



UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

The Honorable Tim Johnson
Chairman
Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
Committee on Appropriations
United States Senate
Washington, DC 20510

JAN 23 2013

Dear Mr. Chairman:

The purpose of this letter is to notify the committee of the proposed reprogramming of funds for the project and amount shown below. A detailed justification is enclosed.

<u>Service/Installation</u>	<u>Project</u>	<u>Program</u>	<u>Request (\$)</u>
<u>Navy</u>			
Indian Head, Maryland	Agile Chemical Facility	2011	6,813,000

A similar letter is being sent to the Chairman of the House Subcommittee on Military Construction, Veterans Affairs, and Related Agencies. Additional details will be provided separately. Thank you for your continued support of DoD programs.

Sincerely,

Robert F. Hale

Enclosure:
As stated

cc:
The Honorable Mark Kirk
Ranking Member



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JAN 23 2013

The Honorable John Culberson
Chairman
Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The purpose of this letter is to notify the committee of the proposed reprogramming of funds for the projects and amounts shown below. A detailed justification is enclosed.

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Robert F. Hale

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cc:
The Honorable Sanford D. Bishop, Jr.
Ranking Member

Bid Expiration: 9 April 2013

Military Construction, Navy

Reprogramming Request

Installation: Naval Support Activity South Potomac (NSF Indian Head), Indian Head, Maryland

Project: Agile Chemical Facility (P-162)

Authorization: Ike Skelton National Defense Authorization Act for Fiscal Year 2011
(P.L.111-383)

Estimated Cost (\$000):

Previously Appropriated	33,472
Previously Reprogrammed	-
Requested Reprogramming	6,813
Total Estimated Cost	40,285

Description: Military Construction (MILCON) project P-162 constructs six new buildings, renovates seven facilities, and demolishes 13 facilities at the Biazzi production complex and 26 facilities at the Moser production complex. The project scope includes upgrades to storage and delivery facilities for chemicals and raw materials, product manufacturing, handling, and transfer facilities, and waste treatment facilities. The project will decontaminate the Biazzi and Moser facilities prior to demolition to remove hazardous lead, asbestos and explosives residue.

Justification: Bids were opened for P-162 in May 2012 and all exceeded the appropriated amount of \$33,472,000. The current funding requirement to complete the as enacted project, which constructs the agile chemical facility and decontaminates and demolishes the 39 old production facilities, is \$40,285,000. The additional requirement of \$6,813,000 is attributed to: 1) higher than expected costs for the decontamination and demolition of the old facilities; 2) an increase in the environmental mitigation cost attributed to a greater quantity of contaminated soil than originally estimated; and 3) an increase in the negotiated fee for post construction contract award services (PCAS) with the architect/engineer (A/E) and the equipment manufacturer (Biazzi SA), who will provide technical support of equipment installation. Additional PCAS funds (\$550,000) are required to cover more than originally planned A/E services to include: provision of a detailed process hazard analysis; development of facility operations safety procedures; and preparation of detailed equipment specifications. PCAS funds (\$750,000) are also needed for Biazzi SA technical assistance for erection, process control and instrumentation equipment integration, commissioning, start-up of the facility, and for training of the operator personnel. These additional PCAS services are required to ensure the new facilities will allow for safe production of Otto fuel and other explosive liquid chemicals – most of which are highly toxic and hazardous to manufacture and handle. In addition, maintaining specialized on site

engineering support, with expertise in processes and instrumentation and controls, will improve construction efficiency and accuracy. In addition, on site support at critical times will help maintain schedules, increase safety and control costs. The remainder of the \$6,813,000 request is associated with the need for additional funds for decontamination and demolition of the 39 old facilities, and for mitigation of additional quantities of contaminated soil.

The project solicitation includes: 1) a base award portion which includes construction of the agile chemical facility, and 2) a follow-on option which includes the decontamination and demolition of the 39 facilities and the funds for additional environmental mitigation and PCAS. Notice to the Congressional Committees of the Navy's intent to award the base portion of the project was made in July 2012, in accordance with 10 U.S.C. 2853. Although the base award will provide a complete and usable production facility, the cost to complete (decontamination and demolition, environmental mitigation, and PCAS) all remaining portions of the as enacted project will exceed the appropriations limit. Under normal circumstances, award of the contract would have been delayed until the required reprogramming actions were completed. However, as set forth in the 10 U.S.C. 2853 notification, award of the base portion of the contract was required to meet a critical completion date to ensure that the production facility is fully operational prior to depletion of stockpiled torpedo fuel.

Decontamination and demolition of the old Biazzi plant and Moser plant facilities are critical, as the facilities pose environmental and health hazards and must be removed from the inventory.

Source of Funds: The following projects have been cited as a source of funds for this cost increase:

<u>Location/ Project</u>	<u>Fiscal Year</u>	<u>Appropriated Amount (\$000)</u>	<u>Current Working Estimate (\$000)</u>	<u>Revised Proposed Reprogramming (\$000)</u>
Naval Station San Diego CA Berthing Pier 12 Replacement & Dredging (P-327)	2011*	105,988	99,133	1,813
Marine Corps Air Station Camp Pendleton CA Aviation Training Facility & Bachelor Quarters (P-109)	2011*	64,630	51,999	5,000
			TOTAL	\$6,813

*Includes 0.2% rescission in P.L. 112-10.