

<b>Exhibit R-2, RDT&amp;E Budget Item Justification</b>	DATE <b>May 2009</b>
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BUDGET ACTIVITY <b>07 Operational System Development</b>	PE NUMBER AND TITLE <b>0401221F KC-135 Replacement Tanker</b>
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Cost (\$ in Millions)	FY 2008 Actual	FY 2009 Estimate	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate	Cost to Complete	Total
Total Program Element (PE) Cost	29.686	0.000	0.000	0.000	0.000	0.000	0.000	0.000	Continuing	TBD
4927 KC-135 Replacement Tanker	29.686	0.000	0.000	0.000	0.000	0.000	0.000	0.000	Continuing	TBD

The Air Force is preparing for a second competition as a result of the SECDEF's termination announcement of the initial KC-X competition on 10 Sep 08. The program schedule and the budget request presented in these documents represent a notional KC-X program. Any required restructuring of the funding will occur after contract award to align the dollars with the Milestone B approved baseline.

The FY05 Appropriations Bill established a \$100M Tanker Replacement Transfer Fund (TRTF). \$10.2M was used by the Air Force in FY05. The FY08 Appropriations Bill cut \$50M in RDT&E, and moved an additional \$150M of FY08 RDT&E into the TRTF -- \$239.8M remained in the TRTF as of 4thQ FY08. The FY09 Appropriations Bill rescinded the balance of the TRTF.

In FY09, KC-135 Replacement Tanker efforts transferred to PE 0605221F, KC-X, Next Generation Aerial Refueling Aircraft, 5271, KC-X RDT&E, in order to move funds to the correct Budget Activity (BA) to correctly represent the scope of the KC-X Program.

**(U) A. Mission Description and Budget Item Justification**

To recapitalize the aging KC-135 fleet of aerial refueling aircraft, the Air Force considered data from an Analysis of Alternatives (AoA), along with industry input that was provided in response to both a Request for Information and two draft Requests for Proposal. Based on this information, the Air Force concluded that a strategy of full and open competition to select a commercial derivative replacement tanker aircraft would result in a best value tanker contract. The resulting KC-X source selection culminated in a 29 Feb 08 contract award to Northrop Grumman to develop and produce a tanker based on the A330-200. On 13 Mar 08, the Air Force issued a stop-work order to that contract in response to a protest filed by Boeing. On 18 Jun 08, the GAO sustained portions of that protest. On 10 Sep 08, SECDEF announced termination of the KC-X competition. The Air Force is preparing for a second competition. On 6 Apr 09, SECDEF announced the KC-X schedule and funding will be maintained with intent to solicit bids in the summer of 2009.

The Air Force needs to replace its aging KC-135 tankers, which have an average age of 48 years. Replacement of the legacy fleet will take place in three stages, known as the KC-X, the KC-Y, and the KC-Z. The initial KC-X increment will replace roughly one-third of the current capability with the purchase of 179 aircraft. The KC-X will be able to provide fuel to joint and coalition receivers via a boom or drogue system on every mission and will also augment the airlift fleet with cargo, passenger and medical evacuation capabilities.

The KC-X will be able to operate in day/night and adverse weather conditions to enable deployment, employment, sustainment and redeployment of U.S. joint, allied and coalition forces. The KC-X will have navigation and communication equipment for world-wide operations; will have the capability to perform missions in chemical and biological environments; will have the capability to operate in low to medium threat areas and near-high threat areas with self-defense/protection (both active and passive) capabilities; and will have necessary battle space awareness to mitigate survivability threats.

## Exhibit R-2, RDT&amp;E Budget Item Justification

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May 2009

BUDGET ACTIVITY

07 Operational System Development

PE NUMBER AND TITLE

0401221F KC-135 Replacement Tanker

The KC-X development effort will also procure the necessary ground and flight test assets to support developmental/operational test. The program plans to procure four RDT&E aircraft for integration and demonstration of capability that will ultimately be operationally fielded after a successful operational test phase. In addition both aircrew and maintenance Training System Requirements Analyses (TSRA) will be conducted to determine training requirements. Aircrew and Maintenance training systems will be developed and procured via a future trainer-specific source selection, using KC-X funding. A Business Case Analysis will also be conducted to determine if the engines for the production aircraft will be Government Furnished or Contractor Furnished. Initial training and support efforts will be provided via Interim Contractor Support (ICS).

KC-X funding will also support various studies and analyses including support of the international Aerial Refueling Systems and Advisory Group (ARSAG), five-power Future Technology and Aerial Refueling (FTAR) Project, and KC-Y/KC-Z planning activities.

(U) **B. Program Change Summary (\$ in Millions)**

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
(U) Previous President's Budget	114.454		
(U) Current PBR/President's Budget	29.686	0.000	
(U) Total Adjustments	-84.768	0.000	
(U) Congressional Program Reductions			
Congressional Rescissions	-72.726		
Congressional Increases			
Reprogrammings	-9.933		
SBIR/STTR Transfer	-2.109		

(U) **Significant Program Changes:**

The Air Force is preparing for a second competition as a result of the SECDEF's termination announcement of the initial KC-X competition on 10 Sep 08. The program schedule and the budget request presented in these documents represent a notional KC-X program. Any required restructuring of the funding will occur after contract award to align the dollars with the Milestone B approved baseline.

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In FY09, KC-135 Replacement Tanker, efforts transferred to PE 0605221F, KC-X, Next Generation Aerial Refueling Aircraft, 5271, KC-X RDT&E, in order to move funds to the correct Budget Activity (BA) to correctly represent the scope of the KC-X Program.

**Exhibit R-2a, RDT&E Project Justification**

DATE  
**May 2009**

<b>BUDGET ACTIVITY</b> <b>07 Operational System Development</b>				<b>PE NUMBER AND TITLE</b> <b>0401221F KC-135 Replacement Tanker</b>				<b>PROJECT NUMBER AND TITLE</b> <b>4927 KC-135 Replacement Tanker</b>		
Cost (\$ in Millions)	FY 2008 Actual	FY 2009 Estimate	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate	Cost to Complete	Total
4927 KC-135 Replacement Tanker	29.686	0.000	0.000	0.000	0.000	0.000	0.000	0.000	Continuing	TBD
Quantity of RDT&E Articles	0	0	0	0	0	0	0	0		

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**(U) A. Mission Description and Budget Item Justification**

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**Exhibit R-2a, RDT&E Project Justification**

DATE  
**May 2009**

BUDGET ACTIVITY <b>07 Operational System Development</b>	PE NUMBER AND TITLE <b>0401221F KC-135 Replacement Tanker</b>	PROJECT NUMBER AND TITLE <b>4927 KC-135 Replacement Tanker</b>
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The KC-X development effort will also procure the necessary ground and flight test assets to support developmental/operational test. The program plans to procure four RDT&E aircraft for integration and demonstration of capability that will ultimately be operationally fielded after a successful operational test phase. In addition both aircrew and maintenance Training System Requirements Analyses (TSRA) will be conducted to determine training requirements. Aircrew and Maintenance training systems will be developed and procured via a future trainer-specific source selection, using KC-X funding. A Business Case Analysis will also be conducted to determine if the engines for the production aircraft will be Government Furnished or Contractor Furnished. Initial training and support efforts will be provided via Interim Contractor Support (ICS).

KC-X funding will also support various studies and analyses including support of the international Aerial Refueling Systems and Advisory Group (ARSAG), five-power Future Technology and Aerial Refueling (FTAR) Project, and KC-Y/KC-Z planning activities.

(U) <b><u>B. Accomplishments/Planned Program (\$ in Millions)</u></b>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
(U) Non-recurring engineering, RDT&E tanker aircraft and support	0.000		
(U) Test	0.359		
(U) Studies	2.219		
(U) Mission Support	14.108		
(U) Omnibus, Other Sources	13.000		
(U) Total Cost	29.686	0.000	0.000

(U) <b><u>C. Other Program Funding Summary (\$ in Millions)</u></b>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>Cost to</u>	<u>Total Cost</u>
	<u>Actual</u>	<u>Estimate</u>	<u>Complete</u>							
(U) Aircraft Procurement, BP10	0.000	0.000	0.000						Continuing	TBD
(U) MILCON	0.000	0.000	0.000						Continuing	TBD
(U) O & M	1.047	0.591	16.051						Continuing	TBD

In FY09 KC-135 Replacement Tanker, efforts transferred to PE 0605221F, KC-X, Next Generation Aerial Refueling Aircraft, 5271, KC-X RDT&E, in order to move funds to the correct Budget Activity (BA) to correctly represent the scope of the KC-X Program.

(U) **D. Acquisition Strategy**  
The Air Force is preparing for a second competition as a result of the SECDEF's termination announcement of the initial KC-X competition on 10 Sep 08. The program schedule and the budget request presented in these documents represent a notional KC-X program. Any required restructuring of the funding will occur after contract award to align the dollars with the Milestone B approved baseline.

The Air Force needs to replace its aging KC-135 tankers, which have an average age of 48 years. Replacement of the legacy fleet will take place in three stages, known as the KC-X, the KC-Y, and the KC-Z. The initial KC-X increment will replace roughly one-third of the current capability with the purchase of 179 aircraft.

UNCLASSIFIED

Exhibit R-3, RDT&E Project Cost Analysis										DATE May 2009		
BUDGET ACTIVITY 07 Operational System Development				PE NUMBER AND TITLE 0401221F KC-135 Replacement Tanker				PROJECT NUMBER AND TITLE 4927 KC-135 Replacement Tanker				
(U) Cost Categories (Tailor to WBS, or System/Item Requirements) (\$ in Millions)	Contract Method & Type	Performing Activity & Location	Total Prior to FY 2008 Cost	FY 2008 Cost	FY 2008 Award Date	FY 2009 Cost	FY 2009 Award Date	FY 2010 Cost	FY 2010 Award Date	Cost to Complete	Total Cost	Target Value of Contract
(U) <u>Product Development</u> Non-recurring, RDT&E tanker aircraft and support	Cost plus incentive fee	Northrop Grumman	60.599		Feb-08					Continuing	TBD	
Subtotal Product Development			60.599	0.000		0.000		0.000		Continuing	TBD	0.000
Remarks:												
(U) <u>Support</u> Studies and Analysis		ASC/EN/XR, AFVB, Edwards, AFMSS, RAND, ARSAG, FTAR, Eglin, trainers, support contractors	22.018	2.219						Continuing	TBD	
Subtotal Support			22.018	2.219		0.000		0.000		Continuing	TBD	0.000
Remarks:												
(U) <u>Test &amp; Evaluation</u> Test and Planning	n/a	AFFTC, AFOTEC, Edwards AFB, Surviac, Live Fire, JITC, Seek Eagle	3.946	0.359						Continuing	TBD	
Subtotal Test & Evaluation			3.946	0.359		0.000		0.000		Continuing	TBD	0.000
Remarks:												
(U) <u>Management</u> 836 Aeronautical Systems Group	n/a	836 AESG, Wright Patterson AFB	35.974	14.108						Continuing	TBD	
Subtotal Management			35.974	14.108		0.000		0.000		Continuing	TBD	0.000
Remarks:												
(U) <u>AF WH, Omnibus, Other Sources</u> Air Force withhold, Omnibus, Other Sources	na		0.000	13.000						Continuing	TBD	
Subtotal AF WH, Omnibus, Other Sources			0.000	13.000		0.000		0.000		Continuing	TBD	0.000
Remarks:												
(U) Total Cost			122.537	29.686		0.000		0.000		Continuing	TBD	0.000

Project 4927

R-1 Line Item No. 225

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Exhibit R-3 (PE 0401221F)

Exhibit R-4, RDT&E Schedule Profile

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BUDGET ACTIVITY  
07 Operational System Development

PE NUMBER AND TITLE  
0401221F KC-135 Replacement Tanker

PROJECT NUMBER AND TITLE  
4927 KC-135 Replacement Tanker

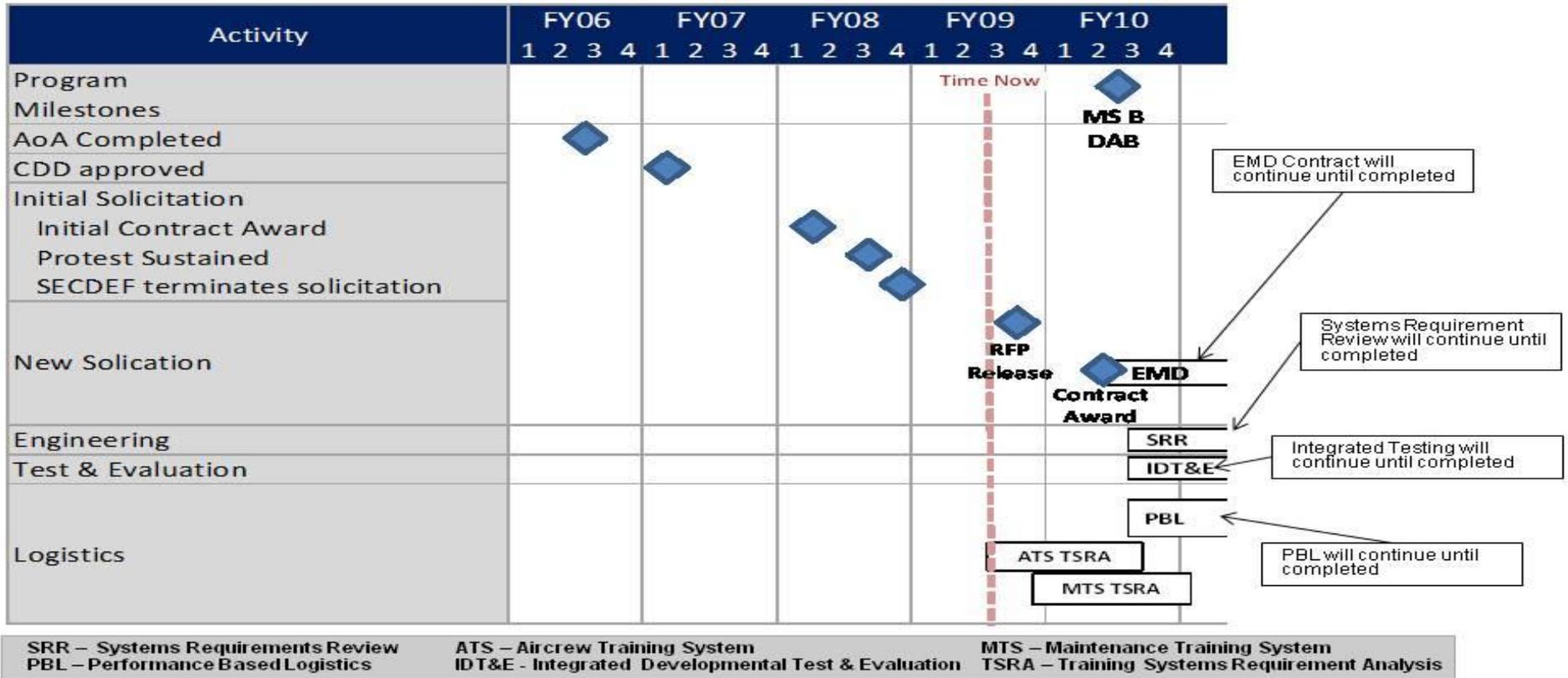


U.S. AIR FORCE



# KC-X Notional Schedule

*Dominant Air Power: Design For Tomorrow... Deliver Today*



<b>Exhibit R-4a, RDT&amp;E Schedule Detail</b>	DATE <b>May 2009</b>
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<b>BUDGET ACTIVITY</b> <b>07 Operational System Development</b>	<b>PE NUMBER AND TITLE</b> <b>0401221F KC-135 Replacement Tanker</b>	<b>PROJECT NUMBER AND TITLE</b> <b>4927 KC-135 Replacement Tanker</b>
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<b>(U) <u>Schedule Profile</u></b>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
(U) Non-recurring engineering, RDT&E tanker aircraft and support			
(U) Test	1-4Q		
(U) Studies	1-4Q		
(U) Mission Support	1-4Q		
In FY 2009, 4927, KC-135 Replacement Tanker, efforts transferred to PE 0605221F, KC-X, Next Generation Aerial Refueling Aircraft, 5271, KC-X RDT&E, in order to move funds to the correct Budget Activity (BA) to correctly represent the scope of the KC-X Program.			

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