



June 18, 2020

The Honorable Richard Shelby
Chairman
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

On June 1, 2020, the Department of Commerce (DOC) Deputy Under Secretary, Karen Dunn Kelley, in her capacity as the Milestone Decision Authority for DOC and chair of the Milestone Review Board (MRB), approved the update to the Polar Follow-On (PFO) program life cycle cost (LCC).

The new PFO LCC is \$6,837.9 million, covering the period from Fiscal Year (FY) 2016 through FY 2038. This is a decrease of \$735 million (or 9.7 percent) below the previous LCC of \$7,573 million established in December 2016. The PFO Program has performed exceptionally well and the new LCC has sufficient cost and schedule margin to mitigate risk due to the improved posture. The JPSS Program Office – which manages both the Joint Polar Satellite System (JPSS) and PFO programs within the Polar Weather Satellites (PWS) portfolio – has launched and placed into operations the first of the four satellites in the series and continues on schedule the acquisition and development of the remaining three satellites, including preparing the second satellite (JPSS-2) for launch in 2022.

The \$735 million reduction is traceable to:

- Excellent program management performance;
- Synergy from common engineering and program support leveraged across PWS portfolio (Program of Record (or POR) + PFO) program elements;
- A more competitive launch services market lowering procurement costs;
- Positive instrument development and testing progress, resulting in greater confidence and improved risk posture; and
- Reduced cost reserves requirements due to staff efficiencies and lower technical risk posture.

This new LCC was developed through a rigorous process, including an independent cost review conducted by the Department and careful reconciliation with the Program's analysis. The results are presented in the table below:

Projected Future Year Funding Requirements (TY\$M)

	FY 2020 & Prior	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	CTC	Total
PFO LCC*	\$1,750.8	\$286.3	\$225.0	\$225.0	\$300.0	\$343.5	\$3,707.3	\$6,837.9

**Reflects appropriated funds thru FY20. Future year funding assumes \$425M per year for PWS across Procurement, Acquisition, and Construction (PAC) and Operations, Research, and Facilities (ORF) from FY22-FY25, allocated efficiently between PFO and POR while remaining at or under each program's LCC baseline in total.*

NOAA has completed this reassessment of the PFO life cycle requirements with full awareness that our mission is to ensure the long-term delivery of critical observations to meet our weather and climate mission requirements. The National Oceanic and Atmospheric Administration's (NOAA) National Environmental Satellite, Data, and Information Service (NESDIS) conducted a comprehensive NOAA Satellite Observing System Architecture (NSOSA) analysis to guide our current and future investments in observing systems to meet this need. A clear result from NSOSA indicates a partially disaggregated low Earth orbit (LEO) architecture, whereby critical atmospheric sounding instruments are flown together on satellites separate from other instruments in LEO, providing significantly improved value for the Nation. NOAA and NESDIS will incorporate these proven acquisition and management efficiencies into our program plans, and NOAA suggests reinvesting the \$735 million reduction into our future systems to ensure sustained performance and improved affordability of NOAA's Earth observation analysis and forecasting capabilities from global satellite-based observing systems.

NOAA will begin to use this new LCC in its FY 2022 budget formulation and will begin to report against this new number with the annual reporting requirement pursuant to 33 U.S.C. § 878a.(c) Major Program Annual Report for satellite development program. The PFO Baseline Report to Congress is also forthcoming.



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If you have any further questions, please contact Wendy Lewis, Director of NOAA's Office of Legislative and Intergovernmental Affairs, at wendy.lewis@noaa.gov. We are prepared to brief you and your staff on the details of the LCC. Thank you for your continued support of the Department of Commerce and its programs.

Sincerely,



Neil A. Jacobs, Ph.D.
Assistant Secretary of Commerce for
Environmental Observation and Prediction
Performing the Duties of
Under Secretary of Commerce
for Oceans and Atmosphere

THE ADMINISTRATOR





UNITED STATES DEPARTMENT OF COMMERCE
The Deputy Secretary of Commerce
Washington, D.C. 20230

June 1, 2020

MEMORANDUM FOR THE UNDER SECRETARY OF COMMERCE FOR OCEANS AND
ATMOSPHERE AND NOAA ADMINISTRATOR

FROM: Karen Dunn Kelley
Deputy Secretary of Commerce

A handwritten signature in black ink, appearing to read "K. Dunn Kelley".

SUBJECT: Polar Follow-On Program Baseline Update

This Milestone Decision Memorandum (MDM) sets out my expectations for officials at the National Oceanic and Atmospheric Administration (NOAA) regarding the update to the Polar Follow-On (PFO) program baseline that was established with MS2/3 approval in December 2016. The MDM from December 16, 2016, set the guidance for the implementation of an efficient block-buy acquisition strategy for the PFO program to improve the constellation resiliency and yield a projected \$585M in program contract savings, while efficiently integrating JPSS program office support. That MDM established the PFO performance baseline at \$7,573M. The PFO program successfully executed the efficient block-buy contracting acquisition and established the Polar Weather Satellite (PWS) program management portfolio structure (formally approved by Congress for reporting in 2020).

At NOAA's request, the Department's Office of Acquisition Management (DOC/OAM) completed an in-depth program and cost evaluation of all elements of the PWS portfolio. The results of the evaluation demonstrated that not only were the PFO advertised acquisition efficiencies realized, but substantially exceeded. The DOC/OAM Independent Cost Estimate (ICE), compared and fully reconciled with the PWS program, yields an additional \$735M reduction to the Department's MS2 program's Life Cycle Cost (LCC) estimate (baseline) for PFO. At the summary level, the reduction is traceable to:

- Excellent program management performance
- Efficiencies associated with PFO block-buy acquisition strategy. Contract performance to date is within 2% of the original DOC/OAM MS2 ICE, thus not requiring the use of budgeted program reserves to date.
- Synergy from common engineering and program support leveraged across PWS portfolio (PoR + PFO) program elements

In my capacity as the Milestone Decision Authority for the Department of Commerce and chair of the Milestone Review Board (MRB), I direct NOAA to report to Congress the updated PFO baseline in accordance with the below funding requirements.

PFO Baseline Funding Requirements	FY 2020 & Prior *	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	CTC	Total
PFO LCC (PAC & ORF)	1,750.8	286.3	225.0	225.0	300.0	343.5	3,707.3	6,837.9

(TY\$M)

*Reflects appropriated funds thru FY20. Future year funding assumes \$425M per year for PWS from FY22-FY25, allocated efficiently between PFO and POR while remaining at or under each program's LCC baseline in total.

The NOAA Satellite Observing System Architecture study recommends a partially disaggregated Low Earth Orbit (LEO) architecture, whereby critical atmospheric sounding instruments are flown together on satellites separate from other instruments in LEO. I further direct that you consider and incorporate these proven acquisition and management efficiencies for the sustained resilience and affordability investments of NOAA's Earth observation analysis and forecasting capabilities from global polar-orbiting observations.

CC:
PFO MRB Members