



U.S. Department of Energy
NNSA Production Office
Post Office Box 2050
Oak Ridge, Tennessee 37831-8009



September 28, 2012

Mr. Charles G. Spencer
President and General Manager
Babcock & Wilcox Technical Services Y-12, LLC
Post Office Box 8009
Oak Ridge, Tennessee 37831-8228

Dear Mr. Spencer:

CONTRACT NO. DE-AC05-00OR22800 (BABCOCK & WILCOX TECHNICAL SERVICES Y-12, LLC) – INTERIM REPLY TO RESPONSE TO SHOW CAUSE LETTER AND RECOMMENDATION TO TERMINATE SUBCONTRACT NO. 4300085923

The incursion by trespassers into the Y-12 National Security Complex (Y-12) Protected Area on July 28, 2012, caused the National Nuclear Security Administration (NNSA) to have grave concerns regarding Babcock & Wilcox Technical Services Y-12, LLC (B&W Y-12)'s and G4S Government Solutions, Inc., doing business as Wackenhut Services, Inc. - Oak Ridge (WSI-OR)'s ability to effectively perform physical security functions at Y-12. Our concerns in this regard are reflected in the Show Cause Notice to you dated August 10, 2012, as well as our Supplemental Information Request dated August 30, 2012. In addition, the NNSA continues to receive relevant information from ongoing and completed assessments of the July 28 incident.

While we recognize that both B&W Y-12 and WSI-OR have undertaken corrective actions, neither these actions nor the response to the Show Cause Notice are enough, at this point, to fully resolve the issues presented in the Show Cause Notice. Therefore, we intend to present additional questions and concerns to which we will expect prompt and complete answers. We will also continue to carefully monitor ongoing corrective actions and performance. We also remind you that past performance will play an important role in upcoming procurement actions.

In order to best assure effective performance of physical security operations and to facilitate transition to the Management and Operating contractor to be chosen in the NNSA Production Office procurement, we formally recommend that the subcontract with WSI-OR be terminated and that you work with WSI-OR to assure that B&W Y-12

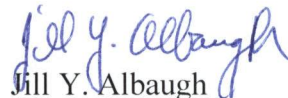
Mr. Charles G. Spencer

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assumes direct responsibility for protective force operations at the earliest practicable time.

Sincerely,



Jill Y. Albaugh
Contracting Officer
NNSA Production Office

cc:

S. C. Hafner, WSI-OR
T. P. D'Agostino, NA-1, FORS
B. M. Diamond, NA-GC, FORS
M. K. Lempke, NA-00, FORS
R. B. Raines, NA-APM-10, FORS
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S. C. Erhart, NPO-01
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