Department of Energy

Oak Ridge Office
P.O. Box 2001
Oak Ridge, Tennessee 37831

October 20, 2007

To Whom It May Concern:

OAK RIDGE NATIONAL LABORATORY – FULL COST RECOVERY

UT-Battelle, LLC (UT-Battelle) manages and operates the Oak Ridge National Laboratory (ORNL) for the Department of Energy (DOE) under management and operating contract number DE-ACO5-00OR22725. ORNL is the Department's largest multi-program laboratory facility performing applied and basic scientific research. In addition to performing research for DOE, ORNL also conducts research for the private sector, other Federal agencies, and states. All work is performed on the basis of full-cost recovery, as mandated by law. For ORNL full cost includes all direct costs incurred in performing research work, all allocable costs incurred by the Department or UT-Battelle, and a Federal Administrative Charge of 3 percent of these costs. The Federal Administrative Charge does not apply when prices or charges are otherwise established or prohibited by statute, Executive order, or regulation. In addition, the Department has established exceptions for assessing the Federal Administrative Charge for small business concerns; institutions of higher education; nonprofit entities, State and Local Governments; and certain research, development, testing, evaluation, training, and exercises directly related to specified activities and approved by the Secretary.

Generally, rates charged by UT-Battelle are based on a standard rate methodology. Under this process, rates for labor, organization burden, space pool, General and Administrative, etc. are set at the beginning of the year. As costs are incurred, the difference between the actual costs incurred and the standard rate being charged is accumulated in a variance account. The variance balances are distributed at regular intervals, and the standard rates are adjusted when necessary. All ORNL employees are assigned to an organization. When a cost objective is charged for an employee's time, an indirect organizational burden cost is applied, at an hourly rate, on a causal beneficial relationship in the same proportion as direct labor hours associated with each project. The application of these types of cost and the elements that make up the rates are approved by DOE via the UT-Battelle disclosure statement.

The accounting system operated and maintained by UT-Battelle meets all contractual requirements and is fully integrated with the DOE accounting system. The system conforms to DOE orders and is periodically reviewed by DOE. The system is also subject to routine audits by UT-Battelle Internal Audit and the DOE Office of Inspector General.

If you have any questions, please contact me or Gary Beckner of my staff at (865) 576-0904.

Sincerely,

Nancy J. Fitchpatrick

Nancy J. Fitchpatrick, Director
Oak Ridge Financial Service Center