

The Honorable Dick Cheney  
President of the Senate  
United States Senate  
Washington, DC 20510

Dear Mr. President:

This letter is in response to the annual Competitive Sourcing reporting requirement contained in section 647(b) of Division F of the Consolidated Appropriations Act, for FY 2004, P.L. 108-199. The enclosed report on the Department of Energy's (DOE) Competitive Sourcing program complies with the agency reporting elements outlined in P.L. 108-199 for submitting the annual Congressional Competitive Sourcing Activity Report. In summary, DOE's Fiscal Year (FY) 2004 Competitive Sourcing Activity Report includes cost, savings, Federal full-time equivalent employees (FTEs), and other information on the Department's completed, ongoing, and planned competitive sourcing studies.

The information on DOE's FY 2004 completed, ongoing, and planned studies is provided in the following enclosures:

Enclosure 1 – DOE FY 2004 Competitive Sourcing Activities Summary:  
Completed Competitions

Enclosure 2 – DOE FY 2004 Competitive Sourcing Activity Summary:  
Announced Competitions

Enclosure 3 – DOE FY 2003 Competitive Sourcing Activity Summary: Savings  
and Performance Update

Enclosure 4 – Projected Number of DOE FTEs To Be Announced in FY 2005 for  
Study During FY 2006

Enclosure 5 – Alignment of Human Capital and Competitive Sourcing Initiatives

If you or your staff need any additional information on DOE's Competitive Sourcing Program, please contact Jill L. Sigal, Principal Deputy Assistant Secretary for Congressional and Intergovernmental Affairs, at (202) 586-5450.

Sincerely,

Spencer Abraham

Enclosures

**DEPARTMENT OF ENERGY  
FY 2004 COMPETITIVE SOURCING ACTIVITIES SUMMARY**

**COMPLETED COMPETITIONS**  
(Dollars in Millions)

Competition Description																							
Bureau	Primary Activity Code	Secondary Activity Code	Additional Activity Code	Description of Activity Competed	Type of Competition	Location (State)	# of FTE in study	# of Bids Received	Start Date (Mo/Yr)	End Date (Mo/Yr)	Expected Phase-In Completion Date (Mo/Yr)	Actual Phase-In Completion Date (Mo/Yr)	Source Selection Strategy Used	Winning Provider	FY 2004 Costs	Total Cost All Years	Estimated Savings	Period of estimated savings (in years)	Annualized Savings	Actual Savings (if available)	Saving Methodology: Calculation/Proxy **	Quantifiable Description of Improvements in Service or Performance (if appropriate)	
<b>STREAMLINED COMPETITIONS</b>																							
	K541 Industrial Plant Equipment	T600 Real Property Management		National Nuclear Security Administration (NNSA) Logistics	Streamlined competition with MEO	CA, NM, NV	76	0	06/03 *	05/04	09/04	09/04		in-house government personnel (I/H)	0.274	0.618	6.000	5	1.200				
<b>SUBTOTAL, STREAMLINED COMPETITIONS</b>							76								0.274	0.618	6.000		1.200	0.000			
<b>STANDARD COMPETITIONS</b>																							
	U301 Training Management	U302 Training Administration		Human Resources Training	Standard competition	CA,CO,DC,ID,I L,LA,MD,NM, NV,OH,PA,SC, TN,WA	146	0	07/03 *	09/04	05/05		cost-technical trade-off	in-house government personnel (I/H)	0.153	0.598	33.840	5	6.768				
<b>SUBTOTAL, STANDARD COMPETITIONS</b>							146								0.153	0.598	33.840		6.768	0.000			
<b>DIRECT CONVERSIONS</b>																							
<b>SUBTOTAL, DIRECT CONVERSIONS</b>							0								0.000	0.000	0.000		0.000	0.000			
<b>TOTAL, ALL COMPETITIONS</b>							222									0.427	1.216	39.840		7.968	0.000		

\* FY02/03 Studies originally announced March 2002, reannounced under direction of New Circular A-76 in June and July 2003  
 \*\* DOE policy is to conduct Independent Validation/Verification on completed competitions after the completion of the first year of performance

<b>FY 2004 FIXED COSTS*</b>	1.003
-----------------------------	-------

\*Note: These costs are not competition-specific. The fixed costs reflects labor and benefits of 4 FTEs that work in the Headquarters and are fully dedicated to providing central direction and oversight for DOE's Competitive Sourcing/A-76 Program.

**DEPARTMENT OF ENERGY  
FY 2004 COMPETITIVE SOURCING ACTIVITIES SUMMARY**

Announced Competitions\*  
(Dollars in Millions)

Competition Description											
Bureau	Primary Activity Code	Secondary Activity Code	Additional Activity Code	Description of Activity Competed	Type of Competition	Location (State)	# of FTE in study	Source Selection Strategy Used (If Known)	Start Date (Mo/Yr)	Incremental Costs of Conducting Studies	Anticipated Savings or Quantifiable Description of Improvements in Service or Performance (if available)
<b>STREAMLINED COMPETITIONS</b>											
							0			0.000	0.000
<b>SUBTOTAL, STREAMLINED COMPETITIONS</b>											
<b>STANDARD COMPETITIONS</b>											
	E120 Environmental and Natural Resource Services			<b>Environmental Engineering Services</b>	Standard competition	MD,DC,NM,IL, CO,ID,PA,WV, CA,WY,NV,TN ,WA,LA,SC	684	cost-technical trade-off	09/04	0.000	
	D200 Data Collection and Analysis	D704 Program Monitoring and Evaluation	D707 Program Evaluation	<b>New Brunswick Laboratory</b>	Standard competition	IL	40	cost-technical trade-off	09/04	0.000	
							724			0.000	0.000
<b>SUBTOTAL, STANDARD COMPETITIONS</b>											
							724			0.000	0.000
<b>TOTAL, ALL COMPETITIONS</b>											

**DEPARTMENT OF ENERGY  
FY 2003 COMPETITIVE SOURCING ACTIVITIES SUMMARY**

**SAVINGS & PERFORMANCE UPDATE**  
(Dollars in Millions)

Bureau	Function Competed	Type of Competition	Total Estimated Savings (As reported to Congress in FY03)	Total Performance Period (in years)	Actual Phase-In Completion Date (Mo/Yr)	Actual Accrued Savings	Pd Over Which Actual Savings Accrued (In Years)	Savings Methodology: Calculation/ Proxy	Quantifiable Description of Improvements in Service or Performance (if appropriate)
<b>STREAMLINED COMPETITIONS</b>									
	<b>Civil Rights</b>	Streamlined competition	\$1.500	5	09/03	0.920	1	Calculation	
<b>SUBTOTAL, STREAMLINED COMPETITIONS</b>			\$1.500			0.920			
<b>STANDARD COMPETITIONS</b>									
	<b>Graphics*</b>	Cost Comparison**	\$4.300	5	03/04	0.763	0.750	Calculation	
	<b>Financial Services****</b>	Standard competition	\$31.000	5	04/05***				
<b>SUBTOTAL, STANDARD COMPETITIONS</b>			\$35.300			0.763			

<b>TOTAL, ALL COMPETITIONS</b>			\$36.800			1.683			
--------------------------------	--	--	----------	--	--	-------	--	--	--

\* Independent Verification and Validation is in progress.

\*\* Competition conducted under old Circular A-76

\*\*\* Estimated phase-in date

\*\*\*\*Competition completed in first quarter FY04

**Projected Number of DOE FTEs To Be Announced in FY 2005  
for Study During FY 2006**

The Department of Energy anticipates announcing by the end of FY 2005 an estimated 200-400 FTEs to be subjected to public-private competition in DOE's FY 2006 Competitive Sourcing program.

The Department is employing a sound methodology for identifying potential competitions, nominating potential competition candidates, analyzing nominated candidates through feasibility reviews, executing competitions, and implementing the results. The Federal Activities Inventory Reform Act of 1998 (FAIR Act) commercial activities inventory forms the primary basis for identifying potential candidates for nomination to undergo a feasibility review. A feasibility review, which is not a formal competitive sourcing study, is a preliminary assessment to determine if a "candidate" function meets the criteria for being considered for a standard (12 month) or streamlined (90-day) competitive sourcing study.

Throughout our review processes the Department is ensuring a careful and thorough analysis of all competitive sourcing candidates. The potential scope of the study, mission impacts, risks, costs, estimated return on investment, and timeframe will be considered during the feasibility review process. The feasibility review team(s) will make a recommendation to the Department's Senior leadership on the number, functions, and timeframes for conducting the next round of studies. The Department anticipates announcing its FY 2006 studies by September 30, 2005.

**DOE Competitive Sourcing decision making process alignment with the Strategic Work plan and Human Capital Management**

The Department of Energy (DOE) continues to align and link all initiatives associated with the President's Management Agenda. Specifically, the Human Capital Management (HCM) principles continue to be an integral part of the Competitive Sourcing/A-76 initiative. The Chief Human Capital Officer (CHCO) serves as an advisor to the Department's Competitive Sourcing Executive Steering Group. Each competitive sourcing study is assigned a Human Resource Advisor who reports directly to the CHCO and works closely with the Agency Tender Official and the Most Efficient Organization (MEO) team in developing staffing and organizational designs. Their efforts help to ensure that the existing HCM plans of the organizations currently performing the functions that are under competition are considered in the MEO. The HCM performance measures on restructuring improvements helps ensure that the Department provides optimal service at the lowest cost, with the proper skills, experience and career progression. This is consistent with the intent of the competitive sourcing process. The Department's HCM and Competitive Sourcing Programs both aim to reduce management layers and improve spans of control.

As part of the A-76 continuous improvement effort, the Office of HCM was brought in as an advisor during the Fiscal Year 2004 A-76 study Preliminary Planning phase, known in DOE as the Feasibility Review Process (FRP). Although the focus of the FRP is to identify potential candidates for the next round of competition, the HCM plan and principles play an integral role in determining the progression of candidates toward a competition. Specifically the FRP takes into consideration the Human Capital Plans with regards to demographics, skill gaps, succession planning, knowledge management and the Department's core values (safety, security, environmental stewardship).

Each FRP team presents a full set of recommendations on the scope of the study, the estimated savings, competition type, proposed competition timeline and mission and personnel impacts to include critical skills shortages, organizational imbalances, pending reorganization plans, and potential retirements.

The DOE Labor Management Council is also briefed on the findings of the FRP and their recommendations and comments are provided to DOE Executive Steering Group, chaired by the Deputy Secretary, prior to a final decision to commit a candidate to a competitive sourcing competition.

The Department also implements a communications plan which stresses frequent interaction with employees and customers throughout the competitive sourcing process lifecycle. Such routine communications include a DOE A-76 website ([www.ma.mbe.doe.gov/a-76/](http://www.ma.mbe.doe.gov/a-76/)), an employee hotline, town hall briefings, Department-wide e-mails, periodic newsletters, as well as the use of other communications forums.