Appendix G.1

Policy and Procedures for Reporting Construction Work-In-Progress and Capitlization of JPSS Common Ground System (CGS)

5.1 JPSS Common Ground System (CGS)

JPSS is responsible for polar-orbiting environmental satellite observations for weather, climate, oceans and coasts, and space environments. JPSS Common Ground System (CGS) will support NPOESS Preparatory Project (NPP), JPSS, and other NOAA and non NOAA missions with varying levels of capabilities. The CGS is comprised of the Command, Control and Communications Segment (C3S), Interface Data Processing Segment (IDPS), GRAVITE, and an interface to data consumers. Additionally, the CGS includes incremental capability improvements based on requirements and architecture upgrades driven by the phasing of missions.

5.1.1 Ground System – NPOESS Preparatory Project (NPP)

In 2002, the ground system contract was awarded to Raytheon under TRW Inc. Northrop Grumman became the prime contractor after acquiring TRW Inc. Since NPP was planned as a research satellite designed to prove the concept of and test the NPOESS instruments and sensors in order to reduce risk, the ground system requirements were not as stringent as they would be for an operational satellite. Due to the NPOESS restructure and a possible gap in satellite coverage, the decision was made to use NPP's data operationally in NOAA. The desire to use the data operationally resulted in increased requirements for the ground system.

In February 2011, the CGS property was transferred from the NPOESS Northrop Grumman contract to NASA (Refer to the transition plan). Under the JPSS program, CGS work efforts continued on the existing ground system contract with Raytheon.

The NPP Ground System began pre-launch ground testing in late August 2011 and continued through October 2011. NPP launched on October 28, 2011. Raytheon will perform the full system check-out for 90 days and will handover to NASA (NOAA's acquisition agent). NASA will control the initial operational test phase of the system for 9 to 15 months. The testing period is due to the many technical factors associated with a new satellite series and with converting the system to operational data use. Based on NASA's test plan, an official handover to NOAA will occur no earlier than December 2012.

5.1.2 Summary – Previous Post Development Ground System Activities

Under the previous captialization methodology, once the ground system was completed, pre-launch satellite and instrument ground testing would begin and continue until a satellite was launched. After launch, the contractors performed a full system (satellite and ground system) check-out for 90 days. After contractor check-out, a system handover to NOAA's acquisition agent occured. The acquisition agent performed operational requirements tests for 30 days. Thereafter, an official handover to NOAA (NESDIS/Office of Satellite and Product Operations, OSPO) occurred for the operational management and declaration of acceptance. OSPO

performed satellite operations command and control testing for approximately six months before declaring the system operational.

5.1.2.1 NPP Ground System Capitalization

The NESDIS/OSPO's operation declaration will not serve as the basis for the capitalization of the NPP Ground System (GS). Prior to the launch of NPP, NESDIS and NOAA Finance collectively made the management decision to capitalize the ground system as of the launch date on the basis of technical operation and asset ownership. Specifically, because of the large difference between the NPP GS original design and what is required to use the ground system to process NPP data operationally and subsequent JPSS mission. NOAA agrees that the NPP GS is substantially complete according to program requirements.

This management decision is an exception to the NOAA CWIP Policy and Procedures in that NOAA will not have possession of the system nor declare it operational while under NASA's control. As a result, the exceptions outlined in Appendix E take precedence over the CWIP Policy and Procedures to ensure the reporting of costs, capitalization of costs, and reporting of capital assets are accurate.

Accounting complexities exist due to the JPSS program inheriting assets from prior programs spanning sixteen years (1994-2010) and a final disposition of the prevailing capital assets and program costs. Resolution to these complexities must be resolved in order to accurately report a full cost accounting of assets.

With the decision to accept the NPP GS on the launch date of NPP, JPSS will provide capitalization costs so the ground system can be entered into the property system and depreciation recorded. The following information outlines the costs for the initial ground system capitalization:

- Northrop Grumman/Raytheon costs represent the 50/50 cost share between Air Force and NOAA.
- NASA/ Raytheon costs are NOAA funds.

JPSS will provide a final capitalization for NPP GS once 1) other ground system costs (NPOESS final disposition and FY 2012) and 2) segregation of sustainment costs for the JPSS series are accurately identified.