption and then synergies, more efficient product flows in our production sites.

Accordingly with those goals in mind the department ran two requests for information in 2007 and 2008 to obtain industry responses regarding a

contract strategy to replace or revalidate the approach of having separate management and operating contracts.

And further to promote more effective and efficient technical and business operations in support of a more responsive and cost effective nuclear weapons complex. We had 44 industry responders and we conducted 31 one on one interviews with the industry.

Eight different contracting combinations for NNSA production work were analyzed by the acquisition strategy team which was established in September 2008 to perform quantitative and qualitative analysis and recommend an acquisition strategy.

We took great care in selecting members for acquisition strategy team and we had 19 headquarters and field subject matter experts that assisted in the effort. And we also engaged nationally recognized industry experts.

And from that work, we developed business cases for our selected options. We did sensitivity analysis and we followed a rigorous systematic decision making approach guided by consultants in engineering and risks assessment.

And finally we developed a common financial language, data call, and analysis to develop status quo base lines and trends and to model for future costs projections. There were six sites with production that were evaluated in our efforts.

The Y12 site, the Pantex site, Savannah River Tritanium operations, the Kansas City plant, the production activities for nonnuclear production activities at (Sandia) National Labs, and production activities at Los Alamos National Laboratory, were all included.

All of these sites have manufacturing materials, parts and assemblies and have operational similarities. The acquisition strategy that we're announcing today supports the NNSA vision for the future of having a fully integrated cost efficient enterprise.

And with that I'd like to turn it back over to you Damien to let Mike talk about construction management.

Damien Lavera: All right, thanks. Mike maybe you can explain to the group at the top what your role is going to be as well, as I will only butcher it. So, Mike you can ,,,

Mike Hickman: OK, thank you again for joining us. My role is the source evaluation board chairman for the new construction strategy contract that we'll be implementing. NNSA is excited about this new strategy for executing the design and construction of our nuclear security enterprise projects.

This new strategy will provide the opportunity for the administration to select the best design and construction firms through open competition to perform the design and construction requirements for the administration.

Under the current management and operating contractors across the enterprise design and construction has generally been assigned to one of the M&O limited liability partners.

This part in the agreement does not provide sufficient emphasis on the design and construction efforts which are relatively short term activities when compared to the long term management and operating activities at our site offices.

As the General mentioned as a result of this contract change the M&O contractors will retain the nuclear and chemical safety authority for NNSA projects in facilities as well as their normal operating and maintenance responsibilities. In addition, the M&O contractors will be an instrumental part of the design development for each project and will have the responsibility to ensure that the design satisfies the designated design criteria.

It is envisioned that this contract will include all NNSA Capital construction projects, general plant projects greater than \$5 million and operation expense funded projects throughout the complex. It is the intent to award this contract by the end of the fourth quarter fiscal year 2011. The new construction management contract NNSA to bundle similar projects that can be initiated at multiple sites. Standardized procurement contracting language, reporting

requirements, lessons learned, cost estimating, and project execution across the nuclear security enterprise. Take advantage of both purchasing for multiple projects, utilize design and construction contractors whose primary focus is on the successful execution of design and construction activities and reduce the overhead cost of maintaining M&O contractor staff following project completion.

In the support of this procurement action, the administration will be conducting an industry day forum in April 2010 in the German Town office complex to obtain input and discussion from the contractor community on how to best to craft a solicitation language to obtain the best value for both the government and the contracting community. Information regarding this meeting will be posted on a website with this procurement within the next week.

The website will also contain various reference materials pertinent to the procurement as well as our schedule for associated activities. Contact information regarding this procurement will be noted on the website as well and I will provide a phone number that we have established for this procurement activity. That number is 3019038360 thank you for your time.

Garrett Harencak: Thanks (Mike). Operator that concludes our opening statements if you could ask – if you could prompt our callers as to how to request a question and then we'll pause for the first question.

Operator: As a reminder if you'd like to ask a question simply, press star then the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster. Again, to ask a question press star one. Our first question comes from the line of Todd Jacobson with Reserve Weapons.

Garrett Harencak: Hi Todd how are you?

Todd Jacobson: Doing well thanks for taking the time this afternoon. I had two kind of primary question then hopefully there will be time for another round. First off (Mike) you outlined the schedule or you know kind of a general schedule for the construction management aspects of things. Patty what is the schedule for the Pantex/Y-12 consolidation and you know kind of on top of that you know

is there going to be an extension involved and how long would those extensions be.

Patty Wagner: We are going to be looking for industry feedback regarding our acquisition schedule and so I can't answer the question about extensions until we define that schedule.

Todd Jacobson: Is there any schedule you can offer right now.

Patty Wagner: No, we're going to be looking for industry feedback.

We would – we'll have our website, which is in our press release we will have our website up it should be up now as we speak or it will be up by this evening and there will be an ability in there to ask questions. And so we will probably within maybe, 30 days have our schedule refined but we'd like to hear from industry.

Todd Jacobson: Given the timing of all this it's only six months away from the end of the contracts for Y-12 and Pantex. Would you say it's a foregone conclusion that you're going to have to extend those? It would seem to be a pretty tight schedule to get procurement done in that time frame.

Patty Wagner: It's a tight schedule but I can't commit whether we'll extend or not I need to look at the schedule.

Todd Jacobson: OK.

Garrett Harencak: Great. Operator next question please.

Operator: The next question comes from the line of Kevin Collison from Kansas City Star.

Kevin Collison: Thanks for mangling my name. It's Kevin Collison from the Kansas City Star.

Garrett Harencak: Sorry Kevin mine gets mangled all the time too.

Kevin Collison: I hear you don't worry about it it's not the first time. The timing of the Honeywell decision when you'll have a final decision after this public comment. Any idea when that'll be the extension of Honeywell's operation of the plant here in Kansas City?

Garrett Harencak: Patty do you want to take that one on.

Patty Wagner: Yes. We will have a – right now we're going to have a notice of intent that will be out for 15 calendar days. It was posted in – FedBizOpps today and so when we get that we'll be able to evaluate and answer your questions on timing but we'll have to see what we get to that notice of intent.

Kevin Collison: OK. Will there be any public hearing meetings of any kind and when would those be here in Kansas City.

Patty Wagner: We're not anticipating that at this time. We'll have to see what we get in this 15 days notice of intent but we don't have that anticipated or scheduled at this time.

Kevin Collison: I'm sorry I didn't catch your name its Patty correct.

Patty Wagner: Patty Wagner W-A-G-N-E-R and P-A-T-T-Y.

Kevin Collison: That's fine and what if any connection is there between the fact that you guys are building a new facility here in Kansas City and the decision to probably extend the Honeywell contracts for at least another five years.

Patty Wagner: That in fact is the reason why we wanted to extend it. We have an excellent performer in the Kansas City contract and we estimate that the KCRIMS project will be done in 2014 and then we would need additional time to actually do the procurement activity.

Kevin Collison: And what is RIM stand for?

Patty Wagner: It's the Kansas City – let me get the right words to it here for you because I always bungle that up and I'll get it for you here in just one second. It's the – should have it here sorry.

Kevin Collison: That's OK.

Garrett Harencak: It's a – Patty I'll help you out with that. It's a Kansas City Responsive Infrastructure Manufacturing and Sourcing.

Patty Wagner: Thank you so much. I always forget the responsive part thank you General.

Kevin Collison: I'm sorry Responsive Infrastructuring what's the ...

Garrett Harencak: No, it's Kansas City Responsive Infrastructure, Manufacturing, and Sourcing.

Kevin Collison: Manufacturing and Sourcing. Is that the shorthand you're using for the expansion project here or the other new project here in Kansas City?

Garrett Harencak: Exactly, yes.

Kevin Collison: OK. Just in case I'm ever on another call, so I won't be so clueless OK. That's great I just needed some of those local things, thank you.

Patty Wagner: Thank you.

Garrett Harencak: You're welcome. Thanks Kevin next question please.

Operator: The next question comes from the line of George Lobsenz for Energy Daily.

George Lobsenz: Hi, thanks for taking the time today. I had two questions one on the construction management and integration contract is that contractor going to actually do all the construction. And I believe you said that they would do all construction for projects over 5 million so I think that's what you said but are they going to do it or are they going to hire subcontractors to actually build the facilities and then oversee those subcontractors.

Garrett Harencak: That's a good question. We have a thought process but that may well change after we have our time with industry to see what would better be RFP request for proposals and how we should craft that. Our vision is that there would be a single contractor responsible for the integration who would not self perform. So they would indeed contract out the design and construction efforts.

George Lobsenz: OK. So that's what your tentative idea is and then you're going to put that out for comment to see what (inaudible) thinks.

Garrett Harencak: Exactly.

George Lobsenz: OK. And so they would be responsible for meeting all the milestones and cost estimates and everything that integration kind of ...

Garrett Harencak: That is correct.

George Lobsenz: OK. So they would be held responsible for that. And am I right that they would basically oversee every construction project worth more than 5 million.

Garrett Harencak: Within the latitude that we want to award them those particular scopes of work. We always have the right to do something different with our construction a particular project but the plan would be have them be the integration contractor for all construction.

George Lobsenz: OK. And there's no exceptions here in terms of the very large projects you have now at the CMR building down at Alamo the uranium processing facility. They would all go under this new entity.

Garrett Harencak: That is correct.

George Lobsenz: OK.

Garrett Harencak: But then that again, that is a corporate decision on how to manage those projects, but that is our intent.

George Lobsenz: OK. I know you said you did some, obviously a lot, of outreach to the contracting community to see what they thought about this and the question that occurs to me is that if you are going to consolidate these contracts, you are going to have fewer contracts for people to go after and I'm wondering if there was any concern on your part about whether or not that might hurt competition in the field there for your work in as much as if you were, for example, to consolidate the Y12 Pantex and the Savannah River, whether you know you might have some big players say well you know there is just

enough opportunity for us in this market anymore and get out. Was that a concern?

Damien Lavera: That is a question for Patty more than for Mike. Patty you prepared to handle that one?

Patty Wagner: Yes, I am. You know we had a lot of discussions about competition, but we feel like we are going to have industry players who may decide to partner with each other but we don't believe we are going curtail competition at all. In fact we had a lot of industry interest when we did our RFI and even since then we've had a lot of industry interest in a contract of this nature.

George Lobsenz: So you're saying while you may have fewer contracts, people are going team and there will still be robust competition.

Patty Wagner: Yes, but we will accept a team or a non team. We welcome any and all bidders and we believe we will have a fair number of bidders.

George Lobsenz: You said the Savannah River (inaudible) is an option. What does that decision depend on in terms of whether you decide to include it or not?

Patty Wagner: The existing contract that Savannah River work is done under calls for a severability study to be done that NNSA reserved the right to look at that to make sure that it made sense from a business perspective and from running our mission. And so that severability study, when it is completed will guide our decisions and we want to include an option for that based on the severability.

George Lobsenz: And when will that study be completed?

Patty Wagner: It is in process now and I apologize I don't have the exact date. There has actually been an initial study done but now that we've announced our decision, we will update the study to make sure that it is completely current and consistent with our decision and the timing right now. Because there are always things happening in our industry, we want to make sure it is the most current and up to date study.

- Male: George, we'll circle back to you and get you an actual date on that. Let's move on to the next question. If you have others, feel free to join the queue again. Operator, next question please.
- Operator: Our next question comes from the line of Rob Pavey with the Augusta Chronicle.
- Rob Pavey: Hey, thank you for taking our questions. In line with what you guys were just talking about, could you tell us a little bit why you all chose to make adding Savannah River (inaudible) operation as an option rather than just including it with Y12 or Pantex as part of this consolidation. I didn't know if it was the distance or – what factors went into making it an option rather than rolling it into this consolidated ...
- Patty Wagner: We believed that it will be more effective for a contractor to take that Y12 and Pantex work at least for the first year to transition that properly and then take an option for Savannah River, but not try to do all three sites at one time. We felt that that would be too difficult, so it is a more logical approach for contracting.
- Rob Pavey: OK, all right. And would this involve any changes in – you mentioned in the initial statement it was no physical facilities would be moved, so the functions that are currently performed at Savannah River would likely remain there.
- Patty Wagner: Yes, that is correct.
- Rob Pavey: OK, all right. Thank you.
- Male: Operator, next question.
- Operator: Your next question comes from the line of Frank Munger with Knoxville News.
- Frank Munger: Thanks guys. Question about the construction management contract, would that be in place in time to take over the work on the uranium processing facility at Y12 and if so, how would that transition? I am trying to figure out

the timing of this and whether that indeed would be available for this big project or not?

Male: Frank, we are still evaluating the inclusion of UPF since it is relatively near term. Our plan is to have our contract awarded for construction by the end of fiscal 11 and the construction for UPF does not start in earnest I think until 2013. So we would be available for that effort if the decision is made to pull that project into our contract.

Frank Munger: OK. They were talking about doing some preconstruction activities as this fall.

Male: That is correct.

Frank Munger: But you are saying the construction in earnest, and again that would still seem to involve a significant transition from the pre construction or the early construction and for preparations in and for the full construction in terms of doing it sort of not necessarily midstream, I'm just trying to get a sense of how difficult that transition might be.

Male: Well the design effort for the uranium processing facility is ongoing and if the situation occurred where we pulled it into this new construction contract, it would be pretty much a design complete effort moving it into an execution contractor.

Frank Munger: On the Y12 Pantex consolidation can you give an impression as to how the mechanics of that would work in terms of how you would perhaps have a central team or whatever or would those kinds of details just simply be part of the proposals that would have to be submitted as to how to consolidate these.

Male: That is a question for Patty.

Patty Wagner: We haven't made a decision yet as far as our RFP, but I will tell you we will be putting a draft RFP out to industry to comment on, so the industry will have an opportunity to comment on that.

- Frank Munger: And so you can't say at this time whether you would have a central administrative location where one site would be designated for the central administration or whether indeed it would be simply a split and consolidate – I'm just trying to get some sense of how that would actually work in practice.
- Patty Wagner: We will likely make that a question for industry. Clearly the government could state a location or it could ask the prospective bidders to state a location and that will be a question in our RFP. We haven't made a decision.
- Frank Munger: Have you given any evaluation or have you come up with any estimation as to I know you say there could be potentially cost savings and efficiencies and eliminate certain redundancies and all these things, any idea or preliminary cost estimates as to what you expect to gain from consolidating these two contracts?
- Patty Wagner: Yes, the study that we've done in consolidating all three of the contracts estimates \$895 million potential savings over ten years.
- Frank Munger: And when you said all three, which were you referring to when you talked about that study? Which three?
- Patty Wagner: Savannah River, Y12 and Pantex.
- Frank Munger: Just the Savannah River tritium and the two...
- Patty Wagner: The Savannah River tritium operation, thanks for the clarification.
- Frank Munger: OK, those three. And you said that would be an estimated \$895 million over ten years.
- Patty Wagner: Yes.
- Frank Munger: And again you're saying at this point even though the expirations are due in something of the range of five to six months, you are saying you still think it might be possible to move forward to this, is that an extension?
- Patty Wagner: I'm just not really going to address the question of the extension. We are going to ask industry for some comments on the schedule.

Frank Munger: OK, again not to beg that point but I am just trying to – what will be the timeframe for you actually getting your feedback back from industry?

Patty Wagner: We will probably ask for schedule feedback within the next 30 days. Now whether we'll have a draft RFP is doubtful. We're probably looking at a couple of months.

Frank Munger: OK, all right. Are you releasing your study today?

Patty Wagner: No, we are not. We will have a synopsis on our web page. There will be a synopsis on the web page.

Frank Munger: And will that include the participants?

Patty Wagner: I'm not sure what you mean, sir.

Frank Munger: The people who participated in the study.

Patty Wagner: We will not include their names, no.

Frank Munger: OK, very good. And are you going to be the source selection official on this?

Patty Wagner: I'm not the source selection official. I will be the chair of the source evaluation board.

Frank Munger: Thank you that is exactly what I meant. Thank you very much.

Male: Operator, next question please.

Operator: Our next question comes from the line of Jim McBride with the Amarillo Globe.

Jim McBride: Hi. To start off, I want to clarify something you just said. Was the \$895 million savings over ten years, was that on the three contracts, Pantex, Y12 with this Savannah River option?

Patty Wagner: Yes, it is on all three.

- Jim McBride: OK and do you have any idea of the potential workforce consolidation in terms of whether there will be layoffs or additions to any of these sites?
- Patty Wagner: We will ask the bidders. We have a study that we've done with a consultant and we have looked at that, but we will not estimate those. We will ask the bidders to tell us how they would achieve the efficiencies.
- Jim McBride: OK, is there an overall value that you have placed on this – the overall contract that would be awarded for these three?
- Patty Wagner: Yes, I think at one 1.7 billion, and let me make sure that that's correct. Yes. In terms of the budget, is that what you're asking?
- Jim McBride: Well just how much is the valued at the whole – the value of it?
- Patty Wagner: Well, it depends on ...
- Jim McBride: Would it be over one ...
- Patty Wagner: It would depend on how many years it was.
- Jim McBride: Right, well annually I guess then.
- Patty Wagner: Yes.
- Damien Lavera: Jim, this is Damien jumping in. I'm just not quite sure we're at that point yet. I think a lot depends on ...

Is there something else that you wanted to ask (inaudible) ...
- Male: Yes, in regarding the construction (root) form strategies. What are some examples that if you could offer any of how this might affect some future construction projects at Pantex in terms of specific projects?
- Male: Well there is a – the high explosive pressing facility is a project that we have on our menu to get done at Pantex. So the way I would envision this going is – and the design for that facility is already done. So basically we would awarded a contract to build to print to a construction firm to construct that

facility at Pantex. It is a greenfield project as well, so it's – say its easy construction knowing the nature of our business. but certainly it's a doable project by a construction outfit.

Male: OK, thank you.

Male: Great, thanks, Jim. Operator, next question please?

Operator: Our next question comes from the line of Todd Jacobson with Nuclear Weapons.

Todd Jacobson: Back about a decade ago there was a similar effort to consolidate things and there were some political issues with that in terms of consolidating (besides) consolidating you know kind of power at one site. How much of consideration was that this time around and what kind of feedback have you gotten on that issue.

And I guess this question would be for Patty.

Patty Wagner: I'm sorry, could you restate your question?

Todd Jacobson: What kind of political issues do you expect there to be or what kind of feedback have you gotten from various congressional delegations on the potential of consolidating Y-12 and Pantex given the history of consolidation efforts – previous consolidation efforts.

Male: Hey, (Todd), I'm going to give you a mulligan on that one. It's not really our place to characterize our consultations with members of Congress with our staff.

Todd Jacobson: OK, well just can someone address that issue in general about what kind of – you know what the temperature is in terms of that? You don't have to characterize Congress, but ...

Female: (Inaudible).

Male: I think what Patty could possibly discuss is the – maybe some of the feedback I got in general. But I think what was being discussed a decade ago,

obviously this was well before my time, I might have been drunk in college at the time, was closing some sites, which is not anything that's on ...

Todd Jacobson: No, that's not what it was. It wasn't closing sites, it was consolidating ...

Male: Well, (Pinelis) and other sites like that, I think it was. I mean again, if you're looking to get a sense from Patty on what some of the political landscape is in a generic sense ...

Todd Jacobson: Sure.

Male: I think that's probably something she can address, but we're not going to ...

Todd Jacobson: Sure, let's hear from Patty.

Male: Characterize any of the consultations we got from any – you know any people, it wouldn't be fair to them.

Todd Jacobson: Patty?

Patty Wagner: Well, I'm not sure exactly how to answer your question about the political landscape. It depends on who it is in the community and what their interest is. So that's a very broad question to answer. I mean there will be a lot of people that will see very positive effects of consolidating these contracts in terms of efficiencies and helping the department meet its vision.

There will be communities who are concerned and hopefully they'll work through this process with us as we work through a very logical process of consolidation that's good for all the communities and it is never our intent to select contractors unless they are vested and care about the communities that they work in.

Todd Jacobson: OK. Also with the idea of the KC plant and competing that eventually downs the road. Is the idea of folding the Sandia production work still on the table for that when you kind of do get to that point, you know five, six, seven years from now?

Patty Wagner: That's – gee, that's a crystal ball question and right now we aren't having those discussions. We're concentrating on our current acquisition strategies that we announced today. so I don't really think I could answer that question accurately.

Male: Let us try to implement this one before we move on to the next one.

Todd Jacobson: Well, that was one of the things that was considered was this idea of production work.

Male: Yes, I think what we announced today is what we decided.

Patty Wagner: Right.

Male: Operator, can we move on to the next question?

Operator: You have a follow up question from the line of Kevin Collison with Kansas City Star.

Kevin Collison: I just wanted to double check with this new approach to construction management, will that have any effect whatsoever on the existing arrangements to build a new plant here in Kansas city, which as you knew is a rather different approach?

Male: It will have no impact on the KCRIMS project.

Kevin Collison: OK, I just wanted to verify that. So, we're still talking about private development, et cetera, et cetera.

Male: Correct.

Kevin Collison: All right, great. That's all I needed, just make sure there was no change in how this things been structured.

Male: All right thanks, Kevin. I think operator, we have time for one more question.

Operator: You have a follow up question from the line of Frank Munger with Knoxville News.

Frank Munger: Yes, thanks. I just wanted to clarify a couple of things there. one, on the Y12 Pantex consolidation, that is a firm decision, correct? That's not anything you're still seeking additional comment about whether or not to consolidate those. Is that correct?

And secondly, I want to make sure I understand the option aspect of this. Are you saying the contract will include an option to do that or you're leaving it up to bidders to bid – to tell you in their proposals whether or not to include the Savannah River tritium work as part of that contract.

Female: Yes, number one – the first part of your question, Y-12 and Pantex is a firm acquisition strategy decision from us and on the second part of your question, with the option for (Savanna) River, we will include that in our RFP. So that is our intent. If we got a lot of comments, we would certainly be willing to listen to industry, but our intent is to do Pantex & Y-12 and have an option for Savannah River, following a year or two after depending on the work that we do.

Frank Munger: And so the option then would be up to NNSA as to whether after a year of this – after this contract works out to whether to add that in. it would not be a matter of what they propose in their initial response.

Female: That's correct.

Frank Munger: OK, very good. Thank you.

Female: And I would like to go back to your – the 1.7B. so I don't know how to answer your question about the value of the contract, the number I gave you was the cost for FY08 and we could certainly provide the cost for '09 and '10 with regards to our budget for those three sites. So I just wanted to make sure that we're answering the right question.

Male: Great, thanks Patty for that clarification. Operator, we do have time for one more question. That was a little easier than I thought.

Operator: Your next question comes from the line of George Lobsenz for Energy Daily.

George Lobsenz: Yes, thanks. The Y12 and Pantex plant is currently operated by I think the same consortium if I'm not – I mean the same group of companies, obviously different LLCs at both. But I'm wondering if that factored into your decision either in terms of you know that fact sort of you know making obvious that you could have economies here and I wonder also if there's any concern in as much as those groups already have those contracts that there's any kind of – if there's any kind of competitive concern that other possible bidders for this combined contract might think that the incumbent would have a kind of unfair advantage in terms of being able to go after these consolidated contract of a more effectively.

Patty Wagner: OK, so the fact that they are run by similar LLCs, there are some different memberships in LLC at Pantex and Y12, they're not exactly the same did not factor into our decision. We did a quantitative and qualitative analysis of whether we thought these contract options would allow good competition and would provide for meeting our vision and having an interdependent – an integrated enterprise with cost efficiencies. So that's the answer to the first part. The second part, let's see with regards to – I guess I – hold on a second you're ...

What was your second piece?

George Lobsenz: The competitive concern is the (word) that they might have a leg up (inaudible) ...

Patty Wagner: Competitive, yes. Thank you. thank you. OK, yes you know there's – in any contract that we do there's always a concern as to whether an incumbent has a competitive advantage. So it's up to the source evaluation board to make sure that we're the most objective as possible to evaluate options and so that just makes our job – as in any procurement with an incumbent, you know that we have to do our job very well.

George Lobsenz: OK, and just to clarify. The lead contractors on both of those are BWXT or Babcock and Wilcox and Bechtel, am I correct?

Patty Wagner: That is correct.

George Lobsenz: OK.

Patty Wagner: And if you want the exact members, I think it's in the press release but if not we can certainly get those to you.

George Lobsenz: OK, thank you.

Male: Operator ...

Female: It is in the press release, sir. So ...

George Lobsenz: Thanks very much.

Male: We'll just do a quick wrap up for General Harencak and I think that's about all we have time for.

Male: OK, well, thank you, everybody for being part of this conference call. You know, I want to publicly thank Patty and her great team for the work over the last two years. This is probably the most comprehensive and extensive and well done study that led to this decision that I certainly have seen in my 290 years in the government. And I've got to tell you, it's an absolutely outstanding body of work done by all the great Americans in NNSA.

We look forward to continuing the conversation on this, obviously, I know you'll have many more questions. Please, feel free to contact you know America's greatest public affairs team here in NNSA under Damien Lavera, and we want to be completely transparent. We want to be very open on this, because this is a great story. It's a great story for NNSA, for DOE, and for our nation. Hope you all have a wonderful, wonderful weekend and look forward to talking with you all again sometime soon.

Male: Right, thanks (inaudible). If anybody does have any questions, our press line is 202-586-7371. Thanks, everyone.

Operator: And that concludes today's conference call. You may now disconnect.

END

ASRC AREOSPACE CORPORATION

Moderator: Damien Lavera

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