

EFCOG Best Practice # 53

12/18/07

Title: Assets for Value Contracts

Facility: Lawrence Livermore National Laboratory 12/10/07

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Brief Description of Best Practice

Lawrence Livermore National Laboratory's (LLNL) Space Action Team (SAT) implements "Assets for Value" strategies as a core element of its decommissioning and demolition (D&D) processes. The Assets for Value strategy provides a contractual mechanism for converting the value of equipment (personal property) or building materials (real property) into an offset against payment for contracted demolition work. Assets for Value lowers facility operating costs, reduces D&D contracting costs, eliminates waste streams, increases reuse of materials, and increases material recycling. It can be applied to the clean out and redeployment of rooms within an active facility or demolition of an entire facility.

What Are The Benefits Of The Best Practice

The Assets for Value approach provides a win-win scenario, connecting professional salvage contractors with those who possess surplus materials. By integrating Assets for Value identification into the initial planning process, SAT has raised the bar and streamlined the process. Whether it supports Office of Science, the National Nuclear Security Administration, or LLNL customers, SAT's Assets for Value continues to successfully obtain more work for less funds, minimize waste, increase reuse, increase recycle, support mission, and decrease program impacts in facility management.

What Problems/Issues Were Associated With The Best Practice

There are three issues associated with initial deployment of the Assets for Value approach. The first is contractual. D&D procurement contracts for both large and small dollar value projects are awarded on the basis of best value. The cost proposal format must be defined in the solicitation in order to adequately capture the value of the assets and thus the actual savings. The minimum required information is the cost to perform the scope without salvage or reuse, the value of the assets, and the actual proposed cost. Typically the cost breakdown is correlated to the upper level Work Breakdown Structure for the project with the value for the assets broken out by major asset or groups of assets (e.g., by room). Review by Property Accounting, Procurement, ES&H, legal staff, export control, safeguards, and security are required to make this process compliant, efficient, and effective.

The second issue is regulatory. All assets must be excessed following the federal property screening guidelines and must not be impacted by the DOE Materials Moratorium. Once this has been accomplished the assets can be added to the subcontract package.

The third issue is earned value management. The means employed to monitor and report earned value for the project must take into account the assets being removed. A schedule of values is one method to achieve this. It identifies the type, quantity, and value of the assets associated with each distinct work scope element. This provides the ability to monitor the ratio of waste to recycle/reuse as the project progresses.

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How The Success Of The Best Practice Was Measured

There are two methods of measurement used in the process. The first and most critical, is the amount of offset value identified by the contractor and stated in the bid. This dollar amount is deducted from the final bid price. The second measurement is the identification of the amount and type of recyclable assets. This both assists in the planning of future projects and provides important recycle information.

Description Of Process Experience Using The Best Practice

By integrating rigorous D&D project characterization, recycling, and cost-effective project management, SAT has developed an Assets for Value tool to maximize the D&D subcontractors salvage work that can be accomplished for a given level of funding. By offering contractors an option for salvaging materials, the net cost per square foot of demolition is reduced. Assets for Value is not the same as Scrap Value. Equipment identified as Assets for Value can have a higher cash return than comparable materials sold as scrap by weight/volume. Additionally, Assets for Value strategies motivate and create financial incentives for environmental stewardship. These strategies reduce financial costs to Programs that are releasing excess facilities and decrease the timeline for D&D or releasing those facilities for productive use. This process provides direct monetary incentive to contractors to maximize the materials diverted for reuse or recycle.

The SAT Assets for Value process involves a team led by a SAT Project Manager, with full participation of specialists from Property Accounting, Donation Utilization and Sales, Procurement, and ES&H support. As a procurement process, it requires full compliance to procurement policies and procedures, including an internal estimate, advertising Request for Proposal (RFP), bid review, and formal award.

Examples Demonstrate Recent Success Using Assets For Value Contracts:

- Redeployment of an inactive research facility and demolition of a dilapidated facility. A 5,784 ft² steel frame on slab facility was filled with surplus inactive installed interior/exterior equipment that prevented occupancy for ~4 years. Using an Assets for Value strategy, a Request for Proposal (RFP) was crafted and issued seeking contractor bids for the removal of the equipment, as well as removing another facility and its equipment. At the conclusion of this project, all interior/exterior equipment was removed, all prior electrical/mechanical deficiencies were corrected, the exterior storage yard was cleared, and another 3,018 ft² dilapidated facility (and its equipment) was dismantled and removed from the site.

Once the assets were removed from the facility, multiple occupants bid for immediate ownership and occupancy. The estimated \$350K total project cost was reduced to \$200K to the Laboratory. At this level, this equates to obtaining a facility for ~\$35/ ft². The building project generated reuse of 250 tons of equipment and 16 pounds of Freon, with an additional 847 tons of metal and 540 tons of concrete being recycled. Assets for Value paid for 43% of the total project cost.

- A \$12 million demolition project to remove 94K ft² of a 150K ft² building recycled 80% of its material and obtained a cost reduction of \$225K for the Asset for Value contract component. This project also created an opportunity to reuse 8,278 tons of dirt being removed by another construction project at LLNL.
- An outdoor High-Voltage yard removal project was initiated using Assets for Value to obtain the project at a lower cost. An obsolete 66K ft² direct current outdoor high-

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voltage equipment yard was removed by a subcontractor. It contained 20 large transformers, 432 capacitors, and 192 concrete pads. Using the Assets for Value strategy, the yard was completely removed from the site. All of the materials were sold as product, with none of the materials released or sold as waste including the sale of ~25K gallons of transformer and capacitor oils. This project reused all 432 capacitors, recycled 3,500 tons of concrete, 320 tons of metal, and 25K gals of oil. This Asset for Value contract paid for 20% of the total project cost.