

**CHANGE ORDER PROCEDURES**  
(WITH ATTACHMENTS #1, #2, AND #3)

1. General

1.1 Submittals

- 1.1.1 The Subcontractor shall utilize the Change Order forms included as Attachments #1, #2, and #3 and submit Change Order Proposals and Requests for Equitable Adjustment in accordance with these procedures and the FAR clauses and Supplemental Provisions of the General Provisions.
- 1.1.2 The Subcontractor is responsible for assuring change order proposals, inclusive of lower-tier subcontractor costs, are mathematically accurate. To demonstrate mathematical accuracy of calculations, the Subcontractor shall provide electronic copies of proposals for itself and its lower tier subcontractors wherein the formulas applied to all cost calculations are transparent and verifiable. Upon request, electronic Microsoft Excel spreadsheet versions of Attachments #1 through #3 are available for use when preparing change order proposals.

1.2 Change Order Documentation Procedures

- 1.2.1 For additive or deductive change orders or modifications to the Subcontract, the Subcontractor shall submit the information listed below with its proposal to the LLNS Contract Analyst.
  - 1.2.1.1 The Subcontractor shall provide sufficient and complete information to allow LLNS to evaluate the proposed changes and to substantiate the estimated costs of the work changes. Estimated costs include labor, materials, lower tier subcontractor costs, payroll taxes, sales tax, insurance, bond costs, overhead, profit, and other jobsite costs such as supplies, equipment, and transportation.
  - 1.2.1.2 For changes and equitable adjustments in excess of \$2,000,000, the Subcontractor shall provide Subcontractor certified cost or pricing data in lieu of proposals based upon the burdened rates, overhead and profit defined herein.

1.2.1.3 Higher tier subcontractors are responsible for performing cost/price analyses on their lower tier subcontractors. In addition, the higher tier subcontractor must ensure that lower tier subcontractor proposals include the required submission information identified below. Higher tier subcontractors should thoroughly review and validate lower tier subcontractor pricing prior to submitting the change order proposal package to the LLNS Contract Analyst. Failure to do so may result in rejection of the change order proposal.

## 1.2.2 Change Order Proposal Content and Cost Elements

Change Order proposals shall include the following as applicable:

1.2.2.1 A summary of costs by cost element. Cost elements include, but are not limited to, materials, direct labor, other jobsite costs, overhead, profit and lower-tier subcontracts.

1.2.2.2 Identification, description, and submittal of rate agreements that were utilized in developing the change order proposal.

1.2.2.3 Cost data substantiating costs by cost element. If requested by the LLNS Contract Analyst, the Subcontractor shall identify and submit cost or pricing data based on verifiable factual information.

1.2.2.4 If requested by the LLNS Contract Analyst, the Subcontractor shall submit documentation and an explanation of the estimating process used, including the judgmental factors applied and the mathematical or other methods used in the estimate, including those used in projecting from known data.

1.2.2.5 Schedule impact for each change order. The Subcontractor shall provide a critical path network showing the effect of the proposed change on the schedule as of the time of the change and analysis of the proposed change to the critical path of the schedule. LLNS will not consider requests for time extensions without the appropriate schedule justification.

## 1.2.3 Materials

Proposals that involve materials shall include the following elements:

- 1.2.3.1 An explanation of the basis for the kinds, quantities, and cost of material elements proposed.
- 1.2.3.2 A priced bill of material for the entire proposal showing part number/description, unit cost, quantity required, extended cost, basis for the proposed price (quotation, prior purchase, similar item, and like items), and the rationale for the proposed price unless an alternate method of estimating material costs has been accepted by LLNS.
- 1.2.3.3 A summary by class of material (subcontracts, purchase parts, raw materials, and like items) showing base material costs and applied factors (i.e., escalation, attrition, usage variance, and like items) and the basis for the development and application of these factors.
- 1.2.3.4 A description of the specific subcontract work and identification of each subcontractor. For each subcontract change, the Subcontractor shall provide a listing by source, item, quantity, and price, including the results of review of subcontract proposals. The Subcontractor shall provide an explanation for omissions of required data or reviews.
- 1.2.3.5 Identification of inter-organizational transfers. The Subcontractor shall provide complete supporting data and the basis for these transfers.

#### 1.2.4 Direct Labor

Proposals involving direct labor shall include the following:

- 1.2.4.1 Identification of labor hours by task and labor category/skill mix.
- 1.2.4.2 A component breakdown of each labor rate by category. The Subcontractor shall identify factors applied to these rates, including the effect of union agreements and like items.

#### 1.2.5 Other Jobsite Costs

- 1.2.5.1 For proposals involving other jobsite costs, the Subcontractor shall include a list of other costs by category (i.e., utilities, equipment rental) and provide supporting schedules and rationale for the amount proposed for each.

- 1.2.5.2 Rental charges for necessary machinery and equipment (exclusive of hand tools) used directly in the performance of the change order shall not exceed competitive rates as approved by LLNS.
- 1.2.5.3 The Subcontractor shall obtain competitive rates from unrelated third parties in the area of the project site.

1.2.6 Overhead, Profit and Lower tier Subcontractor Mark-up Rates  
Include the allowable rates as follows:

- 1.2.6.1 For change order work performed by the Subcontractor, the Subcontractor shall base the pricing on the estimated direct cost plus a fixed rate of 15% (general & administrative and overhead) and 10% profit (profit rate applied to direct costs plus overhead). The Subcontractor shall add, but not be entitled to profit or mark-up for related bond costs.
- 1.2.6.2 For change order work performed by a first-tier subcontractor of the Subcontractor, the Subcontractor shall base the first-tier subcontractor's pricing on the estimated direct cost plus a fixed rate of 15% (general & administrative and overhead) and 10% profit (profit rate applied to direct costs plus overhead), to which the Subcontractor may apply a fixed mark-up rate of 5% plus related bond charges.
- 1.2.6.3 For change order work performed by a second-tier and lower tier subcontractor(s), the Subcontractor shall base the pricing on the estimated direct cost plus the fixed rate of 15% (general & administrative and overhead) and 10% profit (profit rate applied to direct costs plus overhead) to which the higher tier subcontractor(s) may apply a fixed mark-up rate of 5% and the Subcontractor may apply a fixed mark-up rate of 5% plus related bond charges.
- 1.2.6.4 LLNS does not allow increases for overhead, profit or mark-up which exceed these fixed rates, regardless of the number of subcontractors involved.
- 1.2.6.5 LLNS considers that the fixed overhead rates identified above include insurance (except workers compensation), field and office supervisors and assistants, watchmen, use of small tools, incidental job burdens, and general home office expenses. LLNS does not provide a separate allowance for these items.

1.3 Burdened Labor Rates for Change Order Work

1.3.1 Within 14 calendar days after issuance of the Notice to Proceed, the Subcontractor shall submit fully burdened labor rates for each class of personnel of the Subcontractor. When requested by LLNS, the Subcontractor shall submit fully burdened labor rates for lower tier subcontractor(s) regardless of tier. LLNS will use these wage rates for change order negotiations. Refer to Attachment #3, Sample Wage Rate Spreadsheet.

1.3.2 The Subcontractor shall provide a separate breakdown for apprentice (include as many levels as necessary), journeyman, foreman, and general foreman, as applicable. The Subcontractor shall include a wage rate for each category (straight time, time and one-half, and double time), not a composite rate.

1.3.3 A comprehensive breakdown of each labor classification may include, but is not necessarily limited to, the following:

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| <ul style="list-style-type: none"><li>• <i>Base Wage (Davis-Bacon)</i></li><li>• <i>Unemployment</i></li><li>• <i>Health &amp; Welfare</i></li><li>• <i>Pension/Trust Fund</i></li><li>• <i>Apprentice Fund</i></li><li>• <i>Worker's Compensation Insurance date through which wage rate is valid</i></li></ul> | <ul style="list-style-type: none"><li>• <i>Vacation</i></li><li>• <i>Social Security</i></li><li>• <i>SUTA (State unemployment tax)</i></li><li>• <i>FUTA (Federal unemployment tax)</i></li><li>• <i>SUI (State unemployment insurance)</i></li><li>• <i>Training Fund</i></li></ul> |
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1.3.4 In the event the Subcontractor includes cost elements other than those listed above in its labor classification breakdown, the Subcontractor shall specify the cost elements (e.g., other, miscellaneous funds, and like items) and include a detailed explanation and justification for inclusion of those cost elements.

1.4 Directed Change Orders

1.4.1 In certain instances (such as, but not limited to, emergencies where it becomes necessary to take steps to protect persons, property or the environment), the LLNS Contract Analyst may decide to issue a directed change order instructing the Subcontractor to proceed with a change in the work. Such directed change orders will be definitized by the LLNS Contract Analyst through a modification to the subcontract.

- 1.4.2 The directed change order will describe changes in the work, a “not-to-exceed” price, and a schedule to complete the work established by the LLNS Construction Manager.
- 1.4.3 Upon receipt of a directed change order approved by the LLNS Contract Analyst, the Subcontractor shall promptly execute the change in work. The Subcontractor shall not execute the change of work described in a directed change order without approval by the LLNS Contract Analyst.
- 1.4.4 The Subcontractor shall submit a proposal compliant with the Change Order Documentation Procedures outlined in section 1.2, above, for documentation of the change order.

1.5 Change Order Accounting

- 1.5.1 LLNS requires change order accounting. The Subcontractor shall maintain separate accounts, by job order or other suitable accounting procedure, of incurred segregable, direct costs, both changed and not changed, allocable to the change or series of changes. The Subcontractor shall maintain such accounts until the parties agree to an equitable adjustment for the changes ordered by LLNS or the matter is conclusively resolved.

(END OF CHANGE ORDER PROCEDURES)