

February 11, 2021

Mr. Ike White
Acting Assistant Secretary
Office of Environmental Management
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Subject: DOE EM's new contracting model appears to negatively impact small businesses at Hanford. EM should mitigate the impact at Hanford and not award any other contracts until the impacts on our small businesses and communities are known.

Dear Acting Assistant Secretary White:

As the local governments adjacent to U.S. Department of Energy's Office of Environmental Management's (DOE-EM) sites, we ask that you immediately review (and mitigate) the potential negative impact to the small businesses in our communities based on the new EM contracting model rolled out at the Hanford Site.

The report from the Tri-Cities local governments is that DOE is (unintentionally) putting small businesses in the Tri-City area out of business. This change impacts dozens of local businesses and several hundred of their (now former) employees. This is unacceptable. We ask that DOE immediately review the impacts to our local small businesses and communities.

Issue

During the transition of the Hanford Mission Essential Services Contract (HMESC) and the Central Plateau Cleanup Contract (CPCC), nearly all of the existing Professional and Support Services subcontracts have been eliminated, and the subcontractor's employees have been hired (some say "taken") at the direction of DOE by the prime contractors. The community raised this issue with EM and the incoming prime contractors repeatedly in the months preceding the transition.¹ Here are some of the issues of concern:

- 1. The abrupt nature of this transition is resulting in a substantial number of local companies potentially going out business.²**
2. Although DOE and the prime contractors plan to release new subcontracting opportunities in 6 to 9 months, many small businesses may not survive that long without an opportunity

¹ DOE has always permitted the bidding team of businesses to obtain subcontracts from the selected prime contractor. Other offices in DOE – and the rest of the federal government – allow this to occur. We are at a loss as to why EM is not allowing this to occur now.

² When a business loses its employees, it can no longer operate and compete for any work at a future date.

to compete for work (even though the team members were part of the original competitively selected team).³

As one community leader explained to ECA:

We see that DOE is directing the elimination of staff augmentation subcontracts, which are currently a part of closure type contracts. However, transitioning those contracts to managed tasks or fixed price contracts in order to give the perception of meaningful work is a slow and yet to be defined process. The problem is the abrupt nature of the “transition” which is expected to leave a number of businesses without subcontracting opportunities for well over six (6) months. During these challenging economic times, many businesses will not survive that long without opportunities for work.”

Unintended Impacts:

The unintended consequences of how EM awarded this contract have resulted in moving small business employees to large businesses – which seems completely at odds with DOE’s stated goals, and those of the new Administration. Specifically, we have been told:

1. DOE is directing that several hundred employees of mostly small businesses in the Hanford area need to be direct hired by the prime (possibly putting dozens of businesses out of business).
2. Any work currently being performed by incumbent employees is not eligible to be subcontracted, regardless of whether the bid identified it as a small business task by the prime contractor.
3. Subcontractors, despite being named in specific roles and evaluated as part of the bid, cannot employ union employees.
4. Regardless of what was bid, the employee benefits of people working on the project were directed by EM to be cut during transition.
5. Small business subcontractors who entered into a contractor teaming arrangement with the Offeror and who were named in the proposal but whose past performance and pricing information was not submitted because it did not meet the threshold of the definition of “critical subcontractor” cannot be given a subcontract (which is what is typically done as they are part of the bid team).
6. Subcontractors, despite being named in specific roles and evaluated as part of the bid, cannot employ individuals who are part of the Hanford pension program.

Solution:

1. Mitigate the issues at Hanford and do not implement this new policy at any other EM site until an analysis has been made outlining the potential short- and long-term impacts of DOE on the community at large. DOE should then implement a plan to ensure a smoother transition that will not unnecessarily jeopardize the viability of local small businesses.

³ DOE references and blames an IG report on “staff augmentation”. However, the damage of the contracting action is caused by implementation of a new EM policy that should have allowed a transition while DOE is requiring the prime contractor bid out the work.

2. DOE must allow the Prime to hire the team members it bid with on the contract – this makes the most sense and follows the model of every other federal agency and other parts of DOE.
3. We ask that DOE review EM contracting that is in the bid process to ensure that this policy is not implemented at any other site until an analysis of cost benefit of DOE and the community has been made and actions have been taken to mitigate unintended consequences to local small businesses.
4. Requiring the largest businesses to “take” employees from a small business is a questionable policy – regardless of the intent and should be thoroughly reviewed.

These new prime contracts at Hanford are a significant departure from previous contract models, so we also hope to have an active and ongoing dialogue between DOE, prime contractors and the subcontracting community so that all parties are able to stay informed, and so unintended consequences like these can be avoided in the future.

Ultimately, it is in everyone’s best interest for Hanford and other EM sites to have a strong pool of local subcontractors that have a diverse set of capabilities to support federal and private-sector work. These companies provide unique and important services to EM when needed, while also serving to strengthen the local economy. We believe the Department of Energy sees the value in this arrangement as well, and we look forward to working with you to overcome this challenge as quickly as possible.

ECA has no interest in who DOE competitively selects for its contracts. In fact, ECA members are always working to support DOE in the contracting process. However, we ask that DOE always look at the impact to small local businesses of any community when making changes to the DOE contracting model and attempt to maximize local small business contracting in its award process.

These contract transitions impact the people who live and work in our communities and we – like the Department – attempt to make the transition process as smooth as possible as thousands of workers at many of the sites are impacted. We recognize that this outcome may not be intended – but DOE must mitigate impacts to these small businesses and the employees as soon as possible and ensure it does not occur at other sites around the country.

Please contact me with any questions.

Sincerely,



Ron Woody
County Executive, Roane County, TN
ECA Chair

cc:

Todd Schrader, Principal Deputy Assistant Secretary, EM-2

Mayor Brent Gerry, West Richland, WA. ECA Vice-Chair

Mayor Ryan Lukson, Richland, WA

Mayor Don Britain, Kennewick, WA

Mayor Saul Martinez, Pasco, WA

Chairman Jerome Delvin, Benton County, WA

Port of Benton, WA Executive Director, Diahann Howard,

Councilmember Robert Thompson, Chair, Hanford Communities

Hanford Communities Executive Director, David Reeploeg

Mayor Rebecca Casper, Idaho Falls Idaho, ECA Secretary

Councilor David Izraelevitz, Los Alamos, NM, ECA Treasurer

Councilor JJ Chavez, Carlsbad, NM, ECA At-Large Executive Board Member

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