

# RECLAMATION

*Managing Water in the West*

**Managing for Excellence  
Action Item 12**

**Team 12 Materials for the Public  
Workshop, Portland, Oregon,  
September 25–26, 2007**

**Proposed Business Model for Collaborating with  
Customers and Managing Engineering and Other  
Technical Services**



**U.S. Department of the Interior  
Bureau of Reclamation  
Managing for Excellence Team 12**

**September 2007**

## **Mission Statements**

The mission of the Department of the Interior is to protect and provide access to our Nation's natural and cultural heritage and honor our trust responsibilities to Indian Tribes and our commitments to island communities.

The mission of the Bureau of Reclamation is to manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public.

## September 25–26 Workshop

Reclamation has held a series of public meetings on the various action items in its “*Managing for Excellence*” (M4E) effort. Action Item 12 is one of 42 such actions. The first substantive presentation on action item 12 was given at the February 2007 public meeting. This was followed, at the request of customers, by a public workshop in May 2007, devoted entirely to action item 12.

The first day of the September 25–26, 2007, workshop will also be devoted to action item 12. As requested by customers, this workshop will again provide ample time for discussion of the materials being presented in this paper. Several members of Team 12, the team’s executive sponsor, and other Reclamation executives will be in attendance. See Attachment 1 for a list of team members.

### Overview of This Paper

This paper outlines a proposed new business model for the management of the engineering and other technical services required for Reclamation to carry out its mission and maintain its core technical capabilities. The proposed model addresses workflow and workload management practices, collection of cost and staff utilization data, and processes for collaboration between Reclamation and its customers on decisions regarding the scope and performance of the engineering and other technical services required for construction work on existing facilities.

### October 5th Deadline for Public Comments

Interested parties are invited to attend the workshop to discuss and comment on the proposed new business model. Additionally, **you are encouraged to provide written comments by October 5, 2007**. To do so, go to the Internet at <http://www.usbr.gov/excellence>, click on the link titled “Comments” on the left-hand side of the page and follow the directions to post a comment. From there, access is also provided to all other posted information concerning M4E.

Comments on the following specific items would be particularly helpful:

- The objectives that the proposed business model seeks to achieve
- The draft of the general, overarching policy on customer collaboration
- The draft directive and standard for collaboration with customers on decisions regarding the scope and performance of engineering and other technical services required for construction work on existing facilities
- The general business practices provided for by the proposed business model
- The two alternatives for the workload distribution component of the business model



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## **Acronyms & Abbreviations**

<b>CCT</b>	Customer Collaboration Team
<b>COG</b>	Coordination and Oversight Group
<b>D&amp;S</b>	directive and standard
<b>DCO</b>	Deputy Commissioner, Operations
<b>M4E</b>	Managing for Excellence
<b>O&amp;M</b>	operations and maintenance
<b>Reclamation</b>	Bureau of Reclamation, U.S. Department of the Interior
<b>RLT</b>	Reclamation Leadership Team
<b>SOW</b>	statement of work
<b>TSC</b>	Reclamation's Technical Service Center (Denver, Colorado)

# Executive Summary

A new business model for the management of Reclamation's engineering and related technical services is proposed by Managing for Excellence Team 12. The model encompasses both a collaborative process to engage Reclamation's customers in decisions for which they have financial obligations and the means for Reclamation to efficiently manage and continuously "right size" the engineering and other technical services needed to carry out its mission.

Since 1994, Reclamation has had a decentralized organizational structure. In addition, its five regions have been broadly delegated the responsibility and budgetary resources to operate and maintain Reclamation projects and carry out the programs assigned to them. This includes the latitude to decide how to staff for or obtain the engineering and other technical services required to fulfill their responsibilities. As a result, Reclamation's engineering and other technical service personnel have become widely dispersed across Reclamation.

These decentralized and empowered organizational arrangements, with widely dispersed technical personnel, have many advantages. But such decentralization also brings certain challenges. Among these is having business practices in place that will enable Reclamation, as a whole, to ensure that it is maintaining its expertise and providing cost-effective engineering and other technical services. Thus, the desirable attributes of decentralization and delegation of authority must be balanced with appropriately disciplined, agency-wide workload planning, workload scheduling, and workflow processes for the efficient utilization and management of a dispersed workforce for engineering and other technical services.

Central to Team 12's work since the May public workshop was RLT guidance that the current decentralized organizational structure will be preserved and that there will be no major organizational consolidation or relocation of existing personnel at this time. The RLT also identified seven objectives that it believes Reclamation's business practices need to meet:

- Empowering the regions
- Providing cost-effective engineering and other technical services
- Providing transparency and accountability
- Collaboration with customers
- Predictability of workload
- Ability to address maintaining core capability
- Ability to strategically determine workload to be outsourced

It is recognized that there is necessarily some tension between these objectives. Striking an appropriate balance between them is the task Team 12 undertook.

The proposed business model developed by Team 12 is a conceptual framework of eight component parts. These parts, when implemented together, will provide the tools necessary to ensure that engineering and other technical services are provided or obtained in the most efficient and cost-effective way possible.

Key to the operation of the model is the creation of a Coordination and Oversight Group (COG). It would improve coordination and communication, collect and analyze data on workload distribution and performance, monitor core capability, track staff utilization and recommend organizational adjustments, report on how well the objectives are being met, and make recommendations for improvements to the business practices.

Briefly summarized, the components of the proposed business model are:

- (1) **Collaboration with customers** on decisions regarding who does engineering and other technical services work, and when and how that work gets done.
- (2) **Distribution of engineering and other technical service staffs** such that program offices have only the workforce that they can fully utilize day in and day out in executing their delegated responsibilities. (The term “program offices” includes area offices and other offices that are responsible for project O&M and executing programs.) Regional offices and the TSC would have the personnel needed to support workload overflow from program offices and the kinds of expertise that cannot be cost-effectively maintained in individual program offices.
- (3) **Fee-for-service** arrangements with written service agreements of a standard format between program offices and the providers of engineering and other technical services (e.g., a regional office or the TSC), by which the cost of services to be rendered would be established in advance. Complete and detailed statements of work would be required, as well as completion reports, which would provide the summary data necessary to document work achievement and cost-effectiveness. These data would be available to all interested parties and would help Reclamation achieve its objectives of transparency and accountability.
- (4) **Advance planning and scheduling of future workload** by program offices so that service providers can project their work schedules and utilize personnel efficiently. Advance planning would also enable service providers to anticipate long-term workload trends and appropriately “right size” their staffs in light of those trends.
- (5) **Workload distribution** processes that would define how decisions will be made regarding who in Reclamation would perform engineering and other technical services on any given job, or whether the needed work would be

outsourced or performed by a customer. With the proposed workload distribution processes, program offices would be better informed than they now are about how their independent decisions might affect Reclamation's capabilities as a whole.

Two alternative approaches to workload distribution are offered for consideration:

Alternative 1 begins with a presumption that certain types of work would be distributed "automatically" to particular providers, but with a waiver process for cases in which a program office prefers a different distribution. It is weighted toward achieving the objectives of predictable workload, achieving core capability, and strategic outsourcing, but it conflicts somewhat with the objective to empower the regions. It also presents a challenge to ensure that organizations receiving pre-determined types of work remain cost effective and efficient.

Alternative 2 allows the program office to decide where work should be distributed but also requires that office to inform in-house service providers about any work to be outsourced and provides a process for those providers to appeal the program office's decision. It is weighted more toward the objective to empower the regions, but does not as directly address predictable workload, core capability, and strategic outsourcing. On balance, however, it could provide the advantage of increasing the shared accountability for cost effectiveness and efficiency.

- (6) **Organization and staffing levels** would remain at the discretion of the Regional Directors and the TSC Director, and they would be responsible for collecting and reporting staff utilization data. The COG would periodically review data agency-wide and, as appropriate, recommend staffing and/or organizational changes.
- (7) **Cost and performance reporting** and analysis would be the responsibility of the COG.
- (8) **Accountability** for ensuring that the business practices incorporated in the proposed business model achieve their intended purposes would lie with the Deputy Commissioner, Operations. The availability of the COG's analysis would enable the DCO to establish standards against which future performance would be measured.



## Introduction to Action Item 12

Action item 12 from Reclamation's *Managing for Excellence* action plan<sup>1</sup> calls for the development of processes to ensure that Reclamation is staffed, over time, to provide the engineering and other technical expertise required to efficiently and cost-effectively carry out its mission. This includes processes for Reclamation to collaborate with its customers on decisions regarding the scope and performance of the engineering and other technical services required for construction work. Such work includes the construction of new projects or project features. It also includes the construction work required to repair, replace, rehabilitate, modernize, modify, or make additions to existing Reclamation-owned facilities.

### Scope of “Engineering and Other Technical Services”

The 2006 National Research Council report,<sup>2</sup> which prompted M4E, tended to focus on the engineering functions required for construction work. However, construction work requires more than design engineering, cost estimating, and construction management. Concept engineering; design data collection; surveying; hydrologic analyses; social, cultural, and economic analyses; and biological and other environmental analyses are also required for the planning, design, and regulatory permitting of construction work. Therefore, Team 12 is addressing not only engineering services, but also the other technical services which support construction work. However, “engineering and other technical services” does not include the technical staff that performs routine project O&M.

In addition to needing engineering and other technical services for construction work, Reclamation also requires these services for a wide range of other activities (e.g., planning studies preceding project authorizations; land management activities; analyses of project operations and optimization; and environmental compliance required for project operations, repayment, and water service contracting). Accordingly, Team 12 is looking at processes that will ensure that Reclamation is staffed, over time, to provide the engineering and other technical expertise required to efficiently and cost-effectively perform both construction and non-construction work.

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<sup>1</sup> Bureau of Reclamation, 2006, *Managing for excellence — An action plan for the 21st century* Bureau of Reclamation. 19 p. [Available on line at <http://www.usbr.gov/excellence/docs/11519.pdf>.]

<sup>2</sup> National Research Council, 2006, *Managing construction and infrastructure in the 21st century* Bureau of Reclamation. Washington, DC: The National Academies Press. 138 p. [Available on line at <http://www.usbr.gov/excellence/docs/11519.pdf>.]

Finally, the National Research Council's recommendations regarding engineering services focused largely on the staff and laboratory facilities of the Technical Service Center (TSC). However, as discussed below, Reclamation's engineering and other technical services personnel are widely distributed among the TSC and the regional, area, and field offices. The issues Reclamation faces regarding the management of its engineering and other technical services extend to the entire agency. Thus, Team 12 is considering such staff wherever they may be located, not just those in the TSC.

## **“Right-Sizing”—A Continuous Process**

Adjusting the size and the geographical and organizational distribution of Reclamation's engineering and other technical services staff (i.e., “right sizing”) has been, and always will be, a continuous process. Over time, staffing adjustments are necessary because of changes in available funding, project construction schedules, and technology or because new projects are authorized by Congress. Opportunities for outsourcing work to private consulting firms, or for having customers perform certain work (e.g., on transferred facilities), also impact Reclamation's staff needs.

One result of this continual right-sizing, for instance, is that the number of engineers in Reclamation has declined from about 2,400 in 1992 to around 1,200 as of 2006. Furthermore, Reclamation is currently contracting out to private firms about 40 percent of its planning, design, and construction management work each year, consistent with Congressional directives.

Since “right sizing” is a continuous, iterative process, Team 12's final product will not be a recommended number for the current or future size of Reclamation's engineering and other technical services workforce. Rather, its final product will be recommendations for organizational arrangements and business practices and processes (i.e., a business model) that will enable Reclamation, in collaboration with its customers, to continuously evaluate the staffing needed to maintain its core engineering and other technical service capabilities and to accomplish its mission efficiently, cost-effectively, and in a transparent and accountable manner.

Team 12's proposed business model is presented here for review and comment by interested parties.

## Background Information

Team 12's work has incorporated information and data from many sources. This information has been presented in the reports of other M4E teams; in the slides used at the February 2007 public meeting and the May 2007 public workshop; and in the written materials provided for the latter workshop. The materials referenced or presented at those two meetings can be found at <http://www.usbr.gov/excellence/rightsizing/index.html>.

This section briefly summarizes key information which sets the stage for the proposed business model described in the next section of this paper.

## Current Staffing and Organizational Arrangements

Prior to Reclamation's 1994–95 reorganization, engineering and other technical services staff were, to a large extent, centralized in two Assistant Commissioners offices in Denver. Generally speaking, agency policies then in place required the regions to use those centralized services, particularly engineering, for most of the design work and cost estimating needed for construction work, with construction management provided by the regions but overseen by the Denver office. Furthermore, decisions as to whether to procure engineering and other technical services from private firms were largely made by these two Denver offices, not the regions. Finally, except for routine, day-to-day project O&M, responsibility for the formulation and accomplishment of work largely resided with the regional offices, rather than the project field offices, subject to the requirement to use the Denver offices for most engineering and other technical services.

With the reorganization, Reclamation adopted a decentralized structure, created 26 area offices that report to the five regional directors, and provided for (and expected) substantial delegation of authority from regional directors to area managers. Furthermore, the regional directors were given, with the notable exception of the dam safety program, broad responsibility for the management of the projects and programs in their respective regions. This includes responsibility for allocating budgetary resources and the latitude to decide how to get work done, including procuring the services of private consultants. Finally, the former two Assistant Commissioners offices were merged into what became the TSC and it was converted to a "fee-for-service" organization, rather than one whose services the regions had to use as a matter of agency policy.

With decentralization and the broad delegation of authority to the regions, Reclamation's engineering and other technical services staffs have become widely

dispersed. Currently, Reclamation's engineering and other technical services workforce numbers roughly 1,900 people, of whom approximately 1,200 are engineers. Of this 1,900, only about 500 are located in the TSC. The remainder are distributed among field, area, and regional offices throughout the 17 Western States.

Since the manner in which engineering and other technical services became dispersed was largely determined on an ad hoc basis following the 1994–95 reorganization, the staffing for engineering and other technical services now varies markedly between regions and between areas. In general, though not specifically defined in written policy or agency-wide business practices, the more specialized engineering expertise is located in the TSC. There are, however, notable exceptions. More routine engineering and other technical services work is performed by staff in the area offices, and the regional offices are staffed, to varying degrees, for a variety of work between these two ends of the spectrum.

It is also important to note that the engineering and other technical services personnel located in the regional offices are, like those in the TSC, service providers which the area offices and other program offices (hereafter collectively referred to as program offices<sup>3</sup>) are not required to use. They, like the TSC, render services for a fee which is "paid" by program offices from the budgets which those offices, not the service provider, have been delegated the authority to manage.

## The Challenges of Decentralization

The decentralization effected by the 1994–95 reorganization, coupled with the substitution of broad policies and guidance for Reclamation's previously detailed and rather prescriptive business practices and *Reclamation Instructions*, has many desirable attributes. Chief among these is the "on the ground" delivery of services to Reclamation's customers, the ability to respond relatively quickly to customer needs, a high degree of flexibility and latitude for program offices in carrying out the responsibilities delegated to them by regional directors, and close contacts between customers and empowered Reclamation managers.

However, such decentralization and flexibility of decision-making also brings certain challenges with it. As the National Research Council noted in its report, Reclamation's operations should remain decentralized, but they need to be "guided and restrained" by agency-wide policies, and directives and standards, which are locally, but consistently, implemented. The Council also noted that some program offices have very small technical staffs and expressed concern

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<sup>3</sup> "Program office" means any organizational unit that has been delegated the authority and allocated the budget necessary to operate and maintain projects and to conduct the programs for which it is responsible. Area offices, the Dam Safety Office in Denver, and certain offices within the regional offices are examples of "program offices."

about the effectiveness of such small staffs and whether their technical competencies can be maintained.

In addition to the Council's observations, Team 12 notes that it simply is not cost-effective for each program office to maintain all of the engineering and other technical expertise it will need from time to time to execute the programs and projects for which it is responsible. This is because some kinds of expertise are required so rarely that a single program office cannot, given the limited number of projects and programs for which it is individually responsible, cost-effectively maintain and utilize such expertise day in and day. Therefore, despite Reclamation's decentralized organizational structure and broad delegation of authority, program offices have to use engineering and other technical services from the regional offices, the TSC, private consulting firms, and customers to accomplish the project O&M and programs for which they are responsible.

In short, one of the major challenges of having a decentralized organization with a widely dispersed engineering and other technical services workforce is having business practices in place that will enable Reclamation, as a whole, to ensure that it is maintaining its expertise and providing cost-effective engineering and other technical services. While we believe that program offices generally make good decisions from the perspective of their individual offices, those individual decisions, when added together across the agency, may not yield the best result for maintaining Reclamation's overall engineering and other technical services capabilities and for delivering cost-effective services.

Thus, the desirable attributes of decentralization and delegation of authority must be balanced with appropriately disciplined, agency-wide processes for workload planning, workload scheduling, and workflow management (i.e., business practices for managing engineering and other technical services which apply on an agency-wide basis but which also allow reasonable latitude for program office decision making). Otherwise, Reclamation cannot ensure that it is being cost-effective, maintaining the core engineering and other technical skills it needs, and making effective use of private firms and customers to perform some work.

## **May Workshop Materials**

With these considerations in mind, the materials Team 12 prepared for the May workshop presented:

- (i) Initial ideas for involving customers in the workload management process, and
- (ii) Four conceptual alternatives for Reclamation's future organizational structure and internal workflow and workload management business practices for engineering and other technical services. On a continuum, those conceptual alternatives ranged from relatively modest changes

applied to current business practices with little change in organizational structure to the “Three Centers Alternative” (which would have entailed significant changes both in business practices and organizational structure, including centralization of engineering and other technical services).

## **Directions Given Team 12 Since May**

### **Reclamation Leadership Team Guidance**

After considering Team 12’s May analysis and employee and customer comments on the workload management process and on the four conceptual organizational alternatives, the Reclamation Leadership Team (RLT) affirmed that Reclamation’s current decentralized organizational structure should be preserved. As a corollary, it also concluded that there should be no major organizational consolidation or relocation of existing engineering and other technical services personnel at this time, although selective adjustments may be in order for certain activities (e.g., construction management and drilling) that have both variable workloads and changes in the location of that work. Finally, the RLT concluded that establishing additional processes for collaborating with customers on construction work was clearly desirable.

In light of these decisions, the RLT asked Team 12 to develop:

- A draft collaboration policy for working with customers on decisions regarding the performance of engineering and other technical services, and
- A proposed new business model, which would bring more discipline and an agency-wide perspective to the business practices for planning, scheduling, and distributing engineering and other technical services work, but which would:
  - Not entail any major organizational restructuring, and
  - Minimize changes in current delegations of authority to the regions.

### **Team 12’s August *Interim Report***

In an August 2007 internal *Interim Report*, the team proposed a business model, titled the “Efficient Utilization Concept,” which was a blend of selected features of the four conceptual organizational alternatives presented at the May workshop. The report was distributed to all employees for comment and was the subject of an August 8–9, 2007, meeting of the RLT, area managers, and other program managers.

Based on the comments received at the manager’s meeting and from employees across Reclamation, the RLT asked Team 12 to refine a few aspects of this business model and present it, along with a draft customer collaboration policy, at this public workshop for discussion and comment.

## Objectives for Future Business Practices

As the RLT considered the business model described in Team 12's *Interim Report*, it identified key objectives which it believes any new business practices need to serve. It also recognized that there is necessarily some tension between these objectives; that is, achieving one objective may come at the expense of another to some extent.

For example, the objective of empowering the program offices — giving them broad discretion in how they accomplish the programs for which they are responsible — may conflict with the agency's need to maintain core capabilities in engineering and other technical disciplines or with the objective of having consistent, transparent decisions (which customers have said they want). Striking an appropriate balance between objectives is the task at hand. The business model which is proposed here attempts to do that.

The objectives identified by the RLT are set forth below. They are not listed in any particular order of priority or weighting.

***Empowerment of the Regions.*** In general, Reclamation wants to preserve the existing delegation to the regions of responsibility and accountability for nearly all program accomplishment.

***Cost-Effective Engineering and Other Technical Services.*** Customers have made it clear that they are sensitive to Reclamation's costs for providing engineering and other technical services given that they must bear all or a portion of these costs. Thus, one of our objectives must be to provide cost-effective engineering and other technical services (i.e., the *best value* for the cost involved, not simply the lowest cost).

***Transparency and Accountability.*** Reclamation's business practices must be transparent to our customers and ensure that Reclamation is accountable for performing construction work on schedule and within budget.

***Collaboration with Customers.*** We need to provide more opportunities for customers to participate in decisions regarding who provides engineering and other technical services for construction work, and when and how that work gets done.

***Predictability of Workload.*** In order for the regional offices and the TSC to effectively plan their staffing requirements and maintain Reclamation's core capability, program offices must provide them with reasonably predictable workloads (to the extent budget processes and the inevitable unexpected events permit).

***Ability to Address Core Capability.*** Reclamation must have the data and information needed to be able to address whether it is maintaining the core engineering and other technical skills it needs to perform its mission.

***Strategic Determination of the Workload to be Outsourced.*** In meeting Congressional mandates regarding outsourcing, Reclamation should have the means to purposefully select the types of work to be outsourced.

## The Proposed Business Model

With the above guiding objectives and feedback on previous products in mind, Team 12 has refined the business model originally proposed in its August *Interim Report*. The proposed business model, described below, is a framework of component parts. The team believes that these parts, when implemented together, would provide the tools necessary to ensure that engineering and other technical services are provided or obtained in the most efficient and cost-effective way possible both for construction and non-construction work.

This is a conceptual framework. Each component will need to be further developed and detailed for implementation, and Team 12 recommends that an ad hoc Implementation Team initially be tasked to do this. The ultimate responsibility, however, for ensuring the refinement and consistent use of the business model rests with the Deputy Commissioner, Operations, who would be assisted by a Coordination and Oversight Group (described below).

It should be noted that Team 12's work overlaps with the work of some other M4E teams. Hence, this proposed business model may need to be adjusted where it conflicts with recommendations from other teams. For example, when and how Reclamation will employ formal project management (action items 20–23) clearly interfaces with the business practices discussed here for workload and workflow management. Accordingly, some of the recommendations from other teams may need to be revisited as decisions are reached on the work of Team 12.

## The Coordination and Oversight Group

Team 12 recommends that the Deputy Commissioner, Operations (DCO) be assigned the ultimate responsibility for ensuring that the practices encompassed by the proposed business model achieve their intended purposes, including a proper balance between objectives. In this undertaking, the DCO would be assisted and advised by a Coordination and Oversight Group (COG), which would:

- improve coordination and communication between offices in Reclamation,
- collect and analyze data on workload distribution and performance,
- monitor core capability and flag potential threats to maintaining the same,
- monitor outsourcing of engineering and other technical services work,
- track staff utilization and recommend organizational adjustments,
- report to the DCO on how well the objectives are being met, and
- make recommendations for improvements to the business practices.

The COG would include representatives from all of the technical service providers throughout Reclamation. One of its first tasks would be to develop a recommended charter and operational details. The ultimate role of the COG would depend in part on how the components are ultimately detailed. Any overlapping responsibility with existing groups, such as Reclamation's Design and Construction Coordination Team and the O&M working group, would need to be reconciled.

## **Model Components**

### **(1) Collaborating with Customers**

Based on the feedback at the May public workshop, one of our key objectives (as noted above) is to provide ways for customers to participate in decisions regarding who does engineering and other technical services work (i.e., Reclamation, the customer, a contractor selected by Reclamation, or a contractor selected by the customer), and when and how that work gets done. To that end, one component of the business model being proposed is a new policy and associated new directives and standards regarding collaboration with customers.

Specifically, a new *Reclamation Manual* policy, developed as one of the products of Team 1, would be issued. It would provide an overarching statement of policy that would call for Reclamation to collaborate with its customers on any matter that involved costs for which they are responsible. A draft of this policy is included for review and comment as Attachment 2.

One or more *Reclamation Manual* directives and standards (D&S) could then be issued under this overarching policy to deal with specific situations. Team 12 has developed a draft D&S regarding collaboration with customers on decisions regarding construction work at existing Reclamation facilities, based partly on comments received at the May public workshop and partly on our existing understanding of customers' immediate concerns. This D&S is included for review and comment as Attachment 3.

### **(2) Distribution of Engineering and Other Technical Services Staffs**

Staffing for engineering and other technical services at all levels of the organization (field, area, and regional offices and the TSC) would be, in numbers and level of expertise, to the low points ("valleys") of the average annual workload of each office. Furthermore, the valleys in workload would reflect expectations as to what work would be outsourced or performed by customers.

Program offices would retain only such engineering and technical services staff, in numbers and expertise, as could be fully utilized in accomplishing the programs and projects for which a program office is responsible. This might require some adjustments in the current staffing of a few area offices over time.

Peak (overflow) work and work that is beyond the technical capability of a program office would generally be performed by service providers located in the regional offices. In turn, a regional office would not have engineering and technical services staff, in numbers and levels of expertise, beyond the base level needed to perform that region's workload.

The TSC would staff to provide the kinds of unique and high-level expertise that the individual regions cannot sustain fulltime. The TSC would also staff to handle the overflow workload of the regional offices, but only to a level that long-term workload planning shows to be sustainable. This overflow work is a desirable and necessary component of maintaining expertise because it provides the learning opportunities which entry-level staff must have so that they can gain expertise over time.

Like all other offices, the TSC generally would staff only to a level that can be sustained by the "valleys" of the projected work that would come to it. In some cases, though, the need to maintain core capability may require the TSC to selectively staff for greater amounts of work than that provided by the valleys of projected workloads.

Engineering and other technical services workload that exceeds Reclamation's collective base staffing levels would be completed through outsourcing or by customers. Work performed through outsourcing would be tracked through standard project management and oversight practices.

### **(3) Fee-for-Service**

The objectives to be cost-effective, transparent, and accountable would be addressed through establishing a consistent fee-for-service practice for all engineering and other technical services across Reclamation. The data that would become available would greatly enhance our ability to report on how well we are meeting the objectives and to make adjustments as necessary.

It would be incumbent on both program offices and service providers to ensure that fee-for-service is practiced such that it would produce meaningful results for all work, whether performed by Reclamation, private consultants, or customers. The TSC was designated as a fee-for-service operation when it was formed and has been using service agreements to "contract" its work since that time. The TSC has also implemented business practices that provide valuable data for workforce analysis. Use of fee-for-service as Team 12 recommends would enhance and extend that ability across Reclamation.

Fee-for-service as described here would require three basic components:

- Statement of Work
- Service Agreement
- Completion Report

To be of most benefit to Reclamation, fee-for-service arrangements would be required to the extent reasonably practical for all work, including work for others (i.e., interagency agreements, memorandums of understanding, etc.). The COG would be responsible for recommending the policies and directives and standards for specific procedural requirements and developing standard forms, formats, and reporting requirements. Completion reports would be submitted to the COG for use in analyzing and reporting performance.

### ***Statements of Work***

A complete and detailed statement of work (SOW) would be essential regardless of whether the work would be performed by Reclamation or contracted out. The program office would prepare the SOW in collaboration with service providers for elements of work outside the program office's area of expertise. The standard form SOW would include a section for recording all substantive changes that are made while the work is in progress.

### ***Service Agreements***

A service agreement would be the "contract" between a program office and a technical service provider (e.g., the TSC or a regional office, or even between organizational units within an area office in certain circumstances). To be fully effective, any changes to the work that affect the cost or schedule would be reflected in amendments to both the SOW and the service agreement. The format for service agreements would be standardized and issued by the COG. The TSC and some other individual offices are currently using a form of service agreement, and the COG could draw from those examples for current best practices.

### ***Completion Report***

The completion report would provide the summary data necessary to understand and transparently report achievement and cost effectiveness. The data would also be used for purposes of accountability. The data requirement would apply to both in-house and non-Reclamation service providers. Program offices (with input from the service providing group) would prepare the completion report for submittal to the COG. It is likely that well prepared and maintained (i.e., reflecting agreed-upon changes after original preparation) SOWs and service agreements could suffice as the report.

## **(4) Advance Planning and Scheduling Future Workload**

Since most engineering and other technical services are not performed within the program office responsible for a particular job, it is incumbent on those offices to plan and schedule the work they will require from service providers as far in advance as is reasonably possible. This is needed so that service providers can project their work schedules and utilize personnel efficiently. It is also needed so that these providers can anticipate long-term workload trends and appropriately "right size" their staffs in light of those trends. Reclamation's safety of dams

program provides the best example of how advance planning and careful communication between a program office and multiple service providers (both in the TSC and in regional offices) produces efficient staff utilization, good accomplishment, and accountability and transparency.

Accordingly, this component of the proposed business model would call for an increased emphasis by program offices on the advance planning of their workloads and improved communication with service providers. Such planning is a necessary precursor of the statements of work and service agreements called for by the fee-for-services component of the business model. Where good planning and scheduling practices are already in place, better communication between program offices and service providers may be all that would be necessary. In other cases, more extensive changes would be needed.

### **(5) Workload Distribution**

In terms of the objectives listed above, Reclamation's current practice for workload distribution emphasizes empowerment of the program offices, but results in low predictability of the workload, which makes it harder for Reclamation to maintain core capability, provide cost-effective technical services, and control the amount and type of work that is outsourced.

One of the most challenging aspects of maintaining technical support for our dispersed decision authority is forecasting the future workload. Known future workload is a fundamental necessity for ensuring that our engineering and other technical services are the right size and in the right location. It is also critical for ensuring that we maintain core capability and expertise. An additional consideration that must be addressed in any workload distribution process is the objective to strategically determine the amounts and types of work that will be outsourced to meet Congressional mandates.

In its *Interim Report*, Team 12 proposed a workload distribution concept that would directly distribute work according to a set of rules, thereby reducing the latitude of program office decision authority. This is Alternative 1 below. An alternative to the directed distribution concept that would leave the program offices more authority over distribution decisions was developed and is included here for further consideration (Alternative 2). The RLT is inclined to Alternative 2, but desires to receive public input on this question.

The COG is important to the success of either alternative, although its role would differ some under each. However, under either alternative, the COG would be a central mechanism for ensuring that Reclamation has the data and processes it needs to achieve the objectives of maintaining core capability and strategically selecting work to be contracted out.

### ***Workload Distribution — Alternative 1***

Under this alternative, workload distribution would be a formal process similar to the process already followed informally by the Dam Safety Program. Its main features would be:

- A presumption that certain types of work would be distributed “directly” to particular technical service providers, as described in a “Guidance Document,”
- A requirement to make overflow work available internally prior to outsourcing,
- A waiver process for getting an exemption from the direct distribution and/or overflow requirements,
- A planning process that requires collaboration with technical service providers, and
- A COG that would: (1) monitor the effectiveness of the workload distribution process at accomplishing work efficiently, keeping staff fully utilized, and maintaining core capability, (2) recommend changes in the distribution process, and (3) recommend staffing adjustments to address underutilization.

A Workload Distribution Guidance Document (Guidance Document) would use criteria (i.e., risk to public safety, core capability maintenance, technical complexity, staff utilization goals, etc.) to allocate specific kinds of engineering and other technical services work to the TSC and the regions. The specific kinds of work allocated to the regions could be performed by regional office staff, area office staff, or customers.

Overflow workload (work beyond a responsible program office’s capability) would be subject to internal “first right of refusal” prior to contracting out (as described in the second bullet above). Only workload in excess of Reclamation’s collective base level staffing capabilities would be done through outsourcing or by customers. When requested by one of their program offices, and after consultation with the Director of the TSC, Regional Directors would have the authority to waive the overflow “first right of refusal” requirement.

Using the performance and utilization data collected, the COG would monitor the effectiveness of the workload distribution guidance at maintaining core capability and staff utilization. Any changes to the Guidance Document would be determined by the DCO after considering the recommendations of the COG.

This alternative is weighted toward achieving the objective of predictable workload, building on the recognized success of the Dam Safety Program. It also would apply well to the objectives of maintaining core capability and outsourcing strategically. However, it would conflict somewhat with the objective to empower the regions. It would also present a definite management challenge to

ensure that the organizations receiving distributed workload through the Guidance Document remain cost-effective and efficient.

### ***Workload Distribution — Alternative 2***

This alternative would leave workload distribution decisions largely as they currently exist, but would incorporate certain elements of Alternative 1 as tools for better informing decisions. The main features would be:

- Retention of the Guidance Document and overflow workload distribution process as described in Alternative 1, but used as discretionary framework references by the program offices for the distribution of work to service providers.
- Program office determination of the preferred service provider -
  - Direct outsourcing of workload (contrary to the Guidance Document or overflow workload distribution process) by the program office would not be permitted without first offering the workload to at least one internal Reclamation service provider.
  - If an internal provider is interested and capable but the program office still prefers contracting out, then:
    - Program office would document the reason(s) for its decision and provide that documentation to the COG and the internal provider
    - Internal service providers denied work could protest the decision of the program office to the COG
    - The COG would have the discretion to request the DCO to override the program office's decision
    - The DCO, in consultation with the involved regional director and, if applicable the Director of the TSC, upholds or overrides the decision

With the Guidance Document available for reference, program offices would be better informed about how their independent decisions might affect Reclamation as a whole. This alternative may result in a more active role for the COG depending on the number of protested decisions.

This alternative is weighted more toward the objective to empower the regions, but does not as directly address predictable workload, core capability, and strategic outsourcing. On balance, however, it could provide the advantage of increasing the shared accountability for cost effectiveness and efficiency.

Regardless of which alternative may be selected there would be a premium on thoughtful preparation of the Guidance Document and a commitment to processes that bring a more purposeful, Reclamation-wide perspective to workload distribution.

## **(6) Organization and Staffing Levels**

The specific organization and staffing levels of the engineering and other technical services in the regions and the TSC would continue to be at the discretion of the directors. Each office that provides engineering or other technical services would be responsible to collect and report staff utilization data.

There are currently situations in which resources are shared between regions to enhance their efficient utilization. These were termed semi-consolidated organizations in the *Interim Report*. These informal arrangements — such as for underwater inspections and geotechnical drilling — are excellent examples of best practices. The proposed business model would have them continue where circumstances are appropriate. Their continued utility would be enhanced by a formal agreement that would clarify how priorities, roles, and responsibilities would be shared. This would be required at a minimum to identify responsibility for reporting to the COG.

The COG would consolidate information on staff utilization and would periodically report on the subject to the DCO. It may also recommend staffing and/or organization changes to the DCO.

## **(7) Cost and Performance Reporting**

The COG would be responsible for preparing and submitting periodic reports to the DCO summarizing and analyzing cost and performance data for engineering and other technical services. The analysis and report would be tailored to specifically address the business objectives.

## **(8) Accountability**

The DCO would be responsible for ensuring that the business practices incorporated in the proposed business model achieve their intended purposes. Ultimately, the availability of the COG's data and report would enable the DCO to establish standards against which future performance would be measured.

## Attachment 1 — Members of Team 12

Name	Position	E-mail	Phone
Perry Hensley, <i>Co-Team Lead</i>	Dam Safety/DEC Officer	phensley@do.usbr.gov	303-445-2986
Jamie Macartney, <i>Co-Team Lead</i>	Business Resources Manager, Great Plains Region	jmacartney@gp.usbr.gov	406-247-7790
Julie Bader	Senior Electrical Engineer/Project Manager, Mid-Pacific Region	<a href="mailto:jbader@mp.usbr.gov">jbader@mp.usbr.gov</a>	916-335-2355
Dave Gore	Regional Engineer, Mid-Pacific Region	<a href="mailto:dgore@mp.usbr.gov">dgore@mp.usbr.gov</a>	916-978-5302
Karen Knight	Chief, Geotechnical Services Division, Technical Service Center	kknight@do.usbr.gov	303-445-3044
Karl Martin	Manager, Technical Services Division, Albuquerque Area Office, Upper Colorado Region	kmartin@uc.usbr.gov	505-462-3608
Rick Scott	Regional Engineer, Lower Colorado Region	<a href="mailto:rscott@lc.usbr.gov">rscott@lc.usbr.gov</a>	702-293-8553
Roger Slater	Human Resources Officer, Upper Colorado Region	<a href="mailto:rslater@uc.usbr.gov">rslater@uc.usbr.gov</a>	801-524-3656
Jame Todd	Chief, Engineering and Construction Services, Dakotas Area Office, Great Plains Region	<a href="mailto:jtodd@gp.usbr.gov">jtodd@gp.usbr.gov</a>	701-221-1210
Karl Wirkus	Deputy Regional Director, Pacific Northwest Region	kwirkus@pn.usbr.gov	208-378-5012
Barry Wirth	Public Affairs Officer, Upper Colorado Region	<a href="mailto:bwirth@uc.usbr.gov">bwirth@uc.usbr.gov</a>	801-524-3774

# Attachment 2 — Draft Reclamation Manual Policy on Collaboration

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**Subject:** Communication and Collaboration with Customers and Stakeholders Related to Reclamation's Mission

**Purpose:** Establishes a Reclamation-wide policy to strengthen communication and collaboration with Reclamation customers and stakeholders. The benefit of this Policy is transparency and the development and maintenance of strong relationships with customers and stakeholders which lead to cost effectiveness and efficiency.

**Authority:**

**Approving Official:** Commissioner

**Contact:** Office of Program and Policy Services, 84-50000

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## 1. Policy.

- A. Reclamation will communicate and collaborate closely with its customers and stakeholders to identify and provide opportunities for effective participation, where appropriate, to meet Reclamation's mission. Reclamation will meet with customers and stakeholders to develop and foster a participative relationship and to provide quality service. The degree of collaboration is largely dependent upon the complexity of the issue being addressed.
- B. Reclamation will initiate collaboration at the earliest stage possible; and it is imperative that information is shared with customers and stakeholders prior to key decisions being made. Reclamation will be transparent in operations and decision making processes to the extent possible

## 2. Definitions.

- A. **Customer.** A water and/or power user organization that has an active repayment or water/power service contract with Reclamation, with a Federal power marketing agency, or with a non-Federal operating entity and pays or shares in project costs for operating and maintaining Reclamation projects or facilities.

- B. **Stakeholders.** A general term used to define those with a specific, but not necessarily financial interest in Reclamation policies, programs, or facilities. Customers are stakeholders with a financial interest.

3. **Scope.**

- A. This Policy applies to Reclamation employees at all organizational levels who are required to communicate and collaborate with customers and stakeholders. .
- B. Reclamation employees will initiate opportunities for collaborative stakeholder and customer participation in the planning, policy and decision-making processes, where appropriate.

4. **Roles and Responsibilities.**

- A. Reclamation Managers and Supervisors. Managers and Supervisors will promote effective and appropriate implementation of this Policy.
- B. Reclamation Employees. Reclamation employees are responsible for knowing and complying with this Policy.

## Attachment 3 — Draft Reclamation Manual Directive and Standard

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**Subject:** Collaboration with Customers Regarding Engineering and Other Technical Services Required for Construction Work on Existing Reclamation Facilities (Excluding Safety of Dam Modifications)

**Purpose:** The purpose of this Directive and Standard (D&S) is to establish Reclamation-wide requirements for collaborating with customers on decisions regarding the scope and performance of engineering and other technical services required for construction work (excluding safety of dam modifications) on existing Reclamation owned facilities in order to ensure coordination and communication with customers and the transparency of Reclamation’s decisions regarding such work.

**Authority:** Reclamation Act of 1902 and all acts amendatory thereof and supplementary thereto.

**Approving Official:** Deputy Commissioner – Operations

**Contact:** Director, Technical Resources, 86–60000

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### 1. Introduction.

- A. For some Reclamation owned facilities, responsibility for the operation, maintenance, and repair of the facilities has been assumed by a customer pursuant to contracts with Reclamation. In these instances, the customer is responsible for providing or obtaining whatever engineering and other technical services are required in order to perform any construction work which is needed to maintain and repair the “transferred works.” If requested, Reclamation will provide engineering and other technical expertise to assist the customer, with the costs of such assistance being borne by the customer to the extent they are allocable to reimbursable project purposes.
- B. If a customer proposes to make a “substantial change” in any transferred work, the contract between Reclamation and the customer usually requires that such change must be approved by Reclamation. In these instances, Reclamation has usually, but not always, performed the engineering and other technical services required for the construction of a substantial change as a condition of its approval, with the costs of such services being borne by a customer to the extent such costs are allocable to reimbursable project purposes.

- C. For facilities which are still operated and maintained by Reclamation, as opposed to a customer, the engineering and other technical services required for any construction work on such facilities (referred to as “reserved works”) have typically been performed by Reclamation, with the costs of such services being borne by customers to the extent such costs are allocable to reimbursable project purposes.
- D. For the situations described in B. and C., Reclamation’s customers have a direct interest in what engineering and technical services are required, how those services are performed, and what the cost of those services will be. Reclamation therefore needs to work in partnership with its customers to ensure the delivery of high quality engineering and other technical services in an efficient and cost effective manner. The collaboration process provided for by this D&S will afford customers the opportunity to be involved in decisions about the performance of such services and will also provide a process for determining if opportunities exist for customers, rather than Reclamation, to themselves perform, or contract with others to perform, such services in certain instances.

## 2. **Definitions.**

- A. **Authorized Reclamation Official.** The Reclamation official to whom a regional or office director has delegated authority and responsibility for the accomplishment of construction work at a given Reclamation owned facility, or such other Reclamation official to whom authority and responsibility has been re-delegated.
- B. **Customer.** A water user or electric utility which has an active repayment, water service, or power service contract with Reclamation; an electric utility which has an active contract with a Federal power marketing agency for energy and/or capacity from a Reclamation owned hydropower facility; or a non-Federal operating entity (e.g., a joint powers authority) which has assumed responsibility on behalf of multiple water users, via a contract with Reclamation, for operating and maintaining a Reclamation project or features thereof.
- C. **Customer Association.** An informal group, or formally organized association, organization, or entity, which is composed of customers and which has been designated by its membership to represent them in dealings with Reclamation or a federal power marketing agency, but which does not have a repayment, water service, power, or project operation and maintenance contract with Reclamation.
- D. **Engineering and Other Technical Services Work.** All work required for the planning, design, and management of construction work. Such work may include, but is not limited to, data collection and analysis; formulation of alternatives; value engineering studies; engineering designs, drawings, and specifications; cost estimating; hydrologic, environmental, social, economic, and cultural analyses; the regulatory compliance and permitting which must be affected before construction can occur; construction management (i.e., procurement of construction services, construction contract administration, inspection, engineering support, and completion of final construction reports, including as-built drawings); and post-construction monitoring.

- E. **Reserved Works.** Those facilities owned by Reclamation where Reclamation has retained responsibility for carrying out operation and maintenance activities.
- F. **Substantial Change.** A modification in or addition to a project facility which involves changes in the original design intent, function, and/or operational parameters of the facility, or changes in project benefits.
- G. **Transferred Works.** Those facilities owned by Reclamation where Reclamation has turned over all or partial responsibility for carrying out operation and maintenance activities to a customer pursuant to a contract with such customer.

3. **Scope.**

- A. This D&S addresses collaboration with customers on the engineering and other technical services required for: (i) all construction work at and on reserved works; and (ii) construction work at and on transferred works which will result in a substantial change to the facilities involved (and which is, therefore, subject to Reclamation's approval because it is beyond the scope of the maintenance and repairs which a customer is authorized to perform pursuant to a contract for transferred works).
    - (1) This D&S applies to such construction work regardless of the funding source for the work so long as one or more customers will bear at least some portion of the cost of the construction work (via contributed funds, advances from a customer in the year in which costs are incurred, or repayment over time).
    - (2) Any arrangements for customer collaboration on decisions regarding the engineering and other technical services required for construction work which exist as of the effective date of this D&S shall remain in place and not be affected unless the involved customer(s) desires to avail themselves of the processes established by this D&S.
  - B. Collaboration with customers regarding the formulation of the overall annual operation and maintenance program and budget for a Reclamation project is covered by Policy WTR P05 (September 15, 2003, as revised May 24, 2005). [NOTE – this Policy could be converted to a D&S under the proposed new umbrella Policy on collaboration with customers.]
  - C. Collaboration with customers regarding safety of dam modifications is covered by Directive and Standard FAC 06-01 (February 20, 2004).
4. **Notification to Customers.** Any time Reclamation anticipates that it will need to undertake construction work at or on existing Reclamation owned facilities, the costs of which will be borne in whole or part by one or more customers, the authorized Reclamation official will notify, in writing, affected customers or the non-Federal operating entity or customer association which represents such affected customers (in lieu of notice to each individual customer), and, if applicable, the appropriate federal power marketing administration. This

notification will be coordinated with, and may be given as a part of, the collaboration process for operation and maintenance program formulation and budgeting provided for by Reclamation Manual Policy WTR P05 [or cite as a D&S if this policy is converted to a D&S].

**5. Customer Collaboration Teams.**

- A. When the costs of construction work will be borne in whole or part by one or more customers, the affected customer(s) or their customer association may request the appropriate authorized Reclamation official to form a Customer Collaboration Team (CCT). When so requested, a CCT will promptly be formed by the authorized Reclamation official. Customers may request that a CCT be formed on an ad hoc, one time basis to deal with one individual construction job, or on a permanent basis (e.g., to address, on a continuous, extraordinary maintenance, repairs, and replacements at a reserved work).
- B. A CCT will consist of the authorized Reclamation official; one representative for each customer or, when more than ten customers are involved, for each customer association which desires to be involved; and, when power facilities are involved, one representative of the appropriate power marketing administration. The authorized Reclamation official will chair each CCT and will be responsible for calling meetings of a CCT in a timely manner with appropriate notice to all members of a CCT.
- C. All members of a CCT should have the authority to make decisions on behalf of their respective agencies or organizations, subject to the limits of their applicable laws and policies. In the case of the authorized Reclamation official, they will be obligated to comply with all Reclamation Manual policies, and directives and standards, and other guidance that applies to Reclamation's business practices regarding workflow distribution and workload management for engineering and other technical services. All members of a CCT should also have adequate expertise, in conjunction with the support of their respective technical staffs, to ensure the soundness of technical decisions. A CCT may form such sub-teams or other work groups as it deems desirable for an effective collaboration process.
- D. The purpose of a CCT will be for Reclamation and its customers to work together to collaboratively address and decide the budget for and scope of the required engineering and technical services, the schedule for the performance of such services, and design issues regarding construction work. A CCT will also track the progress of engineering and technical services, and of construction work, and determine if and when adjustments in scope, budgets, schedules, and/or priorities are needed.
- E. In addition to the purposes set forth in the preceding paragraph, if a customer or customer association proposes that it, rather than Reclamation, perform or procure the necessary engineering and other technical services, then the CCT will also collaboratively determine whether the customer will be permitted to provide or procure such services and, if so, how the work will be done. All proposals from a customer or customer

association will be given careful consideration by Reclamation.

- F. Reclamation will review originally proposed schedules and budgets for construction work with customers after the President's budget for Congressional appropriations, or after the budget from other funding sources, is made public so that the CCT can discuss whether changes in previously planned work may be required.
  - G. When Reclamation is performing the required engineering and other technical services, the Reclamation chair of a CCT will provide periodic written reports on the progress of construction work at least semi-annually, or more frequently if agreed to by the CCT. When a CCT has agreed that a customer will perform certain construction work, then that customer will be responsible for providing such periodic written reports. Reporting will include cost information, status of work completed, work remaining, factors affecting the schedule and/or the cost of the project, and such other information as agreed to by a CCT. In addition to such periodic reporting, Reclamation or, as applicable the customer performing the required engineering and other technical services, will promptly notify all CCT members of any significant changes in the scope, estimated or actual costs, or schedule.
6. **Decision Making Processes.** Every effort will be made by the members of a CCT to reach agreement on any matter being addressed by the CCT.
- A. If the members of a CCT reach agreement on a matter before them, then Reclamation shall proceed to implement the agreed upon course of action if it does not violate any applicable statutes, regulations, or court rulings and orders.
  - B. If the customer or customer association member(s) of a CCT cannot reach agreement among themselves or with Reclamation on a matter before them, then the decision of the authorized Reclamation official, which shall be committed to writing and provided to all members of the CCT, shall be final.
  - C. Any customer member of a CCT may appeal the decision of the authorized Reclamation official to the appropriate Regional Director. Such appeals must be made in writing within 30 calendar days of receipt of the final written decision by Reclamation's member of a CCT. An appeal must state: (1) the specific decision being appealed, (2) the reasons for and an explanation of the basis for the objection to the decision, and (3) recommendations for proposed remedy(s). The Regional Director will consider all information provided by the customer. The Regional Director will render a final decision in writing within 30 calendar days from receipt of the appeal unless the customer making the appeal agrees to a longer time period.
7. **Engineering and Other Technical Services Work Performed by Customers.** If a customer desires to perform the engineering and other technical services required for certain construction work, then the following minimum conditions must be met before Reclamation will agree to have any such services performed or procured by the customer.

- A. **Professional Registration.** The customer must agree in writing that those performing engineering work for it will meet Reclamation's guidelines for professional registration.
- B. **Professional Responsibility.** The customer must enter into a legally enforceable agreement with Reclamation pursuant to which it agrees to hold the United States harmless from, and to indemnify it for, any and all claims against it which arise from errors and omissions in the engineering designs, drawings, and specifications completed by or on behalf of the customer or in the construction management and/or construction techniques employed by or on the behalf of the customer.
- C. **Design Criteria and Standards.** The customer must agree that the necessary engineering designs, drawings, and specifications will be completed in accordance with Reclamation's design criteria and/or standards or seek deviations from these criteria and/or standards in accordance with Reclamation Manual Policy [or D&S] \_\_\_\_\_.

**Note to Workshop Attendees** — M4E Team 16 addressed matters regarding Reclamation's engineering design criteria and standards. Among the things to be implemented in order to carry out that team's recommendations are new or revised policies and/or D&Ss regarding the setting of such criteria and standards and the waiver process for considering deviations from those criteria. It is anticipated that this D&S regarding customer collaboration will cross reference the policies and/or D&Ss that will come from implementing Team 16's recommendations.

While these other policies and/or D&Ss are still in the process of being developed, they will generally provide that Reclamation will consider customer requests to deviate from Reclamation's design criteria and standards only if a customer or customer association is willing to first enter into a legally enforceable agreement with Reclamation whereby the customer: (i) accepts responsibility for repairing, replacing, or re-constructing, at its sole expense, any equipment, feature, or facility that does not perform properly or fails, (ii) accepts all liability for damages to its patrons, the United States, or third parties which result from the failure or inadequate operation of any equipment, feature, or facility designed by or for the customer, and (iii) agrees to hold the United States harmless from, and indemnify it for, any and all claims against it which result from such failures or inadequate operation.

- D. **Construction Management Requirements.** The CCT must agree on the construction management requirements for the work to be undertaken and document this agreement in writing. Such requirements shall address how quality assurance and quality control work will be performed and who will be responsible for it.
- E. **Reclamation Review and Oversight Requirements.** The CCT must agree in writing on the level of engineering review and construction management oversight which Reclamation will perform, and document this agreement in writing. Such requirements shall address the required intervals throughout the design, specifications, and construction process at which engineering reviews shall be performed; the extent of each review; and the Reclamation office which will perform each review.