



UNDER SECRETARY OF DEFENSE

1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

JUN 26 2017

The Honorable Charles W. Dent
Chairman
Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

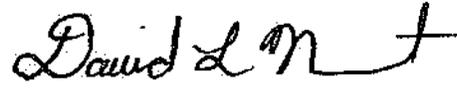
Dear Mr. Chairman:

The purpose of this letter is to notify the committee of the proposed reprogramming of funds for the projects and amounts shown below. Detailed justification for the projects is enclosed.

#	<u>Service/Agency/Installation</u>	<u>Project</u>	<u>Program</u>	<u>Request (\$)</u>
	<u>Navy</u>			
1	Philadelphia, Pennsylvania	Ohio Replacement Power & Propulsion Facility	2015	22,437,000
2	Iwakuni, Japan	Security Modifications CVW5/MAG 12 HQ	2016	5,343,000
	<u>Air Force</u>			
3	Offutt Air Force Base, Nebraska	USSTRATCOM Replacement Facility, Increment 4	2012	16,100,000
4	Agadez, Niger	Construct Airfield & Base Camp Storage	2016	10,000,000
	<u>Navy Reserve</u>			
5	Des Moines, Iowa	Joint Reserve Center	2013	3,304,000
	<u>Army National Guard</u>			
6	Various Locations	Unspecified Minor Military Construction	2013	3,640,000

A similar letter is being sent to the Chairman of the Senate Subcommittee on Military Construction, Veterans Affairs, and Related Agencies. Thank you for your continued support of Defense programs.

Sincerely,

A handwritten signature in black ink, appearing to read "David L. Norquist". The signature is written in a cursive style with a large, stylized "D" and "N".

David L. Norquist

Enclosures:

As stated

cc:

The Honorable Debbie Wasserman Schultz
Ranking Member



UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

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COMPTROLLER

The Honorable Jerry Moran
Chairman
Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
Committee on Appropriations
United States Senate
Washington, DC 20510

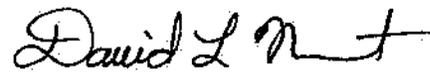
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Enclosures:

As stated

cc:

The Honorable Brian Schatz
Ranking Member

Critical Award Date: August 30, 2017

Military Construction, Navy

Reprogramming Request

Installation: Philadelphia, Pennsylvania
Project: Ohio Replacement Power & Propulsion Facility (P547)
Authorization: Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year 2015, P.L. 113-291

<u>Estimated Cost (\$000):</u>	
Previously Appropriated	23,985
Previously Reprogrammed	10,332
Requested Reprogramming	22,437
Total Estimated Cost	56,754

Description: This project provides a single location to conduct full-scale electric-drive propulsion system testing to characterize and certify acoustic signature performance for electric-drive propulsion systems and related equipment for OHIO Replacement Program (ORP) submarines. Work includes a High Bay Test Facility (HBTF) addition to Building 633 and 16th Street wharf improvements between the sea wall of the inactive ship basin and the HBTF which will serve as a transfer platform for moving heavy ship systems from, and back to, the transport barge.

The Navy requires that new ship propulsion technology be sufficiently tested, evaluated and certified to ensure proper system-level integration of the electric propulsion system components and that signature performance goals and objectives are met prior to Fleet introduction and operational use. Completion of this project is integral to the ORP testing schedule and ultimate delivery of the electric-drive system production units required to support initial ship delivery. This reprogramming is essential to ensure that on-time delivery of the first ORP submarine is achieved to maintain the requested number of operational ballistic missile submarines. Avoidance of any further delays to the construction completion is vital to the ORP testing schedule and ultimate delivery of the electric-drive system production units to the shipbuilder required to support initial ship delivery.

This is the second reprogramming for this project. The first reprogramming, approved in May 2015 for \$10.332M, addressed increased market pressure in the Philadelphia, PA construction market. The contract was awarded in May 2015 and construction has been underway from May 2015 to present. The additional fire protection and the unforeseen conditions described below were identified during construction and are awaiting resolution before the project can complete.

Justification: The current funding requirement for additional funds is attributable to the following:

a) Fire Protection (+ \$11.300M):

The budget estimate provided sufficient fire protection for the HBTF addition but incorrectly assumed that the existing Building 633 needed no upgrades. However, due to lack of a firewall in the new construction, the new HBTF addition triggers the need for fire protection within the existing building. Back-fitting fire protection systems into Building 633 requires additional design and cost as it has high ceilings, and a large number of support columns and walls.

b) Unforeseen Conditions (+ \$8.916M):

Several unforeseen site conditions were encountered during construction, requiring design and cost changes due to site conditions that were concealed until the construction phase.

- Electrical Utilities: When preparing to run the electrical lines, the existing duct bank was found to be collapsed and unusable, requiring replacement to accommodate the new electrical lines. Other route alternatives were analyzed and determined to be not technically viable.
- Additional work to address obstructions: A debris field, consisting mostly of reinforced concrete and rubber material, was discovered near the edge of the existing wharf during the installation of a sheet pile cofferdam.
- Piles: Testing of piles to support the wharf rehabilitation revealed differing subsurface conditions, requiring more piles and additional pile lengths in order to reach full bearing capacity.
- Thicker foundation and test slab: Supported test equipment has been developed further since the design assumed at time of award, resulting in an increase in size and requiring an independent grounding system. Additionally, a degraded condition of existing piles supporting the foundation of the test slabs was discovered, requiring more piles and additional developed pile lengths.

c) Increase in Contingency and Supervision, Inspection & Overhead Costs (+\$2.221M):

The contingency and SIOH amounts have increased due to higher construction costs.

Source of Funds: Savings from the following projects are cited as a source of funds for this cost increase.

(Dollars in Thousands)

<u>Location/Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated^{1/}</u>	<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
Twentynine Palms, CA Land Expansion (P992)	2013	44,631	20,200 ^{2/}	12,455
Andersen Guam North Ramp Parking (Andersen AFB) – Inc 2 (P101A)	2013	24,458	19,997	4,461
Sigonella Italy Triton Hangar and Operation Facility (P407)	2016	40,641	28,641 ^{3/}	2,099
Sigonella, Italy Upgrade Entry Control Point at NAS II (P737)	2017	11,600	9,600	2,000
Coronado, CA Coastal Campus Utilities Infrastructure (P991)	2017	81,104	61,541 ^{4/}	1,422
			Total:	22,437

^{1/}Reflects FY 2013 sequestration reductions.

^{2/}A 10 U.S.C. §2853 cost reduction notification dated April 6, 2017, was sent to the congressional committees.

^{3/}A 10 U.S.C. §2853 cost reduction notification dated March 10, 2017, was sent to the congressional committees.

^{4/}A 10 U.S.C. §2853 cost reduction notification dated April 26, 2017, was sent to the congressional committees.

Bid Expiration Date: September 30, 2017

Military Construction, Navy

Reprogramming Request

Installation: Iwakuni, Japan
Project: Security Modifications – CVW5/MAG12 HQ (P604)
Authorization: National Defense Authorization Act for Fiscal Year 2016, Public Law 114-92

Estimated Cost (\$000):

Previously Appropriated	9,207
Previously Reprogrammed	0
Requested Reprogramming	5,343
Total Estimated Cost	14,550

Description: This project constructs a Secure Compartmented Information Facility (SCIF) within the Carrier Air Wing FIVE (CVW5)/Marine Aircraft Group 12 (MAG12) Headquarters Facility being constructed by the Government of Japan (GOJ). This facility and SCIF are required to support the relocation of CVW-5 from Naval Air Facility Atsugi, Japan, to Marine Corps Air Station Iwakuni, Japan, to meet initial support capability in July 2018 and final support capability in November 2018. The SCIF will contain the precision aim point mensuration, imagery exploitation, and battle management capabilities which enable targeteers to maintain proficiency for highly accurate ordnance targeting.

Justification: The current funding requirement for additional funds is attributable to the following:

a) Construction Security Oversight (+ \$4.270M):

The costs for the Construction Security Plan (CSP) were underestimated. Monitoring during SCIF construction is required to ensure there are no abnormalities that could affect and compromise the security of the SCIF. While the budget estimate included monitoring costs, such as surveillance by construction security technicians and cleared American guards in accordance with intelligence community guidance, the security surveillance measures included in the CSP developed during final design are more costly than anticipated.

b) Building Modifications (+ \$0.500M):

Project design included installation of Heating Ventilation Air Conditioning (HVAC), fire alarm, and fire suppression in the SCIF space. However, it was not known that the GoJ funded construction also included installation of these items in the space that the SCIF will occupy. Therefore, these items will have to be removed and reconstructed in order to meet

security requirements for SCIF construction. This removal of previously installed equipment was not anticipated at the time the budget estimate was prepared.

- c) Increase in Contingency and Supervision, Inspection & Overhead Costs (+ \$0.573M):
The contingency and SIOH amounts have increased due to higher construction costs.

Source of Funds: Savings from the following projects are cited as a source of funds for this cost increase.

<u>Location/Project</u>	<u>Fiscal Year</u>	<u>(Dollars in Thousands)</u>		
		<u>Amount Appropriated^{1/}</u>	<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
Coronado, CA Coastal Campus Utilities Infrastructure (P991)	2017	81,104	61,541 ^{2/}	3,293
Souda Bay, Greece Aircraft Parking Apron Expansion (P907)	2013	15,775 ^{3/}	14,449	612
Andersen Guam North Ramp Parking (P101A)	2013	24,458	19,427	570
Whidbey Island, WA EA-18G Facility Improvements (P239)	2014	31,862 ^{4/}	31,438	424
Okinawa, Japan Bachelor Quarters (P353)	2013	5,812 ^{5/}	5,380	414
Yorktown, VA Armory (P989)	2013	4,022	3,698	30
			Total:	5,343

^{1/}Reflects FY 2013 sequestration reductions.

^{2/}A 10 U.S.C. §2853 cost reduction notification dated April 26, 2017, was sent to the congressional committees.

^{3/} Reflects a revised PA of \$15.775M as a result of a \$3.157M reprogramming decrease approved by Congress in July 2016.

^{4/} Reflects a revised PA of \$31.862M as a result of a \$0.620M reprogramming decrease approved by Congress in July 2016.

^{5/} Reflects a revised PA of \$5.812M as a result of a \$1.936M reprogramming decrease approved by Congress in December 2015.

Funds Required By: August 15, 2017

Military Construction, Air Force

Reprogramming Request

Installation: Offutt Air Force Base, Nebraska

Project: USSTRATCOM Replacement Facility - Increment 4

Authorization: National Defense Authorization Act for Fiscal Year 2012, P.L. 112-81

Estimated Cost (\$000):

Previously Appropriated	564,000 ¹
Previously Reprogrammed	37,000
Requested Reprogramming	16,100
Total Estimated Costs	617,100

¹This incrementally funded project was authorized in FY 2012 for \$564 million. The final increment was appropriated in FY 2015. A \$37 million Above-Threshold Reprogramming (ATR) was approved July 2014, increasing the reprogramming base to \$601 million.

Description: This project constructs a secure and survivable multi-story command and control facility with supporting infrastructure and secure back-up for United States Strategic Command (USSTRATCOM). This facility will house critical nuclear, space, and network command and control operating functions that are shielded from high altitude electro-magnetic pulses and will survive an EF-5 tornado.

Justification: This project was authorized for \$564 million in FY 2012. Contractor bids exceeded the amount authorized for the project, so the primary facility scope was reduced by 171,000 square feet and the construction contract was awarded in August 2012 at 85% of authorized scope.

In FY 2014, Congress approved a \$34.7 million reprogramming action to fund unanticipated cost growth attributable to project complexity, scope, risk. This reprogramming action funded the cost of adjusting the original design to incorporate the scope reduction and an increase in contingency funding (from 1% to 2.5%) post-award based on value engineering and credit modifications. Since 2014, 632 modifications valued at \$34.7 million were executed; 542 of these modifications valued at \$31 million were directly linked to the original scope decrease.

On March 3, 2017, the Senior Executive Review Group determined that an additional \$16.1 million (2.6%) is required to complete this project. The United States Army Corps of Engineers and Air Force Civil Engineer Center, after performing a rigorous cost risk analysis on all remaining elements of construction, determined that \$4.8 million is required to replenish contingency funds; \$5.6 million is required to fund modifications and requests for equitable

adjustment currently in negotiation; \$4.8 million is required for all other potential liabilities, including disputes that will be executed prior to construction completion; and \$0.9 million is required for Supervision and Administration (S&A). Currently available contingency funds are projected to be exhausted in September 2017.

A Title 10 U.S.C. §2853 authorized cost and scope of work variation notification reflecting the Current Working Estimate was sent to the congressional committees on May 1, 2017.

Source of Funds: Bid savings from the following projects will fund this requirement.

(Dollars in Thousands)

<u>Location & Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
Luke AFB, AZ F-35 Squadron Operations/AMU Hangar (Squadron 4) NUEX123004	2016	33,000	26,900 ¹	6,000
Hill AFB, UT Hayman Igloos KRSM133002	2016	11,500	9,074	2,000
Thule AB, Greenland Thule Consolidation, Phase 1 WWCX103027	2016	41,965	27,052 ²	4,900
Andersen AFB Joint Region Marianas PAR Low Observable/Corrosion Control/Composite Repair Shop AJJY133028	2016	34,400	29,880	3,200
			Total:	16,100

¹ A 10 U.S.C. §2853 cost reduction notification dated August 4, 2016, was sent to the congressional committees reflecting the Current Working Estimate.

² A 10 U.S.C. §2853 cost reduction notification dated June 24, 2016, was sent to the congressional committees reflecting the Current Working Estimate.

Funds Required by July 25, 2017

Military Construction, Air Force

Reprogramming Request

Installation: Agadez, Niger

Project: Construct Airfield and Base Camp

Authorization: National Defense Authorization Act for Fiscal Year 2016, P.L. 114-92

Estimated Cost (\$000):

Previously Appropriated	50,000
Previously Reprogrammed	-
Requested Reprogramming ¹	10,000
Total Estimated Costs	60,000

¹This \$10 million reprogramming action includes \$2 million that was previously reprogrammed using below threshold reprogramming (BTR) authority.

Description: This project is currently under construction using RED HORSE troop labor. Project scope includes the (1) construction of a new paved asphalt runway and turnarounds capable of supporting the C-17 and miscellaneous light and medium load aircraft; asphalt aprons and taxiways; (2) installation of three re-locatable fabric tension aircraft hangars; (3) site preparation, including electrical and water distribution infrastructure, for required life support, operations and logistics areas; and (4) installation of force protection infrastructure.

Justification: Due to security concerns, the U.S. Embassy Niamey allowed the site survey team 12 hours to gather its engineering data for project design and cost estimating. At remote locations where engineering data is not readily available, site survey teams normally require 3-4 days to gather the comprehensive engineering needed to produce quality designs and minimize risk. Security concerns that that constrained initial site surveys resulting in inadequate planning factors.

Poor initial planning and design resulted in an increased project costs to

- Acquire and deliver 3 relocatable aircraft shelters to this remote location;
- Mitigate adverse soil conditions identified during construction. This required the construction of unplanned concrete foundation to provide structural stability for the 3 aircraft shelters and an adjustment to airfield pavement designs.
- Rework of the base perimeter force protection infrastructure. Due to the region's threat picture, perimeter construction in the form of a vehicle denial trench was the first priority, executed via contract according to specifications based on the limited initial soil information available. This work was to provide force protection during the remainder of the project.

Following construction, but prior to troop deployment, the rainy season washed out the trench necessitating alternate perimeter defense design.

- Fund heavy equipment degradation
- Fund underestimated base utilities system costs.

A Title 10 U.S.C. §2853 authorized cost variation notification reflecting the Current Working Estimate was sent to the congressional committees on April 12, 2017.

Source of Funds: Bid savings from the following project will fund this requirement.

(Dollars in Thousands)

<u>Location & Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
Thule AB, Greenland Thule Consolidation, Phase 1 WWCX103027	2016	41,965	27,052 ¹	10,000

¹A 10 U.S.C. §2853 cost reduction notification dated June 24, 2016, was sent to the congressional committees reflecting the Current Working Estimate.

Bid Expiration Date: September 30, 2017

Military Construction, Navy Reserve

Reprogramming Request

Installation: Des Moines, Iowa

Project: Joint Reserve Center (P125)

Authorization: National Defense Authorization Act for Fiscal Year 2013, Public Law 112-239

Estimated Cost (\$000):

Previously Appropriated*	18,056
Previously Reprogrammed	0
Requested Reprogramming	3,304
Total Estimated Cost	21,360

* Includes any applicable general reductions, rescissions, and/or sequestration.

Description: The project constructs a Joint Reserve Center for the Navy and Marine Corps Reserves. It consists of a Reserve training building, which includes an assembly hall, classrooms, medical exam rooms, administrative areas, armory, communications equipment maintenance shops, exercise rooms, firearms training simulator, vehicle maintenance facility, and a fitness training shelter.

Justification: The current funding requirement for additional funds is attributable to the following:

a) Project Site Change (\$3.094M):

- The budget estimate was based on construction at Camp Dodge in Johnston, Iowa. Subsequent to Congressional enactment, site approval was rescinded due to mission encroachment concerns by the Commanding General, Army National Guard, Camp Dodge, requiring a new site location for the Joint Reserve Center. An approximately 20 acre rural property located in Granger, Polk County, IA was selected and purchased for the new site. In the National Defense Authorization Act for Fiscal Year 2014 (Public Law 113-66) enacted December 26, 2013, the Congress provided a modification to the authority to allow the Secretary of the Navy to acquire up to approximately 20 acres to construct a Joint Reserve Center and associated supporting facilities in the greater Des Moines, Iowa area.
- Longer utility runs are required at the new site as the lateral connection is further from the prime distribution network than at the planned site.

- Although construction market conditions have improved since the original budget submission in FY2013, multiple years of project delays are causing bids to be much higher than anticipated.

b) Increase in Contingency and Supervision, Inspection & Overhead Costs (\$0.210M):
The contingency and SIOH amounts have increased due to higher construction costs:

Source of Funds: Savings from the following projects are cited as a source of funds for this cost increase.

<u>Location/Project</u>	<u>Fiscal Year</u>	<u>(Dollars in Thousands)</u>		
		<u>Amount Appropriated^{1/}</u>	<u>Current Working Estimate^{2/}</u>	<u>Proposed Reprogramming</u>
Fort Worth, TX Commercial Vehicle Inspection Site (P047)	2013	10,605	7,981 ^{2/}	2,624
Yuma, AZ Reserve Training Facility (P123)	2013	426 ^{3/}	0 ^{4/}	426
New Orleans, LA Reserve Boat Maintenance and Storage Facility (P031)	2015	4,330	3,436	254
			Total:	3,304

^{1/} Reflects FY 2013 sequestration reductions.

^{2/} A 10 U.S.C. §2853 cost reduction notification dated May 1, 2017, was sent to the congressional committees.

^{3/} Reflects a revised PA of \$0.426M as a result of a \$4.642M reprogramming decrease approved by Congress in July 2016.

^{4/} A 10 U.S.C. §2853 cost reduction notification dated April 27, 2016, was sent to the congressional committees.

Bid Expiration Date: N/A

Military Construction, Army National Guard

Reprogramming Request

Installation: Various Locations

Project: Unspecified Minor Military Construction

Authorization: National Defense Authorization Act for Fiscal Year (FY) 2013, Public Law 112-239

Estimated Cost (\$000):

Previously Appropriated*	14,562
Previously Reprogrammed (Prior Approval)	-
Requested Reprogramming	3,640
Total Estimated Cost	18,202

** Includes a rescission of \$0.021 million as directed by the Consolidated and Further Continuing Appropriations Act, 2013, Division G, Sections 3001/3004 and a reduction of \$0.474 million as directed in Public Law 112-25, the Budget Control Act of 2011.*

Description: The Unspecified Minor Military Construction (UMMC) account provides funding to address critical mission requirements and life, health or safety threatening conditions.

Justification: An increase of \$3.640 million is required for the FY 2013 UMMC account to replace two mission critical facilities which sustained substantial tornado damage at Camp Ripley, Minnesota on September 7, 2016. The two projects are the Enlisted Battalion Headquarters and Vehicle Maintenance Shop (VMS), Transient Training. The destruction of these facilities continues to negatively affect the training support capabilities of Camp Ripley. The increased funding will allow for full scope award for both projects. A Title 10 U.S.C. 2853 notification dated April 12, 2017 was sent to the congressional committees.

Source of Funds: The use of split-year funding authority resulted in available FY 2013 funding as shown below.

<u>Location/Project</u>	<u>(Dollars in Thousands)</u>			
	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Estimate</u>	<u>Proposed Reprogramming</u>
Bethany Beach, Delaware Regional Training Institute Ph1 PN: 100010	2013	5,319 ¹	708 ²	3,640 ³

PN = Project Number

¹ The appropriated amounts reflect the across-the-board rescission as directed by the Consolidated and Further Continuing Appropriations Act, 2013, Division G, Sections 3001/3004, and reductions as directed by the Budget Control Act of 2011 (Sequestration).

² This project is 100% complete with final cost of \$5.322 million (\$0.708 million of FY 2013 funding and \$4.614 million of FY 2009 funding (Camp Navajo, Arizona, Readiness Center, PN 040014, \$3.656 million and Ethan Allen Firing Range Jericho, Vermont, Readiness Center, PN 500052, \$0.958 million).

³ The proposed reprogramming will not reduce the authorized amount for PN 100010.