



DEPARTMENT OF THE NAVY
SPACE AND NAVAL WARFARE SYSTEMS COMMAND
4301 PACIFIC HIGHWAY
SAN DIEGO, CA 92110-3127

SSC-PAC
J&A No. 17-0246
Originator's Code: 55350

**CLASS LIMITED SOURCE JUSTIFICATION
FOR MICROSOFT PRODUCTS**

1. Agency and Contracting Activity.

Department of the Navy
SPAWAR Systems Center Pacific
53560 Hull Street
San Diego, CA 92152

2. Description of the Action Being Approved.

This acquisition is conducted under the authority of the Multiple Award Schedule Program under Title III of the Federal Property and Administrative Services Act of 1949. This justification is to seek approval for the use of limited sources in accordance with Federal Acquisition Regulation (FAR) Part 8.405-6, Limiting Sources, and to award a single-award Blanket Purchase Agreement (BPA) since the BPA provides only for firm-fixed priced orders for products with unit prices established in the BPA in accordance with FAR 8.405-3(a)(3)(ii)(B)(1). In accordance with FAR Part 8.405-3(a)(3)(iii), this Class Limited Sources Justification (CLSJ) and single award determination are combined into a single document. The proposed action is to use limited sources to procure Microsoft (MS) software licenses, software maintenance (hereafter called Software Assurance [SA]), and subscription licenses and to execute a single-award BPA using the General Services Administration (GSA) Federal Supply Schedule (FSS). All BPA calls, delivery orders, and purchase card orders will be issued against the Agreement in a decentralized manner by warranted Contracting Officers and purchase card holders across the Department of the Navy (DON). Ordering authority under this CLSJ will expire on 31 May 2021.

This action will continue to provide MS licenses (for desktops and servers), SA, and subscriptions to meet the needs of the Naval Enterprise Networks (NEN), the Marine Corps Enterprise Network (MCEN), and many other program, tactical, or command-established networks and stand-alone systems across the DON. Additionally, this action will assist the DON in further reducing the Total Ownership Cost for all programs and organizations that have MS requirements.

The proposed strategy secures licensing at pre-set prices for the Period of Performance (POP) from 1 June 2018 through 31 May 2021. This Agreement will protect the DON-wide \$600M

investment in MS software procured and maintained to date, including device-based Office licenses which may transition during this POP to a web-based Software as a Service (SaaS) delivery model. Pricing must be negotiated to allow for transition of current desktop device-based licensing to the needed user subscription model without duplicating costs for SA and new subscriptions that are not investment products.

The action also supports the follow-on requirement to N66001-15-A-0001, which was a single-award BPA awarded to Insight Public Sector (IPS) Corporation via competition among MS licensing partners (i.e., resellers) who were awarded Department of Defense (DoD) Enterprise Software Initiative (ESI) agreements under the GSA FSS in accordance with Defense Federal Acquisition Regulation Supplement (DFARS) 208.74, Enterprise Agreements.

3. Description of Supplies/Services.

The Agreement will continue to support the DON's existing investment in perpetual desktop and server licenses while ensuring no duplication in costs as the DON transitions to the cloud. This includes supporting all perpetual licenses utilized by the current Next Generation Enterprise Network (NGEN), NGEN-Recompete (NGEN-R), and MCEN as well as other DON-owned network. Furthermore, this Agreement will enable the transition to a secure office productivity suite (Office 365) hosted within a MS cloud environment. The continued acquisition of SA will provide for immediate availability of version upgrades that will help to mitigate any security liabilities that result from cyber security or compatibility concerns or from installed software that is approaching expiration or end-of-life. Additionally, SA provides for extended mainstream support that allows for continued use of product versions well beyond what commercial support provides until the DON has approved the use of new versions on networks. The SA correspondingly provides end-users with deployment planning, virtualization rights, mobility options, unlimited web support, training, and a home use program. SA is included in the purchase price of new products as a standard commercial practice in enterprise agreements and cannot be separated from the licenses.

The DON ESL Agreement for MS will continue to provide a catalog of product offerings that are compatible with, and integrated into, the DON's network infrastructure and will meet the requirements of DON customers/stakeholders. The DON utilizes MS software in the majority of its IT hardware (e.g., servers, desktops, laptops, and other end-user devices) that comprise its IT infrastructure today. Software offered through this ESL Agreement will meet the Government's functional requirements and capabilities of both on premise and off premise environments as listed in Table 1 below.

Table 1 – Software Functional Capabilities

Functional Category	Capability
Business Solutions	Includes financial, auditing, contracting, and customer service software compatible with Windows OS (examples include, but are not limited to:

Functional Category	Capability
	Dynamics Customer Relationship Management [CRM])
Client Access Licenses (CALs) or Bridge CALs	Gives users the right to access the services of a server (examples include, but are not limited to: User or Device CALs for Accessing a Windows, Exchange, Skype, SharePoint or System Center Server)
Developer Tools	Assists programmers and administrators in customizing software options to meet requirements (examples include, but are not limited to: Visual Studio)
Management Tools	Provides configuration management, metrics, and asset tracking (examples include, but are not limited to: System Center Configuration Management)
Office Applications	Email, word processing, spreadsheets, presentation program, database, note taking, desktop publishing, Voice Over Internet Protocol (VOIP), messaging (chat) (examples include, but are not limited to: Office Professional Plus or Office 365)
Operating Systems (OS)	Controls and directs computer operations and programs (examples include, but are not limited to: Windows 10 Enterprise Secure Host Baseline)
Server Software , Desktop Sharing, Virtualization	Provides network access to common and specialty applications and back-up support (examples include, but are not limited to: Windows, Exchange, SharePoint, SQL, Skype, Virtual Desktop Infrastructure [VDI])
SA	Maintenance, version upgrades, extended support, training, transfers, and helpdesk
Utility	Security, firewalls, data restoration, and back-up (examples include, but are not limited to: System Center, Secure Productive Enterprise (SPE), Forefront Identity Protection)
Mobility	Software licenses that can be used across multiple devices (examples include, but are not limited to: Enterprise Mobility Suite)

Table 2 shows the projected costs for new licenses, subscriptions, and SA procurement over the contract POP. Moreover, it demonstrates an increase in operations and sustainment costs due to the increase in subscription costs as the DON transitions to Office 365 subscription-based licensing. Although the DON is transitioning to Office 365, new perpetual licenses are still required for servers and desktops that are not transitioning to Office 365. This estimate was derived from the results of an Independent Government Cost Estimate (IGCE) conducted in 2QFY17. The total estimated value of this action is \$819.84M (including all option years).

Table 2 – Projected Costs (in Millions)

Product	Base Year	Option Year 1	Option Year 2	Total
Operations & Sustainment Costs	(b)(4)			
Perpetual Licenses Costs				
Total Cost				

4. Identification of Justification Rationale.

The authority for the use of limited sources is FAR Part 8.405-6(b), "Items peculiar to one manufacturer." The rationale for selecting this authority is that the use of MS products in the DON infrastructure is so pervasive that implementing any alternative would negatively impact the mission of the DON. MS software is an integral part of the DON IT infrastructure whereby the DON's military, civilian, and contractor personnel who perform IT and business functions utilize these products, tools, and capabilities to execute their missions. See Addendum A for additional information on mission, cost, and schedule risks. This acquisition must be conducted on a brand name basis in order to eliminate a disruption in DON operations and to avoid a substantial duplication of costs that could not reasonably be recovered through a competition at this time based on salient characteristics.

In addition to the aforementioned DON policies, this brand name acquisition is essential for supporting the Government's requirement to meet DoD policies and directives such as:

- DoD mandate for all systems running Windows to upgrade to Defense Information Systems Agency's (DISA) Secure Host Baseline (SHB) version of Windows 10 OS as directed by the Deputy Secretary of Defense (DEPSECDEF) in a memorandum dated 26 February 2016, Subj: "Implementation of Microsoft Windows 10 Secure Host Baseline."
- DoD CIO's 2011 Unified Capabilities Master Plan which implements DoD Instruction (DoDI) 8100.04, DoD Unified Capabilities; this mandates that beginning in FY14, DoD Components shall be responsible for ensuring compliance with the operational framework contained therein. This plan highlights requirements for the unified capabilities vision to include (but not be limited to) collaboration, user mobility, and unified messaging. MS products and Office 365 provide proven secure interoperability between the Services and with other Federal Agencies and work in conjunction to meet these requirements.
- DoD Cloud Computing Security Requirements Guide (CC SRG) published by DISA, details the requirements for Cloud systems hosting data categorized as Impact Level (IL) 4 or 5 which any office productivity suite hosted in the cloud would be required to meet. Office 365 is the only Cloud hosted office productivity suite that meets this requirement. Additional Federal Risk and Authorization Management Program (FedRAMP), DoD Provisional Authorization (PA), and CC SRG information can be accessed at the following DISA link: <https://disa.deps.mil/ext/CloudServicesSupport/Pages/Catalog-DoD-Approved-Commercial.aspx>.

This limited source justification is also seeking approval to competitively issue a single-award BPA to a MS Licensing Partner that has a GSA FSS contract in accordance with FAR Part 8.405-3(a)(3)(ii)(B)(1) and (iv). The BPA will only provide for firm-fixed price orders for products with unit prices established in the BPA. Only a single-award BPA will support the DON transitioning to Office 365 because the price reductions offered for such subscriptions will leverage the substantial investment already made in the underlying perpetual licenses. This interdependency between the investment recognition in perpetual licenses and the pricing offsets

for Office 365 would not be possible with a multiple-award Agreement because, as Licensing Partners compete for every order, the investment would be split between multiple partners making it impossible for the publisher to establish its own agreement with the Licensing Partner and calculate subsequent price reductions. Those unit price reductions and other concessions are established due to economies of scale and streamlined purchasing processes that yield reductions in administrative costs to all parties. The management of software licenses under one Agreement will continue to improve oversight, requirements tracking, and budget validation. These enhancements will also reduce unnecessary license purchases and result in added cost avoidance.

5. Determination of Best Value.

This single-award BPA will be established using the competitive procedures outlined in FAR 8.405-3(b). Best value will be determined on the basis of low price and whether the quote is in compliance with the BPA Ts&Cs per FAR 8.405-3(a)(2). This award will be in compliance with Defense Procurement Acquisition Policy (DPAP) Class Deviation-2014-O0011, entitled "Determination of Fair and Reasonable Prices When Using Federal Supply Schedule Contracts."

Subsequently, and at least on an annual basis, a determination will be conducted in accordance with FAR Part 8.405-3(e) to determine whether the BPA still represents best value and whether more price reductions can be negotiated if estimated quantities have been exceeded. Based on the information provided herein, the Contracting Officer has determined that the proposed action is in the best interest of the Government and will allow the BPA to be established on the basis of best value consistent with the principles described in FAR 8.404(d).

6. Description of Market Research Conducted.

In accordance with DFARS 208.7402, departments and agencies shall fulfill requirements for commercial software and related services, such as software maintenance, through DoD ESI Agreements (see website at: <http://www.esi.mil/>). The DoD ESI also promotes the use of Enterprise License Agreements (ELAs) that allow DoD organizations to obtain favorable terms and pricing for commercial software and related services. The DoD ESI Agreements are BPAs awarded against the FSS, and by utilizing the buying power of the DoD, these Agreements have secured discounts below the GSA Schedule. The DON ESL team reviewed the contracts that DoD ESI has with these resellers and all contracts are considered "Select" Agreements vice "Enterprise Agreements" (EAs). The major difference is that an EA offers platform discounts and better pricing in exchange for a 3-year commitment with one reseller who can provide consistent value-added services within its fixed-price construct.

MS sells its software through GSA resellers, but only offers EAs through their six Licensing Partners. These Licensing Partners include Dell, Insight Public Sector, CDWG, Minburn Technology Group, SHI International Corporation, and Connection Public Sector Solutions (formerly known as GovConnection). Per the GSA e-Library website at: <http://www.gsaelibrary.gsa.gov/ElibMain/home.do>, each of these firms has a current FSS

Contract. Only one of the Licensing Partners is a small business; therefore, no opportunities exist to set the requirement aside for small businesses.

Based on this research, it is determined that there is a reasonable expectation of competition from at least three vendors per FAR 8.405-3(b)(1)(ii)(B)(2). Besides, this requirement will be solicited via the GSA e-Buy tool in accordance with FAR 8.405-3(b)(1)(ii)(B)(1) to "...afford all schedule contractors offering the required supplies or services under the appropriate multiple award schedule(s) an opportunity to submit a quote."

7. Other Facts Supporting the Justification.

As stated in Section 2, the ESL Agreement will continue to support MS products and SA installed on all the desktops and associated servers in use throughout the DON, including major networks under NEN and the MCEN. To replace the existing MS software infrastructure at this time would introduce a substantial duplication of costs to the DON and would violate the DEPSECDEF requirement of 26 February 2016 for U.S. Cyber Command to deploy the MS Windows 10 SHB across the enterprise to strengthen the cyber security posture. This requirement forms the baseline for MS software compatibility on servers and client devices across the network and its related systems (e.g., the use of Outlook for email and for SharePoint portals that are in extensive use throughout the DON). The technical implications of transitioning to alternate OSs and associated applications at this time would contradict DoD direction and create potential cyber security concerns, many of which have already been tested and approved using MS platforms through the Certification and Accreditation (C&A) process.

Both PMW-205 and the Marine Corps have identified 24 different MS products/versions on their Core Software build list for deployment on NGEN desktop or laptop devices throughout the DON. The remaining software that operates the devices (e.g., ActivIdentity, Axway, Attachmate, MacAfee, Java, and other software products) has been tested for compatibility with the MS products. Converting from a MS baseline to a different desktop OS or products would require a whole new series of C&A processes to ensure compatibility with other proven software and mitigate any possible vulnerability.

The NEN is in the process of completing a pilot to determine the feasibility of accessing its Office applications through the MS (or another competitor's) SaaS Cloud environment model. This model provides access to the current Office software through web-based applications on MS's or other Cloud Service Provider (CSP) servers.

8. Actions to Remove Barriers to Future Competition.

The DoD CIO has been facilitating an Integrated Product Team to develop the Enterprise Collaboration and Productivity Services (ECAPS) and DoD Enterprise Office Solutions (DEOS) vehicles that are planned for award in FY18 or FY19 to a Cloud provider that could provide SaaS, Email as a Service (EaaS), Platform as a Service (PaaS), or Infrastructure as a Service (IaaS) technology offerings that comply with the Navy's Cloud First Policy and SRG guidelines for the DoD. Competitors include MS, Oracle, IBM, Amazon, Box, and others. Although there

are alternative products from Apple, Google, and Red Hat (Apache), none of these products meet the required security impact levels. As soon as new products receive DoD PA at IL 4 and 5, then the DON will consider those alternatives as well.

CERTIFICATIONS AND APPROVAL

TECHNICAL/REQUIREMENTS CERTIFICATION:

I certify the facts and representation under my cognizance, which are included in this Justification and its supporting acquisition planning documents, except as noted herein, are complete and accurate.

(b)(6)

Date

DON ESL Team Lead, Customer Support and Strategic Sourcing
Marine Corps Systems Command, PMM-172.4
Phone: (703) 432-7439

(b)(6)

Date

APM-PM, Customer Support and Strategic Sourcing
Marine Corps Systems Command, PMM-172
Phone: (703) 432-7468

REQUIREMENTS COGNIZANCE:

(b)(6)

Date

Program Manager, Customer Support and Strategic Sourcing
Marine Corps Systems Command, PMM-172
Phone: (703) 432-7472

REVIEW FOR LEGAL SUFFICIENCY:

(b)(6)

Date

Associate Counsel
SPAWAR Systems Center Pacific, Code 35100
Phone: (619) 553-4703

CONTRACTING OFFICER CERTIFICATION:

I certify that this justification is accurate and complete to the best of my knowledge and belief.

(b)(6)

Date

Ms. Stacie Sedgwick
Procuring Contracting Officer
SPAWAR Systems Center Pacific, Code 22550
Phone: (619) 553-5587

ACTIVITY COMPETITION ADVOCATE CONCURRENCE:

(b)(6)

Sharon M. Pritchard
Chief of Contracting Office
SPAWAR Systems Center Pacific, Code 2.0
Phone: (619) 553-3200

Date

HEAD OF CONTRACTING ACTIVITY (HCA) COMPETITION ADVOCATE CONCURRENCE:

(b)(6)

Nancy Gunderson
2.0 Director of Contracts
SPAWAR Systems Command
Phone: (619) 524-7014

05 Oct 2017

Date

SENIOR PROCUREMENT EXECUTIVE:

Upon the basis of the above justification, I, as Senior Procurement Executive of the Navy, hereby approve the contractual action described herein using Limited Sources and the execution of a single-award BPA, pursuant to the authority of Federal Acquisition Regulation (FAR) 8.401, Multiple Award Schedule (MAS) Program, pursuant to the authority of Title III of the Federal Property and Administrative Services Act of 1949 (41 U.S.C. § 251, et seq) and Services for Executive Agencies (40 USC § 501).

(b)(6)

Assistant Secretary of the Navy (Research,
Development, and Acquisition)

(Acting)

11/29/2017

Date

* ALL QUESTIONS REGARDING THIS CLSJ ARE TO BE REFERRED TO SHANE MAHELONA, CONTRACT SPECIALIST, SPAWAR SYSTEMS CENTER PACIFIC, PHONE: (619) 553-5663, EMAIL: SHANE.MAHELONA@NAVY.MIL

Addendum A

This Addendum provides additional information regarding cost, mission, and schedule impacts associated with the continued use of MS products in comparison to procuring alternate products that could provide the same (or similar) capabilities. Table A1 summarizes the potential level of impact associated with the transition of the major networks to other competitive alternatives (i.e., Apple, Google, or Red Hat).

TABLE A1 – LEVEL OF IMPACT

Product	Cost Impact	Mission Impact	Schedule Impact
Apple	High	High	High
Google	High	High	High
Red Hat (Apache) OpenOffice	High	High	High

COST IMPACTS:

Cost impacts were estimated for each of the above product alternatives. It is estimated that choosing an alternative software platform other than MS could potentially result in up to \$1,412M in hardware, software, training, and other costs (as shown in Table A2 below); however, none of these alternatives meet the basic DoD directed requirements for the DON's environment. The DoD requirements include the use of the Windows 10 SHB platform and/or the SaaS requirement that meets the FedRAMP and DoD PA security levels (5 or 6) as specified by DISA in 2016.

TABLE A2 – COST ESTIMATES - PERPETUAL LICENSE MODELS

Product	Estimated Costs of Alternative Software
Apple	(b)(4)
Apple Workstations & Software	
Training (End User)	
Training (Sys Admins)	
Mods to Server OS	
Total	
Google	
Google Software Subscriptions	
Training (End User)	
Training (Sys Admins)	
Mods to Server OS	
Total	
Red Hat OpenOffice	
Open Office Software	
Training (End User)	
Training (Sys Admins)	
Mods to Server OS	
Total	

Alternatively, the Navy NGEN BCA for “Navy Marine Corps Intranet (NMCI) Non-Secure Internet Protocol Router Network (NIPRNet) Users” approved by Program Executive Office Enterprise Information Systems (PEO EIS) on 15 March 2017 shows a \$82.5M cost reduction in current hardware and services associated with moving to a MS Cloud environment in FY18 or FY19.

MISSION IMPACTS:

The DON’s military, civilian, and contractor personnel who perform IT functions are primarily trained in the use of MS products, tools, and capabilities. This MS infrastructure serves as the DON’s foundation, enabling it to consistently execute its mission. The DON has successfully ensured the confidentiality, availability, and integrity of its systems by building a defense of its cyberspace that relies upon industry security standards, multi-layered defensive technologies, MS products, and IT personnel training using those products. This progress would be negated if the DON was required to procure and use alternative products that could potentially render significant and irreparable harm through cyber security attacks, Command and Control breakdowns, denial of service, redirection to counterfeited websites (malware), socially engineered emails (Phishing attacks), key loggers, spyware, exposure of Personally Identifiable Information (PII), or an overall loss of network integrity. Personnel who are trained and experienced with MS products (and their use on the DON infrastructure) can take proactive measures to prevent cyber-attacks, and ensure that the DON experiences a shorter recovery time due to any new attacks or other system degradation due to power outages or natural disasters. Loss of this capability through an extended transition period would negatively impact the DON’s mission.

SCHEDULE IMPACTS:

If the DON was no longer required to use only the MS Windows 10 SHB platform or an SRG Level 5 or 6, then it would need to conduct the research necessary to develop and test another standard, secure OS, and associated application software that would provide the capabilities needed by the DON. It is estimated that it would take 18 months to examine the current environment and make recommendations on what alternative products could be implemented in the NGEN environment. This does not include the hours or the impact of evaluating all the tactical or legacy networks that are in place to support the warfighters. Additionally, this affects not only DON networks, but also the DON’s ability to interact with networks operated by other Agencies/Services (e.g., DISA, Army, Air Force, North American Treaty Organization [NATO], etc.).

A transition of this magnitude could not be done simultaneously across the DON. As a result, there would be a 3-year POP within which the current quantity of MS licenses would have to continue to be sustained while transitioning to another publisher’s applications. From research conducted with other Services within the DoD and other federal agencies, MS has not agreed (and will not agree) to any reduction in quantity requirements during a Government Agreement’s POP. Therefore, there would be a duplication of costs as new license costs for other publisher

software would need to be expended at the same time that sustainment costs for MS software would have to be paid during the years of transition.

Tasks defined in the NGEN-R Performance Work Statement that are dependent on having a valid, certified Core Build may be delayed. Any change in the licensing contained in the Core Build would need to be addressed in a contract modification to the tasks affected by it. Enterprise Services, LLC, the current NGEN Enterprise Services contractor, would be unable to stage or deploy equipment as of 1 June 2018 until the secure alternative OS configuration and associated end-user hardware and software were fully certificated and accredited. Both the Navy and Marine Corps NGEN end-user hardware teams would have to redefine their hardware configurations to support alternate platforms and applications. This would impact the timeline for award of the NGEN-R contract in FY18 as the performance work statements for the End User Hardware (EUHW) contract and the Service Management Integration and Testing (SMIT) contract would have to be rewritten.

Additionally, the downstream impact would result in significant delays to the DON in achieving its technical refresh targets and providing timely updates to the warfighter. This same impact would be seen on every other network throughout the DON where its infrastructure is based on a MS platform.