

I. PARENT OVERSIGHT PLAN

I.1 PURPOSE

This Parent Oversight Plan describes our governance approach and details our parent organizations' planned oversight activities for FY2008. Under our plan, the parent organizations will monitor and apply their expertise and other resources to continuously improve LLNL's performance of Statement of Work (SOW) activities, including ISM and ISSM. This oversight plan will be updated annually and submitted to the contracting officer 6 months prior to the start of each fiscal year for review and approval.

Bechtel, UC, BWXT, and Washington Group have formed a separate entity, Lawrence Livermore National Security, LLC (LLNS), for the sole purpose of managing and operating the Laboratory. These four LLC members, along with Battelle, will provide parent oversight of Laboratory operations as one of their essential governance responsibilities; in addition, they will provide parent resources and will guide LLNL's integration into the NWC. Although Battelle is an integrated subcontractor, it will participate in oversight functions and thus has been treated as a parent organization in this plan (Figure I-1).

I.2 SCOPE

We have designed the parent oversight of Laboratory operations to meet and exceed the needs and expectations of the NNSA and LLNL stakeholders. Our immediate goal is to promote excellence in every aspect of the Laboratory's operations to achieve our NNSA mission and make Complex 2030 a reality.

Together, Bechtel, UC, BWXT, Washington Group, and Battelle will perform ongoing oversight of the Laboratory to ensure that:

- The Laboratory management team is provided with the necessary resources to accomplish the Laboratory mission
- The Laboratory meets all of its commitments and facilitates the collective success of the Nuclear Weapons Complex, the transformation of the Complex, and achievement of the Complex 2030 vision
- NIF meets all expectations for completion, startup, and transition into a world-class user facility
- LLNS has the expertise and leadership to grow WFO and retain critical skills to meet national security needs
- Performance expectations are clear and that Laboratory managers are held accountable
- DOE/NNSA and other agencies are provided with all necessary representations, including approval of the Contractor Assurance System (CAS) and the LLNS Annual Assurance Letter

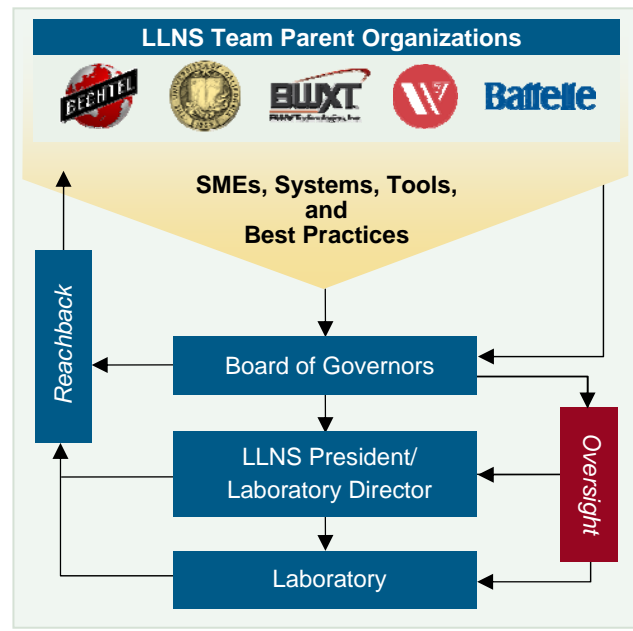


Figure I-1. Board Oversight. LLNS parent organizations will provide comprehensive oversight of LLNL.

- The Laboratory operates at all levels in accordance with the highest ethical standards
- The Laboratory is infused with best practices, not only from the parent organizations, but globally from industry and academia
- The parent organizations are thoroughly knowledgeable regarding the current operations of the Laboratory, and capable and ready to take action when required

I.3 ORGANIZATION FOR OVERSIGHT

The LLNS Board of Governors, as illustrated in Figure I-1, is the primary oversight body, with authority to guide, control, direct, measure, and incentivize the Laboratory and its personnel.

Our parent governance model purposely parallels that of LANS (Los Alamos National Security, LLC) in structure and composition. The Boards and committees have several of the same members, which leads to a number of benefits in administering the plan:

- Enhanced interlaboratory communication and streamlined NNSA communication
- Support of NWC integration goals
- Easier identification of integration efficiencies in nuclear operations as well as business and management systems
- Continuity in laboratory management, operations, and oversight activities

I.4 TOOLS TO ACHIEVE EFFECTIVE OVERSIGHT

The parent organization oversight model consists of three elements: (1) the Board of Governors and its committees, (2) parent organization functional management assessments, and (3) the LLNS office.

I.4.1 BOARD OF GOVERNORS AND COMMITTEES

The LLNS Board of Governors is composed of 12 members—6 Executive Committee Governors and 6 Advisory Governors (Figure I-2).

| Board of Governors, LLNS | | |
|--------------------------|-------------------------|--|
| Executive | Gerald Parsky, Chair | Chairman, Board of Regents, University of California Chairman, Aurora Capital Group |
| | Thomas Hash, Vice Chair | President, Bechtel Systems and Infrastructure, Inc. |
| | Craig Weaver | Executive Vice President, Bechtel Systems and Infrastructure, Inc. |
| | Preston Rahe | President, Energy and Environment, Washington Group Int., Inc. |
| | Marye Anne Fox | Chancellor, University of California, San Diego |
| | Bruce Darling | Executive Vice President for University Affairs, University of California |
| Advisory | William Madia | Executive Vice President, Laboratory Operations Market Sector, Battelle |
| | William Perry | Former Secretary of Defense; Senior Fellow, Hoover Institution |
| | Nicholas Moore | Former Chairman, PricewaterhouseCoopers |
| | Richard Mies | Retired Admiral, Former Commander, United States Strategic Command (USSTRATCOM); Science Applications International Corporation (SAIC) |
| | Sidney Drell | Professor of Physics (emeritus), Stanford University Senior Fellow, Hoover Institution |
| | John Gordon | Retired General, U.S. Air Force; First Administrator, NNSA Former Member, National Security Council |

Figure I-2. LLNS Board of Governors. We have assembled an impressive board of industry and government leaders and world-renowned scientists to provide strong leadership, oversight, and guidance.

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Executive Committee Governors—Six individuals are appointed by the parent organizations as governors of the Executive Committee. Three are UC appointees and three are Bechtel appointees; nomination for one Bechtel seat is delegated to BWXT and Washington Group jointly.

These six individuals comprise the Executive Committee, which is the decision-making body of the LLC, responsible for the oversight of Laboratory operations. The cost of these senior parent organization executives will not be charged to the contract.

The Board's Executive Committee is responsible for approving and monitoring the Laboratory's CAS and approving the Annual CAS Assurance Letter. The Board also administers the Parent Oversight Plan, with support from the LLC office staff, as described below.

Advisory Governors—Five of the advisory governors are independent governors who are appointed by the Executive Committee of the Board. The sixth is nominated by Battelle and approved by the Executive Committee. The following governors were selected to focus on the most significant needs of the Laboratory:

- **Science and Technology.** Sid Drell is a recognized leader of scientific research for DOE.
- **Mission.** William Perry and John Gordon, as advisory governors, bring their depth of understanding of the NWC mission and global security challenges.
- **Business and Operations.** Nicholas Moore brings acumen as former chairman of PricewaterhouseCoopers. He will guide integration of laboratory business operations, monitor the integrity of financial systems and effectiveness of internal controls, and promote adherence to the highest ethical standards.
- **NWC Integration.** Richard Mies of SAIC brings invaluable experience from STRATCOM and unique perspectives on achieving Complex-wide integration.
- **Laboratory Management and Operations.** Bill Madia of Battelle has expertise in managing science and technology and expanding WFO programs across the Complex.

LANL Director Michael Anastasio will be invited to attend LLNS board meetings to enhance implementation of best practices and NWC integration. Similarly, LLNL Director George Miller will be invited to LANS board meetings. In addition to the scheduled quarterly meetings, the Board is committed to act swiftly at other times and to work with its committees as needed to provide effective governance.

Board Committees

The Board of Governors is supported by six standing committees whose members are approved by the Executive Committee. These committees will assist the Board with oversight by reviewing strategic direction and related policies, conducting evaluations, measuring performance, monitoring risks and internal controls, and making recommendations to the Board.

Each committee is chaired by a governor. Additional members will be drawn from the parent organizations, other NWC sites, and resources outside the NWC. The committee and their respective areas of focus are as follows:

- **Science and Technology.** Oversees the Laboratory's science and technology expertise and its progress in recruiting and retaining core critical competencies.
- **Mission.** Evaluates the Laboratory's initiatives, capabilities, and strategic plans in comparison to current and future governmental directives, policies, and programs concerning national security and defense.

- **Business and Operations.** Assesses the health of the business and operations of the Laboratory and identifies opportunities to instill best practices throughout the Laboratory. It is one of the larger committees and will be supported by three subcommittees: (1) Nuclear Operations/S&S subcommittee, (2) Business subcommittee, and (3) Project management/EM/ES&H subcommittee.
- **Nominations and Compensation.** Considers and evaluates the performance of the Laboratory Director and other key personnel, determines appropriate compensation, and advises on matters involving pension and benefits.
- **NWC Integration.** Considers matters related to the further integration of the NWC with the goal of achieving a more responsive, agile, flexible, and efficient institution, as defined by NNSA. This committee will be identical to the LANS committee with the same chair and members.
- **Ethics and Audit.** Evaluates the integrity of the financial systems, other aspects of Laboratory operations such as internal controls, procurement integrity, and human resources; conflicts of interest; and the effectiveness of the ethics program, including response to whistleblower and other reports of potential misconduct.

To enhance transparency, accountability, and Board assessment of the Laboratory's performance, the Laboratory's chief financial officer, internal auditor, and Laboratory counsel each will provide a written report and meet with the Board (or specific committee the Board designates) annually or as directed by the Board. As part of continuous improvement and NWC integration of best practices, the Board will monitor and evaluate its own performance in governing the Laboratory. The Board may perform this self-assessment annually through one of the standing committees or may set up a separate working group of Board members, using resources of the parent organizations and independent consultants, as appropriate.

I.4.2 PARENT ORGANIZATION FUNCTIONAL MANAGEMENT ASSESSMENTS

We will assign parent organization functional managers to assess selected areas of the Laboratory. These functional managers will be experts from the parent organizations; from other DOE and NNSA sites managed by Bechtel, UC, BWXT, Washington Group, and Battelle; and from independent sources of subject matter expertise.

In their reviews, the parent functional managers will be responsible for:

- Defining discipline-specific procedures and methods
- Assessing whether a project has the qualified and trained personnel and other resources needed to meet objectives
- Mentoring lead functional personnel to enhance performance
- Assessing the effectiveness of Laboratory implementation of methods and procedures

In addition, the mission-specific reviews will evaluate:

- The alignment of LLNL mission activities with national goals and objectives
- The relevance of Laboratory science and technology initiatives to national goals and objectives
- The uniqueness and quality of Laboratory contributions relative to those of other entities
- The level of integration of Laboratory activities with those of other national organizations

Our plan for FY2008 includes 26 scheduled assessments covering all of the primary functional and programmatic areas. In addition, if needed, the Board of Governors, committee members, or the Laboratory Director may recommend up to six contingency assessments (our cost estimate allows for up to six additional assessments).

We will determine the priority and frequency of assessments for the out-years based on initial assessment findings and recommended corrective actions; internal performance assessments, including self-assessments; and independent assessments covered by LLNS's CAS.

The planned assessment activities will address ISM and ISSM performance along with reviews of project management, strategic human capital management, facilities and property management, business and operations, audits and assessments, environmental management and restoration, nuclear operations, legal affairs, information systems and technology, training, and quality assurance.

The parent functional managers will review activities in the mission areas of global security, weapons and complex integration, science and technology, and NIF. The NIF review will be broader and include assessment of construction, commissioning, and readiness to begin operations as a user facility.

I.4.3 LLNS LLC OFFICE (LIVERMORE, CALIFORNIA)

The parent organizations have established LLNS, LLC, initially at 1658 Holmes Street, Livermore, California, 94550. The office will serve as a base of operations for a small staff supporting the LLNS Board of Governors.

The LLNS office will be responsible for administering and fully implementing the Parent Oversight Plan, and for obtaining prompt responses from the parent organizations to the Laboratory's needs.

The LLNS office will be staffed by personnel experienced in laboratory management, scientific and technology management, and business and operations. These experts will be assigned from the parent organizations and, along with the functional management assessments, will effectively provide the technical oversight to support the transformation and continuous improvement of the Laboratory.

The primary responsibility of the LLNS office staff is to support the Board, its committees, and the AIM and functional assessment teams. The staff will coordinate with the Laboratory Director on reachback to parent resources, and provide support in logistics, planning, scheduling, and reporting to the Board. The staff also represents the LLC in the local community. Staff responsibilities will include updating the annual Parent Oversight Plan, reporting against the plan to the Board and the Contracting Officer, and managing any needed changes.

I.5 SCHEDULE FOR PLANNED ACTIVITIES

A schedule of planned activities is provided in Figure I-3 at the end of this section. The schedule is organized by two areas of oversight: (1) Board of Governors and its committees, and (2) functional management assessments.

Functional management assessments will begin slowly in the first quarter and then increase during FY2008. This approach is based on lessons learned from LANS startup. We will wait 2 months after transition to begin conducting functional management assessments to give the new PADs time to make meaningful progress in implementing changes before assessing their functional areas.

We organized activities detailed in the figure by type of oversight and number of assessments in FY2008. Activities are scheduled by quarters. Staff will manage and maintain the exact dates and schedule development on behalf of the Board and the parent organizations.

I.6 COST ESTIMATE FOR PLANNED ACTIVITIES

We will provide a cost estimate summary 10 days after contract award. The cost estimates and budget will be integrated and maintained by LLNS office staff on behalf of the Board and the parent organizations.

The cost summary will provide the narrative support to explain the development of all costs proposed. The narrative will also describe the supporting rationale, the estimating methodologies used, and the basis of the data provided in support of the proposed costs, including company affiliation and number of parent organization experts, i.e., employees and consultants, average salary, jobhours, number of trips to the site, and number of days performing oversight activities.

I.6.1 PERIODIC OVERSIGHT REPORTS

The LLNS office staff will prepare reports providing status of the planned activities for the Board of Governors and the Laboratory Director quarterly and for the Contracting Officer as required. The report will include activities, accomplishments, and schedule and cost status, and will highlight issues and corrective actions. We will issue the report in a standard project format to be negotiated and submitted for approval upon notification of contract award or as required.

I.6.2 PARENT OVERSIGHT AND CAS

The Board Executive Committee is responsible for approving and monitoring the Laboratory's CAS for self-governance and approving the Annual Assurance Letter. Our CAS approach builds on and accelerates the existing LLNL system, uses lessons learned from applying it at LANL, and applies private sector tools and expertise to all areas of Laboratory operations. We will establish a centralized Contractor Assurance Office with a dedicated and experienced Contract Assurance Officer, Kirkland Jones, who will report directly to the Laboratory Director and make regular reports to the Board of Governors.

We have scheduled a functional management review of the CAS system in FY2008 to monitor its implementation and identify and correct problems early. As the CAS system matures, we will continually update our oversight functions and integrate the two processes to ensure that the most critical actions and processes are properly measured and managed.

| Description of Activity | Organization | No. of People | Days | FY2008 Activities |
|---|------------------------|---------------|------|--------------------------------|
| I. Board of Governors | | | | |
| 1. Executive Committee | | | | |
| As the governing body of the LLC, and composed of parent organization senior executives, oversee Laboratory Operations; | Bechtel | 2 | 2 | Once each quarter or as called |
| | UC | 3 | | |
| | WG/BWXT | 1 | | |
| 2. Advisory Governors | | | | |
| Support achievement of excellence and transparency through peer consideration in mission, M&O, and S&T | Advisory Governors | 6 | 2 | Once each quarter |
| 3. Committee Members | | | | |
| Provide advisory support in areas such as mission, S&T, business and operations, ethics and audit, and NWC integration | Advisory Governors | 50 | 2 | Once each quarter |
| II. Functional Management Assessments | | | | |
| 1. Mission Reviews – Global Security | | | | |
| Assess strategy for global security programs and business development in support of science and the NNSA missions | UC | 1 | 2 | Twice annually |
| | Battelle | 1 | | |
| | Board or comm. members | 2 | | |
| 2. Mission Reviews – Weapons and Complex Integration | | | | |
| Assess program and project planning, project management, and NNSA customer interfaces | Bechtel | 1 | 2 | Twice annually |
| | UC | 1 | | |
| | BWXT | 1 | | |
| | WG | 1 | | |
| | Board or comm. member | 2 | | |
| 3. Mission Reviews – Science and Technology | | | | |
| Assess the S&T Directorate process for providing guidance and direction to continuously improve the scientific expertise needed to complete mission activities | UC | 1 | 2 | Twice annually |
| | Battelle | 1 | | |
| | Board or comm. members | 2 | | |
| 4. NIF and Photon Science – Mission Review and Operation and Readiness Assessment | | | | |
| Participate in mission review and assess National Ignition Campaign, construction, preparations, and readiness of NIF to begin operating and involving host users | Bechtel | 1 | 4 | Twice annually |
| | UC | 1 | | |
| | Battelle | 1 | | |
| | Board or comm. Members | 2 | | |

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Figure I-3. Planned Activities. We have planned a comprehensive oversight program that gradually ramps up based on LANS lessons learned.

| Description of Activity | Organization | No. of People | Days | FY2008 Activities |
|--|--------------|---------------|------|-------------------|
| 5. Integrated Safeguards and Security System (ISSM) | | | | |
| Assess ISSM performance and cybersecurity management structure and resource management | Bechtel | 1 | 3 | 1st Qtr |
| | UC | 1 | | |
| | BWXT | 1 | | |
| 6. Facilities and Property Management | | | | |
| Conduct facilities review for optimization; assess process for assigning space and charging practices | Bechtel | 1 | 2 | 1st Qtr |
| | UC | 1 | | |
| | WG | 1 | | |
| 7. Business and Operations | | | | |
| Cost Efficiency – Assess broad strategies for changing the Laboratory’s cost model and efforts to drive efficiencies | Bechtel | 1 | 3 | 3rd Qtr |
| | UC | 1 | | |
| | BWXT | 1 | | |
| | WG | 1 | | |
| 8. Audits and Assessments (CAS) | | | | |
| Assess process and progress of implementing CAS | Bechtel | 1 | 3 | 4th Qtr |
| | UC | 1 | | |
| | BWXT | 1 | | |
| | WG | 1 | | |
| | Battelle | 1 | | |
| 9. Environmental Management and Restoration | | | | |
| Assess environmental restoration planning and organization | Bechtel | 1 | 3 | 2nd Qtr |
| | BWXT | 1 | | |
| | WG | 1 | | |
| 10. Nuclear Operations | | | | |
| Nuclear Safety and Operations review | Bechtel | 2 | 7 | 4th Qtr |
| | BWXT | 2 | | |
| | WG | 1 | | |
| | LANS | 1 | | |
| 11. Legal Affairs | | | | |
| Assess use of legal resources, litigation management, and employee dispute resolution | Bechtel | 1 | 2 | 2nd Qtr |
| | UC | 1 | | |
| | Battelle | 1 | | |
| | WG | 1 | | |
| 12. Information Systems and Technology | | | | |
| Assess plan and progress in moving toward an enterprise model in support of the entire Laboratory | Bechtel | 1 | 4 | 2nd Qtr |
| | UC | 1 | | |
| | Battelle | 1 | | |

Figure I-3 (Continued).

| Description of Activity | Organization | No. of People | Days | FY2008 Activities |
|---|-------------------------------|---------------|------|-------------------|
| 13. Training | | | | |
| Assess the quality of training and the extent to which it should be centralized | Bechtel | 1 | 2 | 4th Qtr |
| | WG | 1 | | |
| | Battelle | 1 | | |
| 14. Quality Control/Quality Assurance | | | | |
| Assess quality assurance program for nuclear weapons work | Bechtel | 1 | 2 | 3rd Qtr |
| | UC | 1 | | |
| | BWXT | 1 | | |
| 15. Integrated Safety Management (ISM) & Safety and Health | | | | |
| Assess ISM performance and progress on Phase I ISM certification | Bechtel | 1 | 3 | 3rd Qtr |
| | BWXT | 1 | | |
| | WG | 1 | | |
| 16. Business and Financial Management | | | | |
| Review CFO process for controlling spending at the budget and reporting level | Bechtel | 1 | 3 | 2nd Qtr |
| | UC | 1 | | |
| | WG | 1 | | |
| | Battelle | 1 | | |
| 17. Industrial Partnerships and Technology Transfer | | | | |
| Assess intellectual property and technology transfer processes | Bechtel | 1 | 2 | 1st Qtr |
| | UC | 1 | | |
| | Battelle | 1 | | |
| 18. Emergency Operations | | | | |
| Assess new emergency management approach | Bechtel | 1 | 2 | 4th Qtr |
| | BWXT | 1 | | |
| | WG | 1 | | |
| | Battelle | 1 | | |
| 19. Laboratory-Directed Research and Development (LDRD) | | | | |
| Assess revised process for managing the LDRD portfolio | UC | 1 | 2 | 4th Qtr |
| | Battelle | 1 | | |
| | Outside Board or Comm. member | 1 | | |
| 20. Waste Storage Facilities | | | | |
| Assess waste management and onsite nuclear material management approach against Site Treatment Plan | Bechtel | 1 | 2 | 3rd Qtr |
| | BWXT | 1 | | |
| | WG | 1 | | |

Figure I-3 (Continued).

| Description of Activity | Organization | No. of People | Days | FY2008 Activities |
|--|---|---------------|------|--|
| 21. Strategic Human Capital Management: Succession Planning | | | | |
| Assess processes for identifying and developing future leaders | Bechtel | 1 | 3 | 3rd Qtr |
| | UC | 1 | | |
| | Battelle | 1 | | |
| 22. Project Management: Process for Projectizing Programmatic Work | | | | |
| Assess efforts for implementing EVMS across all program areas over a 3-year period | Bechtel | 1 | 3 | 4th Qtr |
| | UC | 1 | | |
| | WG | 1 | | |
| | Battelle | 1 | | |
| 23. Selected Review of High-Risk Projects/Organization TBD | | | | |
| Assess areas that appear at risk after award of contract and areas identified during the transition; this is contingency planning for unknown issues | Specific parent organizations as needed | 3 | 5 | As needed 6 separate teams of 3 experts Up to 5 days |

Figure I-3 (Continued).