



January 25, 2007

Don Lenseigne
Director of Finance
CH2M Hill Hanford Group Inc.
2440 Stevens Room 1668
Richland, WA 99352

FY2006 SUPPORT COST BY FUNCTIONAL ACTIVITY REPORT (SCFAR)
CH2M HILL HANFORD GROUP INC. PEER REVIEW

Dear Mr. Lenseigne,

We have reviewed the Support Cost by Functional Activity Report (SCFAR) for CH2M Hill Hanford Group Inc. (CH2M) for FY 2006. The purpose of the review was to confirm that the data reported by CH2M complied with the guidelines and definitions set forth by the Financial Management Systems Improvement Council (FMSIC).

Methodology used by CH2M to compile the Functional Support Cost Report

The methodology utilized by CH2M in preparing the FY 2006 SCFAR identified costs using Cost Account Charge Numbers (CACN's). Allocations, such as overhead, are stripped from total actual cost to derive the net raw cost portion as required by the SCFAR guidance. The accounts are characterized in functional support cost elements or as mission direct based upon the primary service provided.

Implementation of Recommendations from Previous Peer Review

All recommendations appear to have been implemented from the last Peer Review.

Recommendations during the Peer Review

1. Capital/Construction included WBS 5.9.3.4.3.2 -- W-464 DESIGN SUPPORT \ \$50K
TEAM RECOMMENDATION: The team recommends this be reported in the functional cost category Facilities Management.

SITE RESPONSE: CH2M HILL Hanford Group, Inc agrees with this recommendation and will correct this in future years.

2. Chief Financial Officer included WBS 5.7.3.2.2.6 – EMPLOYEE MORALE FUND \ \$39K
TEAM RECOMMENDATION: The team recommends this be reported in the functional cost category Human Resources.

SITE RESPONSE: CH2M HILL Hanford Group, Inc agrees with this recommendation and will correct this in future years.

3. Information Services included WBS 5.7.3.2.7.4 – DOC CONTROL & RECORDS MANAGEMENT \ \$1,254K

TEAM RECOMMENDATION: The team recommends this be reported in the functional cost category Central Admin Services.

SITE RESPONSE: CH2M HILL Hanford Group, Inc agrees with this recommendation and will correct this in future years.

4. Laboratory/Technical Support included the following items.

TEAM RECOMMENDATION: The team recommends these costs be excluded and placed in the appropriate category.

- WBS 5.10.1.2.1.3 – FACILITY OPERATIONS \ \$2,865K should be reported in the functional cost category Facilities Management.
- WBS 5.10.1.2.2.24 – 222S PART B PERMITTING \ \$44K should be reported in the functional cost category Environmental.
- WBS 5.10.1.2.2.3 – MAINTENANCE SERVICES \ \$4,056K should be reported in the functional cost category Maintenance.
- WBS 5.10.1.2.2.6 – RADIATION PROTECTION \ \$2,241K should be reported in the functional cost category Safety and Health.
- WBS 5.10.1.2.2.7 – ENVIRONMENTAL COMPLIANCE \ \$258K should be reported in the functional cost category Environmental.
- WBS 5.10.1.2.2.8 – SAFETY, HEALTH & FIRE PROTECTION \ \$122K should be reported in the functional cost category Safety and Health.
- WBS 5.10.1.2.2.9 – PERFORMANCE ASSURANCE & QA \ \$375K should be reported in the functional cost category Quality Assurance.
- WBS 5.10.1.2.3.12 – 222-S ANNEX ROOF & HVAC REPAIR \ \$36K should be reported in the functional cost category Maintenance.
- WBS 5.10.1.2.3.4 – 222-S FACILITY RENOVATIONS \ \$30K should be reported in the functional cost category Maintenance.
- WBS 5.10.1.5.1.1, WBS 5.10.1.5.2.1, WBS 5.10.1.5.3.1, WBS 2.R.8.12.2.10, & WBS 5.8.5.14.1.3 – WASTE HANDLING \ \$3,704K should be reported in the functional cost category Mission Direct.
- WBS 2.R.6.6.14 – ATL-QA REVIEW UPON REQUEST \ \$6K should be reported in the functional cost category Quality.

SITE RESPONSE: CH2M HILL Hanford Group Inc. agrees with this recommendation and will correct this in future years.

5. Mission Direct included the following items.

TEAM RECOMMENDATION: The team recommends these costs be excluded and placed in the appropriate category.

- WBS 5.7.1.1.5.6 – WFO SPARE PARTS INVENTORY \ \$38K should be reported in the functional cost category Logistics.
- WBS 5.7.1.9.9.1 and WBS 5.8.5.12.2.1 - INFRASTRUCTURE should be reported in the functional cost category Logistics.
- WBS 5.7.1.3.1.2 – PROVIDE SAFETY BASIS MAINT \ \$16K should be reported in the functional cost category Safety and Health.
- WBS 5.7.1.3.1.3 – PROVIDE USQ EVALUATION \ \$39K should be reported in the functional cost category Safety and Health
- WBS 5.7.1.9.9.3 – ELECTRICAL POWER SUPPLY FOR WT \ \$60K should be reported in the functional cost category Utilities.
- WBS 5.8.2.1.3.4 – MANAGE PROJECT DELIVERY \ \$287K should be reported in the functional cost category Executive Direction.
- WBS 5.9.3.1.4.6 – IDF SAFETY ANALYSIS \ \$296K should be reported in the functional cost category Safety and Health.
- WBS 2.R.6.6.5 – STOCKROOM SUPPLIES \ \$312K should be reported in the functional cost category Laboratory / Tech Support

SITE RESPONSE: CH2M HILL Hanford Group Inc. agrees with this recommendation and will correct this in future years.

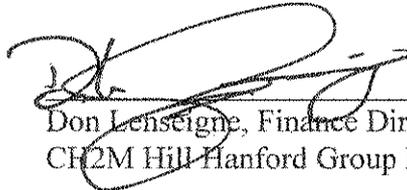
Accuracy Assessment

The Peer Review Team has concluded that CH2M HILL Hanford Group Inc. has met the intent of the guidelines and definitions and has achieved a level of accuracy at or above 90%.

We would like to thank you and your team for your help and support during the review.



Gregg Landon, Peer Review Team Lead
Idaho National Laboratory



Don Lenseigne, Finance Director
CH2M Hill Hanford Group Inc.



Angie Viner, Peer Review Team Support
BWXT Pantex Plant

January 25, 2006

Page 4 of 4

cc: J. T. Cambell, DOE-HQ
D. Becker, FMSIC Chairman
B. K. Morishita, FMSIC Executive Director
W. Hudson, BWXT Y12
K. Ensign, ORP
K. Mamiya, DOE
A. Ragsdale, CH2M Hill