



Major

Tool & Machine, Inc.

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February 14, 2005

Larry L. Sutton
Senior Subcontract Administrator
Plasma Physics Laboratory
James Forrestal Campus
Princeton, N.J. 08543

Subject: Subcontract S005243-F
For NCSX Project Vacuum Vessel Sub Assembly Production

Dear Mr. Sutton;

Reference Plasma Physics Laboratory (PPPL) Letter dated 8 February 2005 written in response to Major Tool & Machine, Inc (MTM) Quotation Q05-00067.

Line Item 1 of the MTM quote was generated to compensate for the increase in cost realized from the unexpected differences in geometry from the Proto Type Segment to the Production Assemblies. A review of some of the history will help in understanding our justification.

Knowing and understanding the impact of the change isn't as simple as saying there's no justification because the files available during the proposal stage are equivalent to the files available now. In the PPPL letter dated 8 February 2005 the items 1, 2 & 3 are correct and true statements of the files quoted and used on the current project but that doesn't account for the factors used when MTM proposed and negotiated this contract.

One of the factors for the increased cost comes from the need for an extra panel. Our proposal had nine panels and to make one of the 60 deg segments needed on this project we have learned that we need ten panels, this was discovered during the development of the segmentation scheme. MTM has created two segmentation schemes, one during the early stages of the prototype project and one during the current project, we did not create one during the proposal stage. Even though MTM was given a short window of less than 4 weeks to quote this project, we accommodated this because we had spent 53 weeks working on the prototype project. The prototype statement of work said that "These activities are meant to give the Subcontractor the experience needed to develop and submit a firm fixed price and schedule proposal for producing the three (3) VVSA units." So we based our proposal on the segmentation scheme developed during the prototype program which required nine panels.

Another contributor to the cost increase wasn't realized until the designs for the dies were completed and then compared to the five existing die sets. That's when we



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learned that none of the ten dies (5 sets) could be re-machined to accommodate the new vessel shape. This was reported in the Weekly Status Report 01/06/05 thru 01/12/05. After sending the report the comment from PPPL was that the differences couldn't be that great (6-7 inches in some areas) and Oak Ridge would be contacted to look into these differences. The plan to reuse the dies was always based on the geometry changes staying within 1" or less, this was stated in emails to Mike Viola on 16 June 2003 and to Larry Sutton on 18 June 2003. During the negotiation period for this contract one of the twenty-one written questions answered by MTM clearly stated that "The plan is to re-machine, and re-use the five dies produced for the PVVS based on the panel sizes needed." (Answers dated 28 July 2004). Again MTM based the required assumptions in quoting this project on the history accumulated during the prototype contract, so knowing and understanding that the dies could not be re-machined wasn't realistic during the proposal stage.

The PPPL letter refusing to accept the cost impact also asked for "corrective actions planned to recover the schedule slippage". As requested by PPPL the cost impact included a cost reduction (quote line item 2) which is the only option to recover the schedule slippage. Along with the cost impact and cost reduction a schedule was provided showing the planned dates if the spacer flange design was modified. This plan shows the first delivery shipping to PPPL as originally planned and the second and third shipment would slip only a month each.

This letter points out some of the key information not found in the PPPL letter dated 8 February 2005. We trust the above information is justification for our quote sent in on 4 February 2005 and reveals justification for Princeton Plasma Physics Laboratory being responsible the price increase and delivery impact.

Thank You

Mike Manuel
Program Manager
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