



## Department of Energy

Washington, DC 20585

JM Chronology

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OUT FOR REVIEW

DRB DISCUSSION

9/2/10

9/9/10

9/23/10

MEMORANDUM FOR INGRID KOLB

DIRECTOR

OFFICE OF MANAGEMENT

THROUGH:

KEVIN T. HAGERTY

DIRECTOR, OFFICE OF INFORMATION RESOURCES

FROM:

PAUL BOSCO

DIRECTOR, OFFICE OF ENGINEERING AND  
CONSTRUCTION MANAGEMENT

SUBJECT:

Justification Memorandum to Develop Department of Energy (DOE)  
Guide 413.3-2I, *Cost Estimating Guide*.

PURPOSE:

The purpose of the proposed Guide is to provide uniform guidance and best practices that describe the methods and procedures used by DOE for preparing cost estimates for capital asset projects and programs. The guidance is applicable to all phases of the Department's Acquisition Management System and capital asset management activities. This proposed Guide will provide acceptable approaches for implementing Cost Estimating as required under the project review requirements of DOE Order 413.3A, *Program and Project Management for the Acquisition of Capital Assets*, July 28, 2006.

This Guide will not impose new requirements or constitute Department policy, nor is this Guide intended to instruct Federal employees in *how* to prepare life cycle cost estimates. Rather, it provides information based on standard, commercial estimating practices and processes to meet Federal and DOE requirements and facilitate the development of local or site-specific cost estimating requirements relative to capital asset projects only.

JUSTIFICATION:

A key objective of DOE is to manage successful *capital asset projects and programs* and create credible cost estimates imperative to making informed decisions. The objective of this Guide is to improve the quality of cost estimates, in particular those supporting the execution of successful capital asset projects and programs. It will also reflect some of the best practices outlined in the GAO, *Cost Estimating and Assessment Guide*.

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The Department has had many capital asset project successes over the years, but far too many have breached their original performance baselines due to significant cost overruns. This has harmed the Department's credibility and eroded support in Congress, with the Government Accountability Office (GAO) and the Office of Management and Budget (OMB).

Because of revisions and refinements to DOE's current project management system directive DOE O 413.3 (original issue October 2000, revised issue July 2006), DOE G 430.1-1 is out of date and needs to be replaced. It has been the Department's intent since the July 2006 issue of DOE O 413.3A to issue a series of clarifying and supporting DOE G 413.3 guides. To date, nineteen such guides have been issued or are in the process of being issued.

The proposed Guide supports the Department's *Management Excellence* strategic goal by implementing cost estimating standards that would better inform decision makers. This Guide does not change existing laws, regulations or national standards, and it does not create an undue burden on the Department, nor contradict any of the cost estimating policies or standards being promulgated by the Chief Financial Officer.

**IMPACT:**

The proposed *Cost Estimating Guide* will provide uniform guidance and best practices that describe the methods and procedures required for preparing credible cost estimates for decision makers on capital asset projects and programs.

An advanced draft version of the Guide has already been prepared. Therefore, development of the Guide will not be unduly burdensome and will have minimal cost implications. The Office of Engineering and Construction Management plans to develop a final draft of the proposed DOE Guide by October 2010 for introduction into the Revision and Comment (RevCom) process for DOE Directives. The proposed Guide is scheduled for publication by January 2011.

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Concur: \_\_\_\_\_

Nonconcur: \_\_\_\_\_

Date: \_\_\_\_\_

9-23-10

<u>Standard Schedule for Directives Development</u>	<u>Days</u>
Draft Development (Writer)	60
Process/Post (MA-90)	5
Review and Comment (Interested Parties)	45
Comment Resolution (Writer)	30
Process/Post (MA-90)	5
Concurrence (Writer)	15
Preparation of Final Draft (Writer)	5
<b>Total</b>	<b>165</b>