



June 11, 2008

Mr. Erlan Leitz
Director of Financial Operations
Battelle Energy Alliance
2525 N. Freemont Ave.
Idaho Falls, ID 83415-3898

Dear Mr. Leitz:

FY 2007 SUPPORT COST BY FUNCTIONAL ACTIVITY REPORT (SCFAR) PEER REVIEW – Battelle Energy Alliance (BEA)

The SCFAR Peer Review Team has reviewed the FY 2007 Support Cost by Functional Activity Report prepared by Battelle Energy Alliance (BEA). The purpose of our review was to confirm that the data reported by BEA complied with the guidelines and definitions issued by the United States Department of Energy (DOE) and to fulfill a DOE requirement to have all of the reporting sites independently reviewed on a periodic basis.

BEA FY 2007 Support Cost by Functional Activity Report Process

BEA utilized the FY 2007 organizational structure along with work package structure. Indirect costs were categorized based on the work package scope. When the work package served multiple functions the costs were mapped to the function that represented the majority of the cost. For direct costs, the organization incurring the cost was the basis for the functional categorization.

The recommendations during the last SCFAR Peer Review (04/23/03) for FY 2002 have been verified as implemented.

Items Identified During the FY 2007 Peer Review

1. Mail Services/Systems is currently categorized under Central Administrative Services (\$2K)

Team Recommendation: Move the cost to the Information Services category.
Site Response: BEA agrees to the team's recommendation.

2. Nuclear Operations Training in the J450 organization is currently categorized as Central Administrative Services (\$2,253K)

Team Recommendation: Move costs to the Mission Direct category.
Site Response: BEA agrees to the team's recommendation

3. IT Cyber Security and Cyber (F101 & F110) are currently categorized in Information Services (\$3,351k).

Team Recommendation: Move the cost to the Safeguards & Security category.
Site response: BEA agrees to the team's recommendation.

4. Economic Development is currently categorized in the Environmental category (\$4k).

Team Recommendation: Move the cost to Information/Outreach Activity category.
Site Response: BEA agrees to the team's recommendation.

5. International and Regional Partnerships is currently categorized in the Executive Direction (\$227k).

Team Recommendation: Move the cost to the Information/Outreach category.
Site Response: BEA agrees to consider the team's recommendation.

6. Knowledge and Information Services (J420) is currently categorized in Quality Assurance (\$567k).

Team Recommendation: Move the cost to the Central Administrative Services category.
Site Response: BEA agrees to the team's recommendation.

7. Fleet Maintenance is currently categorized in the Mission Direct category (\$3k).

Team Recommendation: Move the cost to the Maintenance category.
Site Response: BEA agrees to the team's recommendation.

8. Hoisting and Rigging (C.J.40.10.SS.01.06) is currently categorized in the Human Resources category (\$34k).

Team Recommendation: Move the cost to the Safety and Health category.
Site Response: BEA agrees to the team's recommendation.

9. All the Program Development Activities currently categorized in the Executive Direction category (\$5.740k).

Team Recommendation: Move the cost to the Information/Outreach category, however there is enough difference in opinion in this area that we also recommend that Program Development costs be discussed and evaluated at the next SCFAR Peer Review Kick-off meeting.

Site Response: BEA agrees to consider the team's recommendation.

Accuracy Assessment

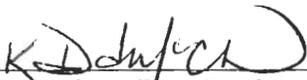
The Peer Review Team has concluded that BEA has met the intent of the SCFAR guidelines and definitions and has achieved a level of accuracy at or above 90%.

We would like to thank Mr. Keith Barney and Mr. Gregg Landon for their outstanding effort and support.



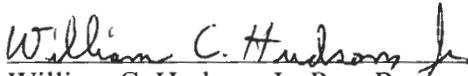
Debbie Hardman, Peer Review Team Lead
Pacific Northwest National Laboratory

6/11/08
Date



Dave McClure, Peer Review Team Member
Pacific Northwest National Laboratory

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Date



William C. Hudson, Jr, Peer Review Team Member
Y-12 National Security Complex, B&W Y-12

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Erlan M. Leitz, Director of Financial Operations
Battelle Energy Alliance

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