



## Department of Energy

Washington, DC 20585

[REDACTED]  
Project Manager  
Fluor Federal Petroleum Operations, LLC  
850 South Clearview Parkway  
New Orleans, LA 70123

Dear [REDACTED]:

PERFORMANCE FEE DETERMINATION LETTER FOR THE PERIOD OF OCTOBER 1, 2022, THROUGH SEPTEMBER 30, 2023; CONTRACT NUMBER DE-FE00011020

I have completed my evaluation of Fluor Federal Petroleum Operations (FFPO), LLC's performance under the Fiscal Year (FY) 2023 Performance Evaluation and Measurement Plan for the 12-month period ending September 30, 2023.

In arriving at my determination, I considered the quarterly Performance Evaluation Reports (PERs), the Award Fee Board's Annual Report, and other annual performance-based documentation. Based on my evaluation and in accordance with the provision of the subject contract, I have determined that FFPO has earned a performance fee of \$10,389,622 from a pool of \$11,212,700. Due to performance issues, I have decided to further reduce the earned performance fee by an additional \$1,000,000. The basis of this fee is explained below.

### FACILITIES OBJECTIVE FEE MEASURES:

A total earned fee for the Facilities Objective Measures is \$4,607,330 (out of a possible \$4,607,330) and all the fee was earned. Please refer to Table 1 below to review calculations.

Table 1: Facilities Objective Measures Fee Calculations

Facilities Objective Measures					
Measure	Performance Rating	Percent Allocation	Max Fee	Fee Earned	Fee Unearned
90 day drawdown	Target	10.0%	\$614,311	\$614,311	\$0
MPAR	Stretch Target	10.0%	\$614,311	\$614,311	\$0
Workovers	Stretch Target	13.0%	\$798,604	\$798,604	\$0
Uncosted Balance	Stretch Target	5.0%	\$307,155	\$307,155	\$0
Reliability Availability Maintainability (RAM)	Stretch Target	4.0%	\$245,724	\$245,724	\$0
Annual Operating Plan (AOP)	Stretch Target	4.0%	\$245,724	\$245,724	\$0
Master Project Milestone Schedule	Stretch Target	3.0%	\$184,293	\$184,293	\$0
Effective Delivery and Receipt External Crude Oil Movements	Target	10.0%	\$614,311	\$614,311	\$0
Major Maintenance (MM) Cost Performance	Stretch Target	3.0%	\$184,293	\$184,293	\$0
Major Maintenance Accuracy of Government vs. Award Value	Stretch Target	3.0%	\$184,293	\$184,293	\$0
Reportable Spills	Stretch Target	3.0%	\$184,293	\$184,293	\$0
SEOD Repeat Findings	Stretch Target	2.0%	\$122,862	\$122,862	\$0
Internal Audit (IA) Audit Plan	Stretch Target	3.0%	\$184,293	\$184,293	\$0
Emergency Management	Target	2.0%	\$122,862	\$122,862	\$0
<b>TOTAL</b>			<b>\$4,607,330</b>	<b>\$4,607,330</b>	<b>\$0</b>

FACILITIES SUBJECTIVE FEE MEASURES:

A total of \$1,203,434 of performance fee was earned (out of a possible \$1,535,777), and \$332,342 was not earned. Please refer to Table 2 below to review calculations.

Table 2: Facilities Subjective Measures Fee Calculations

Facilities Subjective						
Measure	Performance Rating	Percent Allocation	Max Fee	Fee Modifier	Fee Earned	Fee Unearned
QPAD 2023-1	Excellent	2.0%	\$122,862	1.00	\$122,862	\$0
ESHD 2023-1	Excellent	2.0%	\$122,862	1.00	\$122,862	\$0
SEOD 2023-2	Satisfactory	3.0%	\$184,293	0.50	\$92,147	\$92,147
SEOD 2023-1	Excellent	1.0%	\$61,431	0.91	\$55,902	\$5,529
SOMD 2023-1	Excellent	4.0%	\$245,724	0.95	\$233,438	\$12,286
CODDRCI 2023-1	Good	2.0%	\$122,862	0.72	\$88,461	\$34,401
PED 2023-1	Excellent	5.0%	\$307,155	1.00	\$307,155	\$0
A&SD 2023-1	Satisfactory	6.0%	\$368,586	0.49	\$180,607	\$187,979
<b>TOTAL</b>			<b>\$1,535,777</b>		<b>\$1,203,434</b>	<b>\$332,342</b>

LE2 OBJECTIVE FEE MEASURES:

A total of \$3,751,500 of performance fee was earned (out of a possible \$4,055,675), and \$304,176 was not earned. LE2 Please refer to Table 3 below to review calculations.

Table 3: LE2 Objective Measures Fee Calculations

LE2 Program Objective Measures					
Measure	Performance Rating	Percent Allocation	Max Fee	Fee Earned	Fee Unearned
Safety Leadership	Stretch Target	8.0%	\$405,568	\$405,568	\$0
Leadership Excellence	Stretch Target	9.0%	\$456,263	\$456,263	\$0
First Time Quality	Stretch Target	9.0%	\$456,263	\$456,263	\$0
Environmental Stewardship	Stretch Target	10.0%	\$506,959	\$506,959	\$0
Cost Control for Construction Subcontracts	Stretch Target	12.0%	\$608,351	\$608,351	\$0
Cost Control for GFP	Stretch Target	12.0%	\$608,351	\$608,351	\$0
Schedule Adherence: Construction Support	Stretch Target	10.0%	\$506,959	\$506,959	\$0
Milestone Project Milestone Schedule Adherence.	Target	10.0%	\$506,959	\$202,784	\$304,175
<b>TOTAL</b>			<b>\$4,055,675</b>	<b>\$3,751,500</b>	<b>\$304,175</b>



LE2 SUBJECTIVE FEE MEASURES:

A total of \$827,358 of performance fee was earned (out of a possible \$1,013,919), and \$186,561 was not earned. Please refer to Table 4 below to review calculations.

Table 4: LE2 Subjective Measures Fee Calculations

LE2 Subjective Measures						
Measure	Performance Rating	Percent Allocation	Max Fee	Fee Modifier	Fee Earned	Fee Unearned
Management of the LE2 Project	Excellent	4.0%	\$202,784	0.96	\$194,672	\$8,111
LE2 Quality Program	Excellent	4.0%	\$202,784	0.98	\$198,728	\$4,056
LE2 Health and Safety Program	Very Good	4.0%	\$202,784	0.76	\$154,116	\$48,668
LE2 Procurement of Contracts	Very Good	4.0%	\$202,784	0.89	\$180,478	\$22,306
A&SD - Procurement Packages	Satisfactory	4.0%	\$202,784	0.49	\$99,364	\$103,420
<b>TOTAL</b>			<b>\$1,013,919</b>		<b>\$827,358</b>	<b>\$186,561</b>

REDUCTION OF FEE

In FY 2023 the internal coating of brine tank BMT-1 failed. FFPO is responsible for BMT-1's coating failure which has added significant costs to the LE2 project. The costs include procurement of services for the cleaning, blasting, and recoating BMT-1. Additionally, the costs and challenge for disposing of the contents in BMT-1.

Based on the issues noted above, I have determined that a reduction in fee amounting to \$1,000,000 is warranted.

SUMMARY

For the Facilities Objective Fee Performance, all available fee (\$4,607,330) was earned. For Facilities Subjective Fee Performance, \$1,203,434 was earned and \$332,342 was unearned. For the LE2 Objective Fee Performance, \$3,751,500 was earned and \$304,175 was unearned. For LE2 Subjective Fee Performance, \$827,358 was earned and \$186,561 was unearned. A total of \$4,461,016 was released during FY 2023, in the form of monthly provisional payments. This leaves a balance of earned fee totaling \$5,928,605. This amount will be reduced by \$1,000,000 due to the incidents discussed above. This leaves a balance of \$4,928,606 to be paid.

If you have any questions about the basis for any of the comments regarding contract performance during this evaluation period, please contact [REDACTED] Office

[REDACTED]

of Performance Fee Management, or [REDACTED], Project Manager, Strategic Petroleum Reserve Project Manager.

Sincerely,

[REDACTED]

[REDACTED]

Deputy Director  
Office of Petroleum Reserves

CR-46 [REDACTED]