



Volume 2 - Price Proposal for Information Technology Transformation June 8, 2011

The information specifically identified on pages 1 through 5 of this proposal/quote constitutes trade secrets or confidential commercial and financial information which the offeror believes to be exempt from disclosure under the Freedom of Information Act. The offeror requests that this information not be disclosed to the public, except as may be required by law. The offeror also requests that this information not be used in whole or part by the Government for any purpose other than to evaluate the proposal/quote, except that if a contract is awarded to the offeror as a result of or in connection with the submission of the proposal/quote, the Government shall have the right to use the information to the extent provided in the contract.

This proposal is contingent on the Parties reaching mutually agreeable terms and conditions and upon acceptance of any limitations described herein.

MCKINSEY VALUES

McKinsey is an entity 100% dedicated to *values*.

- We consistently put our Clients' interests first.
- We follow the highest ethical standards.
- We diligently preserve Client confidences.
- We always maintain an independent perspective so that our Clients receive the solution that is best for them. We are completely independent from any upstream or downstream solutions. We do not provide, nor do we aspire to provide, any outsourcing or technology solutions that would present an inherent conflict of interest.

BEST VALUE APPROACH TO PRICING

McKinsey maintains a client service approach that requires **a true partnership and shared risk**. Our **firm-fixed price** team model not only **minimizes risk** to the Department of the Interior, but allows DOI to truly obtain the **best value**. Unlike many other consulting companies, McKinsey recognizes that successful efforts of this size and scope require a true partnership and shared risk. We understand that labor hour contracts can be difficult to manage and present the inherent risk of uncontrollable costs. To demonstrate our dedication to your success and to shift the majority of the risk away from DOI, McKinsey proposes to perform all the work under this contract on a Firm-Fixed Price basis. Regardless of the time, energy, or hours, McKinsey assures DOI that we will do whatever it takes to make this effort a success. We will bring all of our global experts to bear for as many hours as is necessary to overcome the challenges, at no additional cost to you. We will customize our solutions to ensure that we are providing DOI the best of McKinsey on all tasks.

To provide the most effective and efficient services possible, we dedicate multi-party teams to our efforts. The structure of the team varies based on DOI's specific needs but is always comprised of McKinsey experts with substantive knowledge and experience in the task at hand. These teams have full access to McKinsey experts worldwide and regularly draw on the expertise of senior leaders. Our differentiating value proposition is the large number of experts we bring to the effort without additional cost to you.

We do not deploy individual people at an hourly rate. Rather, we deploy a suite of personnel including hands-on partner leads, world-class senior experts, full-time project managers and analysts and research support staff for each project. The team membership is tailored to the unique needs of the client and the individual task. Our "team bundle", firm-fixed price approach ensures that each client receives the best of McKinsey when they work with us. Because we do not believe that hourly/labor hour rates provide the best value to DOI, McKinsey does not have hourly rates available.

TEAM BASED STAFFING MODEL

For our engagements, we provide an estimate based on utilization of full-time team(s), composed of an Engagement Manager and Associate(s). The Engagement Manager (also referred to as our Working Team Lead in the Technical Proposal) leads the full-time team and serves as on-site

point of contact for the client. Our “full-time” team usually works more than 60 hours per week, but as a fixed price contractor, our team will spend as much time as required to ensure high impact and quality results for your effort, regardless of the estimate. The team bundles also include “all-in” program management support, including research and information (R&I) support, document creation support, and general administrative support, available at whatever volume is needed for the demands of the project. In all, these services typically account for 1-2 additional FTEs/week of support, depending on the needs of the project. Our teams have direct access to the worldwide pool of McKinsey experts who provide on-demand guidance and input for the team. It is the combination of the full expertise of the team and access to McKinsey’s worldwide network of professionals that ensures we deliver the maximum value to the client.

McKinsey’s Team Construction

| Team | Full-time dedicated consultant team (usually more than 60hrs/week) | Part-time leadership team and additional resources (included in the Team Price; larger full-time teams typically imply leadership resources at the higher end of the ranges below) |
|-------------|---|--|
| Team A | Engagement Manager (Working Team Lead) and 1 Associate | Director of Client Services Engagement Director Associate Principal Senior McKinsey Experts Research support staff Document prep and IT support General administrative support |
| Team B | Engagement Manager (Working Team Lead) and 2 Associates | |
| Team C | Engagement Manager (Working Team Lead) and 3 Associates | |
| Team E | 1 Associate | |

PRICE QUOTE

To calculate our Firm-Fixed Price for the tasks, we estimated the number of weeks and team(s) required to complete the tasks and deliverables. Travel is proposed in accordance with the RFQ.

BASIS OF ESTIMATE

| <u>McKinsey MOBIS Team</u> | <u>Weekly Rate</u> | <u>Estimated Weeks</u> | <u>Firm-Fixed Price</u> | <u>Travel Estimate</u> | <u>Total Price</u> |
|----------------------------|--------------------|------------------------|-------------------------|------------------------|--------------------|
| B | \$105,945.32 | 12 | \$1,271,343.84 | | \$1,271,343.84 |
| A | \$85,840.88 | 8 | \$686,727.04 | | \$686,727.04 |
| Total | | | \$1,958,070.88 | \$25,000.00 | \$1,983,070.88 |

* The weekly rate proposed is based on the current rate of McKinsey’s MOBIS schedule. McKinsey received an Economic Price Adjustment (EPA) to its MOBIS rates effective May 5, 2011. A copy of the modification is attached. In recognition of DOI’s status as a current client, we have elected to phase in the EPA over a period of time.

PRICING TABLE

| <u>CLIN</u> | <u>PWS Task</u> | <u>CLIN Description</u> | <u>Estimated Weeks*</u> | <u>Firm Fixed Price</u> |
|-------------|-----------------|---|-------------------------|-------------------------|
| 1 | 1 | Detailed IT Information Project Plan | 1 | \$105,945.32 |
| 2 | 2 | Initial IT Service Portfolio and IT Service Catalogue | 1 | \$105,945.32 |
| 3 | 2 | Process and Criteria for Identifying and Prioritizing New Elements of the IT Service Catalogue | 2 | \$211,890.64 |
| 4 | 2 | Detailed IT Services Lifecycle and Governance Model to Include Performance Management and Measurement | 2 | \$211,890.64 |
| 5 | 2 | Recommended Management Structure | 1 | \$105,945.32 |
| 6 | 2 | Financial Modeling Templates and Chargeback Models to Support Unit-Based Pricing for Services | 3 | \$317,835.96 |
| 7 | 2 | Enterprise Asset Management and Implementation Plan | 1 | \$105,945.32 |
| 8 | 2 | Enterprise Service Desk Implementation Plan | 1 | \$105,945.32 |
| 9 | 2 | IT Transformation Communications Strategy | 2 | \$171,681.76 |
| 10 | 2 | Organizational Change Strategy | 2 | \$171,681.76 |
| 11 | 2 | Data Center Consolidation Strategy to Allow DOI to Address Requirements Defined by the FDCCI | 2 | \$171,681.76 |
| 12 | 2 | Sourcing and Acquisition Strategy that Supports the OMB “Cloud First” Directive | 2 | \$171,681.76 |
| 13 | 2 | Travel | N/A | \$25,000.00 |
| Total | | | | \$1,983,070.88 |

*Task weeks are not sequential. Multiple tasks may operate in parallel. For details, please see the Project Plan in the Technical Quote, Appendix 2.

MILESTONE PAYMENT SCHEDULE

McKinsey will invoice on the following schedule.

| <u>Milestone</u> | <u>Deliverables</u> | <u>Payment</u> |
|------------------|--|----------------|
| 1 | <ul style="list-style-type: none"> ▪ Detailed IT Information Project Plan ▪ Initial IT Service Portfolio and IT Service Catalogue ▪ Process and Criteria for Identifying and Prioritizing New Elements of the IT Service Catalogue ▪ Detailed IT Services Lifecycle and Governance Model to Include Performance Management and Measurement | \$635,671.92 |
| 2 | <ul style="list-style-type: none"> ▪ Recommended Management Structure ▪ Financial Modeling Templates and Chargeback Models to Support Unit-Based Pricing for Services ▪ Enterprise Asset Management and Implementation Plan | \$529,726.60 |
| 3 | <ul style="list-style-type: none"> ▪ Enterprise Service Desk Implementation Plan ▪ IT Transformation Communications Strategy | \$277,627.08 |
| 4 | <ul style="list-style-type: none"> ▪ Organizational Change Strategy ▪ Data Center Consolidation Strategy to Allow DOI to Address Requirements Defined by the FDCCI ▪ Sourcing and Acquisition Strategy that Supports the OMB “Cloud First” Directive | \$515,045.28 |
| Total | | \$1,958,070.88 |

MCKINSEY CORPORATE DATA

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NAICS: 541611

CCR: McKinsey maintains a current registration in CCR

ORCA: McKinsey has completed the annual representations and certifications in ORCA under

www.orca.bpn.gov DUNS 825229318

POINTS OF CONTACT

Please contact our representatives below if you have any questions or need additional information regarding this Price Proposal.

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APPENDIX – PRICING ASSUMPTIONS

McKinsey's work for DOI is confidential and intended for DOI's internal use only. McKinsey does not make public client names, client materials or reports prepared for clients without their prior written permission. Similarly, DOI agrees that it will not use McKinsey's name or refer to McKinsey's work outside its organization without McKinsey's prior written permission. Deliverables and any associated working papers will be prepared without reference to McKinsey and will not include the McKinsey service mark or logo.

McKinsey's timely performance at the proposed firm fixed price strictly relies and is contingent upon DOI providing any and all necessary data, information, and access to personnel in a timely fashion. DOI understands that any delays in the provision of necessary data, information, and personnel may result in corresponding schedule delays and an equitable adjustment of the proposed price. As such, timely DOI provision of the aforementioned resources is essential.

This proposal is contingent on DOI's affirmative confirmation and ability to properly demonstrate, if necessary, that the funds allocated to this contract are not funds obligated under the 2009 Recovery Act and that DOI can, if necessary, properly demonstrate that such funds do not stem from the Recovery Act, and that FAR Part 52.204-11 shall not apply to this procurement.

It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. To avoid situations of potential conflict, consultants serving DOI will not be assigned to a competitively sensitive project for a significant period of time (typically two years) following an assignment for DOI. Due to McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with DOI about McKinsey's serving DOI's competitors or other parties.