Attachment J-17.1

Advance Agreement
Indirect Cost Methodology
Idaho Environmental Coalition, LLC (IEC)

CONTRACT NO. 89303321DEM000061
IDIQ Master Contract

Advance Agreement Revision 0
Per FAR 31.109

Indirect Cost Methodology
Background and Applicability

In accordance with FAR 31.109, this Advance Agreement (AA) sets forth the advance understanding of costs and methodology for indirect costs/rates and the application of any associated fees under the Indefinite Delivery/Indefinite Quantity (IDIQ) Idaho Cleanup Project (ICP) End State contract. Both parties recognize the importance of establishing a process that is fair and reasonable, promotes efficiencies, and establishes the appropriate drivers and controls while adhering to the required cost accounting standards. This AA is intended to avoid ambiguous interpretation and possible subsequent disallowance or dispute based on unreasonableness, unallocability or unallowability under the specific cost principles at FAR subpart 31.2.

Indirect Categories

The Idaho Environmental Coalition, LLC’s (IEC) indirect categories are as follows: 1) Program Overhead (POH), 2) Fringe Benefits, 3) Pension, and 4) General &Administrative (G&A).

**POH:** The POH cost/pool represents the expense of completing work that is not easily identified with a specific project, but necessary for the overall operation and management of a contract. A POH cost can consist of items such as project management, support and administration; accounting, payroll and finance; human resources, benefits management and administration; information management and cyber; prime contract, subcontract and procurement; legal; budget, project controls, and estimating; training, etc. Cost accounting standards require POH costs to be allocated throughout the contract by applying a POH rate to all direct work. These rates are used to allocate the generalized support costs throughout all active task orders.

**Fringe Benefits:** The fringe benefit (fringe) cost/pool represents vacation pay, post-retirement benefits other than pension, health insurance, life insurance, sick leave, etc.

**Pension:** This represents IEC’s contribution to the legacy (Pre-2005) Defined Benefit Pension Plan costs outside of the Fringe Benefit cost/pool. No fee is authorized under any task order for pension.

**G&A:** This represents IEC’s allocated share of Home Office Allocations (HOA) and other company-wide expenses specifically proposed to and accepted by DOE as allowable. Allowability will be determined on an annual basis through the provisional rate process. Allowability may be established for those HOA costs shown as providing a direct beneficial value from the home office to the ICP program.

On an annual basis, IEC will establish its fiscal year provisional indirect rates to be submitted to DOE for review and approval. The associated indirect cost/pools shall correspond to the annual Fiscal Year Work Plan (FYWP) (Section C.9.2.01.01) when planning work activities and resources among all active and projected task orders based on projected FY funding levels.
Indirect Cost Administration/Fee Calculation

Following Task Order 2 (TO-2), Implementation Period, all indirect costs will be managed under the Integration & Mission Continuity Task Order (TO-3). For POH specifically, a separate Performance Based Incentive (PBI) will be established as part of the annual Performance Evaluation Measurement Plan (PEMP) and a base fee will be established. This PBI will be revised and updated annually as part of the PEMP process. In addition, the base fee will be calculated on the annual negotiated estimated value of the POH cost/pool. Out-of-cycle revisions to the POH cost/pool and base fee may be necessary to address incremental additions or deductions that could not have been anticipated in the FYWP and 10-Year Task Order Strategy Plan. An out-of-cycle revision shall only be contemplated when a modification to either the Master IDIQ contract or an active task order incorporates a specific work scope resulting in the estimated POH cost/pool increasing or decreasing by 5%. The POH pool and associated base fee may be increased/decreased accordingly for the modification to the IDIQ contract or task order that resulted in the change. Subsequent out of cycle revisions are subject to a new 5% threshold. Any revision to the base fee shall not constitute a cost-plus percentage of cost in accordance with FAR 16.102(c).

While the negotiated value for each task order will include the fully burdened costs (including the currently approved indirect provisional rates), the fee calculation, if applicable, will be based on the estimated direct costs. Direct costs include the bare labor and its associated fringe rate*, subcontract costs, and all other direct costs. This same methodology would apply for task order changes and/or deductive changes.

*NOTE: Although fringe is considered an indirect cost, for all active task orders the estimated cost for fringe is included in the “total direct cost” base for purposes of the fee calculation.

Conclusion

This AA shall be incorporated under the Master IDIQ contract and may not be amended except by written mutual agreement of the parties. If a revision is deemed necessary, both parties agree to negotiate in good faith to reach a fair and reasonable resolution while also complying with all cost accounting standards and cost principles at FAR subpart 31.2. Any revised AA shall also be incorporated under the Master IDIQ contract.