



FACT BOOK

DEFENSE ENERGY SUPPORT CENTER

Fiscal Year 1999

Twenty-second Edition

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DEFENSE ENERGY SUPPORT CENTER
8725 JOHN J. KINGMAN ROAD, SUITE 4950
FORT BELVOIR, VA 22060-6222

FOREWORD

The Defense Energy Support Center Fact Book contains statistical information regarding the Center's business operation. The Fact Book reflects the Center's operational status at the end of FY 99 unless otherwise indicated. The publication is intended to be used for general information purposes only and is not to be considered a source for official communications. We hope you will find it useful.



DEFENSE ENERGY SUPPORT CENTER

HISTORY:

The origin of the Defense Energy Support Center extends back to World War II. Originally it was an entity of the Department of Interior as the Army-Navy Petroleum Board. Its mission was to administer the critical petroleum requirements during World War II. In 1945, it was transferred to the War Department and became the Joint Army-Navy Purchasing Agency.

The Agency underwent several name changes but its mission remained essentially the same until 1962. At that time, it became a part of the consolidated military supply organization, the Defense Supply Agency, now known as the Defense Logistics Agency (DLA). The Center was designated the Defense Fuel Supply Center (DFSC) in 1964 as a single entity to purchase and manage the Department of Defense's petroleum products and coal.

In 1973, DFSC progressed from a wholesale fuel central procurement activity to a more comprehensive mission as the Integrated Materiel Manager (IMM) for the Department of Defense petroleum requirements. Under Phase I, DFSC added management of the acquisition, storage, distribution and sale of fuel with responsibility ending at the Service installation boundary. In 1991 Phase II began, which expanded DLA's ownership of bulk petroleum products to include most bulk storage installations. This effort was divided into two parts, Phase IIA which capitalized aviation fuel and Phase IIB which will capitalize all ground fuels.

In 1990, the DFSC mission was expanded to include the supply and management of natural gas as well as the basic petroleum and coal products. Under this program, natural gas requirements were consolidated and centrally procured with a mission to provide direct supply natural gas to customers when determined more economical than using gas from a local distribution company.

February 11, 1998 marked the beginning of a new chapter in the Center's history with a name change to Defense Energy Support Center. With it came a new mission to build an energy program aimed at moving the Department of Defense out of the management of energy infrastructure and into the management of energy products.

The initiative to deregulate electricity in CONUS added still another mission to DESC. As states deregulate, DESC pursues and awards contracts for electricity services to CONUS DoD and Federal Civilian Agency installations in the same manner as procurements for natural gas.

DESC, despite changes in organization structure and expanded mission continues it's basic mission to support the warfighter and manage the energy sources of the future.

MISSION:

DESC's mission is to provide the Department of Defense and other customers comprehensive energy support in the most efficient manner possible.

**DEFENSE ENERGY SUPPORT CENTER
DIRECTOR'S UPDATE
FY 99**

In FY 99 DESC continued to move toward managing energy products in lieu of managing energy infrastructure. These efforts were demonstrated in partnership, privatization, and automation initiatives. The Center carried out its critical support of the warfighter overseas by providing the necessary fuel to U.S., NATO, and other allies in Kosovo. DESC humanitarian efforts were highlighted by providing fuel for disaster relief efforts in Central America.

The Paperless Ordering & Receipt Transaction Screens (PORTS), a web based application designed to electronically process fuel orders, receipts, and invoices for deliveries to Department of Defense (DoD) customers (except for Air Force customers), began generating orders for contractors in the mid-Atlantic area. The PORTS application is an integral component of the Fuels Automated System (FAS) and DLA electronic mail initiatives.

As part of it's new energy initiative, DESC awarded the federal government's largest Energy Savings Performance contract (ESPC) to Pepco and Viron Energy Services in May 1999. This contract will save an estimated \$4.1 million per year in energy costs with the contractors investing \$67 million into buildings and equipment at five Army installations in the Military District of Washington.

During FY 99, DESC and Fort Bragg agreed to develop a Contractor Owned Contractor Operated automated fuel dispensing facility initiative to solve the problem of aging motor pools and underground storage tanks located at Ft. Bragg, NC. This initiative solved their environmental compliance requirement while providing a significant cost savings to the government. Schofield Barracks, HI and Fort Jackson, SC have followed Ft Bragg's lead and also privatized their fuel dispensing operations.

DEFENSE ENERGY SUPPORT CENTER DIRECTOR'S PLAN FOR FY 00

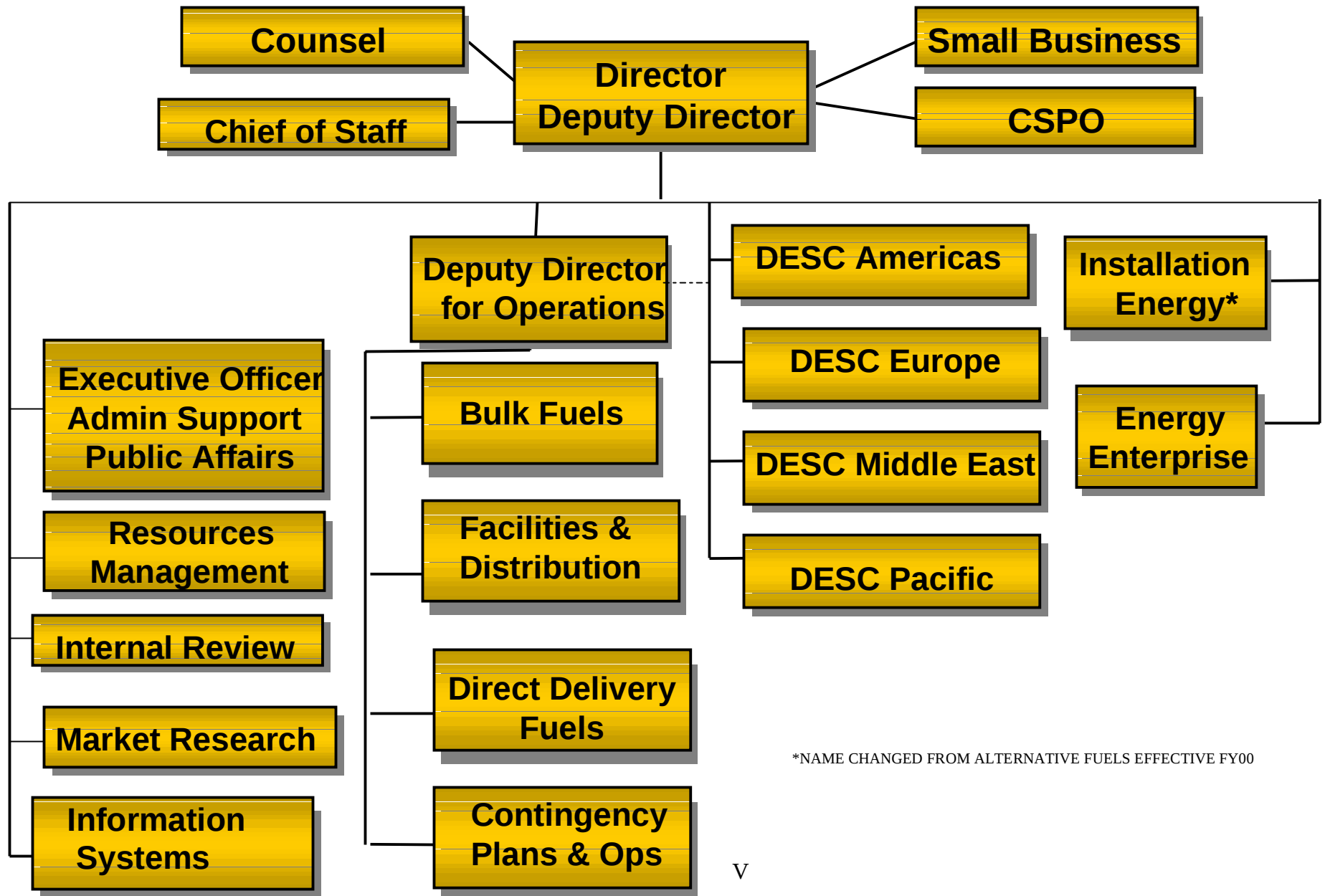
During FY 00, DESC will continue to move toward total energy management through the implementation of automation, privatization, and business process improvements, while at the same time remaining committed to provide the best support to America's military forces worldwide. DESC will seek new opportunities to partner and team with the Military Services, other government agencies, and private industry to acquire and provide the customer with the best value product.

DESC is committed to improving logistic support utilizing the latest techniques of modern warfare information technology. One example is the development of the Bulk Petroleum Contingency Report (REPOL) that provides the Joint Services, Military Service, and DESC with summary information on bulk petroleum inventories, damage to and damage assessment for bulk petroleum distribution systems, and other strategic information pertaining to bulk petroleum support posture.

As the Integrated Material Manager (IMM) for bulk petroleum, DESC will continue to investigate the feasibility of assuming additional petroleum responsibilities from the Military Services. It will be based on making a business case analysis for the most efficient means of performing the function. DESC will also continue to pursue privatization opportunities for fuel dispensing facilities where it is more efficient and economical than using MILCON funding.

DESC will expand its mission to include the consolidation of all DoD regional energy efforts. Through Energy Savings Performance-based Contracts (ESPC), DESC is leveraging private-sector investments and expertise to accomplish energy and cost-saving projects in federal facilities at no net cost to taxpayers. DESC is aggressively working with Military Services and private-sector to implement future ESPC contracts at more installations with high expectations of customer savings.

DESC Organization



*NAME CHANGED FROM ALTERNATIVE FUELS EFFECTIVE FY00

BIOGRAPHY

GARY S. THURBER **Director, Defense Energy Support Center**

Mr. Gary Thurber was appointed the first civilian director of the Defense Energy Support Center in August 1998. As DESC Director, he was responsible for the management of the Center's worldwide acquisition, storage, and distribution of petroleum products for the Military Services and other civilian agencies, as well as alternative fuels such as natural gas, coal, and electricity, and the new total energy management mission assigned to DESC in 1998. In February 2000, Mr. Thurber was appointed to the newly created position of DLA, Executive Director.

Mr. Thurber holds a Bachelor's degree in economics and a Master's degree in business. He is a graduate of the Program Manager courses at the Defense Systems Management College and a graduate of the Stanford University Executive Program.

Mr. Thurber served a tour of duty in the U. S. Army and then spent eight years in the private sector of the aerospace industry, holding positions of manufacturing engineer and program evaluation and review analyst. He entered government service in 1973 and has held positions as contractor operations review administrator, contracts division chief, procurement analyst, and business management specialist. He has held positions with the Defense Logistics Agency, the U.S. Air Force and the Department of Energy. Mr. Thurber was awarded a Presidential Rank of Meritorious Executive Award in 1994, the Department of Defense Civilian Award in 1996, and a Presidential Rank of Distinguished Executive Award in 1997. He is the most senior member of the Senior Executive Service in the Defense Logistics Agency.

BIOGRAPHY

JEFFREY A. JONES

Director, Defense Energy Support Center

Mr. Jeffrey A. Jones was named the Director, Defense Energy Support Center in February 2000. He moved to this position from serving as the Deputy Commander, Defense Logistics Support Command, Defense Logistics Agency (DLA). Prior, Mr. Jones held the position of Executive Director, Logistics Management since June 1995.

From November 1992 until June 1995, Mr. Jones served as Assistant Deputy Under Secretary of Defense (Materiel and Resource Management Policy) for the Department of Defense, representing the Department's views to the Congress and the public, representing the United States in various international arenas, including NATO, and coordinating Department programs for supply management and related activities.

From February through July 1993, Mr. Jones served as Acting Deputy Assistant Secretary of Defense (Logistics) and provided overall direction for DoD logistics during the transition period and the Bottom-up Review. From October 1992 through February 1993, Mr. Jones served as Director, Materiel and Resource Management Policy, and served as the Department's Director, Energy Policy. During May 1992 through October 1992, Mr. Jones also served as Acting Director, International Logistics.

Mr. Jones completed the resident National Security Course of the Industrial College of the Armed Forces (ICAF) in July 1984, moving to the Office of the Secretary of Defense immediately thereafter. Prior to ICAF, Mr. Jones served as Deputy Director, Supply Operations at the Defense Fuel Supply Center, with worldwide responsibilities for military petroleum supply and storage operations.

From 1979-1981 Mr. Jones held positions with Headquarters, U.S. Air Force, having responsibility for supply, equipment, property management, and disposal policy. He joined the Federal Civil Service in 1973 and until 1979 served as a supply systems analyst with the Air Force, developing policies and systems for improved management, materiel, and financial accounting.

A native of California, Mr. Jones currently resides in Fairfax Station, Virginia. He is married and has one daughter.

BIOGRAPHY
COLONEL RAYMOND L. RODON
United States Army
Deputy Director, Defense Energy Support Center

Colonel Raymond L. Rodon was appointed as Deputy Director, Defense Energy Support Center, with the retirement of the former Deputy Director, Colonel Joseph Thomas on 6 December 1999. Prior to this assignment Colonel Rodon served as the Deputy Director for Operations in the Defense Energy Support Center.

Colonel Rodon holds a Bachelor of Arts Degree in Botany from Kent State University and a Master of Science Degree in Administration from Central Michigan University. His military education includes the Infantry Officer Basic Course, Quartermaster Officer Advanced Course, the Logistics Executive Development Course, Command and General Staff College, and the National Defense University-Industrial College of the Armed Forces.

Colonel Rodon commanded the 260th Quartermaster Battalion at Hunter Army Airfield, Georgia In 1990. The Battalion deployed to Saudi Arabia for Operations Desert Shield and Desert Storm, supporting the 24th Infantry Division Combat Team. From 1993 to 1995 he was assigned as the Chief of the Joint Petroleum Office, Directorate of Logistics and Security Assistance, United States Central Command at MacDill Air Force Base, Florida. He served as Commander of the 23rd Quartermaster Brigade from 1995 to 1997 at Fort Lee, Virginia. From July 1997 to August 1998, he was Assistant Executive Director for Disposal Programs, Defense Logistics Support Command, Defense Logistics Agency. His decorations and badges include the Legion of Merit, Bronze Star, Defense Meritorious Service Medal, Army Meritorious Service Medal with Five Oak Leaf Clusters, Army Commendation Medal with one Oak Leaf Cluster, Army Achievement Medal with one Oak Leaf Cluster, and the Parachutist Badge, from Australia and is a recipient of the Distinguished Order of Saint Martin.

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PETROLEUM SUMMARY
(\$ IN MILLIONS)
FY 99

	PURCHASES AT COST	\$3,155.8*
	NET SALES	\$4,033.8**
	ENDING INVENTORY	\$1,665.5

*** INCLUDES PRODUCT, FEDERAL EXCISE TAX, TRANSPORTATION, SERVICES,
DESC OPERATIONS, AND LOSSES**

**** INCLUDES PETROLEUM, NATURAL GAS, AND ELECTRICITY**

SOURCE: DIRECTORATE OF RESOURCES MANAGEMENT

CIVILIAN AND MILITARY END STRENGTHS AS OF 30 SEPTEMBER 1999

	<u>MILITARY</u>		<u>CIVILIAN</u>	
	<u>AUTHORIZED</u>	<u>ON BOARD</u>	<u>AUTHORIZED</u>	<u>ONBOARD</u>
FY 95	81	76	709	676
FY 96	81	76	681	661
FY 97	81	74	654	633
FY 98	82	71	658*	607
FY 99	81	72	649	595

SOURCE: CIVILIAN DATA - DIRECTORATE OF RESOURCES MANAGEMENT - SUMMARY MAN-HOUR/LABOR COSTS DATA REPORT
NO. UPCC770A AND THE ANNUAL OPERATING BUDGET (AOB)
MILITARY DATA - EXECUTIVE SUPPORT OFFICE (DFSC-DEA)

* NEW ENERGY MISSION

OPERATIONS PROGRAM

(\$ IN MILLIONS)

	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>
PERSONNEL COMPENSATION	\$ 36.1	\$ 37.4	\$ 38.3
OVERTIME	.3	.3	.3
MILITARY PAY	7.4	5.1	8.3
TRAVEL	4.2*	4.5*	5.1*
OTHER	<u>64.3**</u>	<u>64.1**</u>	<u>56.7**</u>
TOTAL	\$112.3	\$111.4	\$108.7

AVERAGE COST PER WORKYEAR (\$actual)

\$ 57,500 \$ 60,500 \$ 64,820

* INCLUDES BOSNIA SUPPORT

** INCLUDES COSTS FOR THE FUELS AUTOMATED SYSTEM (FAS)

BALANCE SHEET

DEFENSE WORKING CAPITAL FUND- MATERIEL

(MILLIONS OF DOLLARS)

ASSETS	FY 97	FY 98	FY 99
ACCOUNTS RECEIVABLE	\$ 57.1	\$ 92.3	\$ 143.1
CLAIMS RECEIVABLE	1.3	3.5	2.7
INVENTORIES	\$ 1,691.0	\$ 1,224.0	\$ 1,665.5
UNDISTRIBUTED COLLECTIONS	(28.8)	(30.7)	2.6
PROGRESS PAYMENTS	1.2	14.4	0
TOTAL ASSETS	1,721.8	\$ 1,303.5	\$ 1,813.9
<u>LIABILITIES</u>			
ACCOUNTS PAYABLE	\$ 556.8	\$ 310.9	\$ 496.8
UNDISTRIBUTED DISBURSEMENTS	(100.4)	(123.2)	(62.7)
OTHER LIABILITIES	.5	.6	.7
TOTAL LIABILITIES	\$ 456.9	\$ 188.3	\$ 434.8
<u>NET POSITION</u>			
EQUITY	1,723.8	453.9	603.7
CUMULATED RESULTS OF OPERATION	(459.0)	661.2	1,982.8
TOTAL EQUITY	\$ 1,264.8	\$ 1,115.1	\$ 1,379.1
TOTAL LIABILITIES AND NET POSITION	\$ 1,721.8	\$ 1,303.4	\$ 1,813.9

SOURCE: DEFENSE FINANCE AND ACCOUNTING SERVICE (DFAS-CO-AFEG)

STATEMENT OF SALES

PETROLEUM, NATURAL GAS, AND ELECTRICITY

(\$ IN MILLIONS)

<u>CUSTOMER</u>	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>
U.S. ARMY	\$ 239.3	\$ 266.5	\$ 243.1
U.S. NAVY	1,378.2	1,675.8	1,547.3
U.S. AIR FORCE	2,138.4	2,476.9	2,286.3
U.S. MARINE CORPS	21.9	31.0	27.8
OTHER DoD	8.0	17.4	13.5
TOTAL DoD	\$3,785.8	\$4,467.6	\$4,118.0
 OTHER GOV'T AGENCIES	 \$ 83.2	 \$ 85.0	 \$ 78.4
SUBTOTAL	\$3,869.0	\$4,552.6	\$4,196.4
 FOREIGN GOVERNMENTS	 \$ 12.5	 0	 0
DoD CONTRACTORS	6.4	0	30.0
UNIDENTIFIED ISSUES	0	0	0
 TOTAL GROSS SALES	 \$3,887.9	 \$4,552.6	 \$4,226.4
LESS:			
PRICE REDUCTION ON SALES	\$ 2.0	\$ 2.9	\$ 21.3
MATERIAL RETURNS CREDITS APPLIED	176.2	225.4	171.4
 NET SALES	 \$3,709.7	 \$4,324.3	 \$4,033.7

PETROLEUM

NET SALES BY CATEGORY

(THOUSANDS OF BARRELS)

PRODUCT	FY 97	FY 98	FY 99
BULK			
AVGAS	0	0	0
DISTILLATES & DIESEL	18,213	18,097	18,594
GASOHOL	0	0	0
JP-4, JAB	50	49	28
JAA, JA1	981	1,226	372
JP-5	18,325	17,684	16,207
JP-8	62,292	63,951	66,711
LUBE OILS	32	27	26
MOGAS (LEADED & UNLEADED)	579	561	505
RESIDUALS	<u>170</u>	<u>17</u>	<u>8</u>
SUBTOTAL	100,642	101,612	102,451
INTO-PLANE	3,742	3,344	3,691
PC&S	4,727	4,774	3,712
BUNKERS	<u>2,563</u>	<u>2,608</u>	<u>2,597</u>
TOTAL	111,674	112,338	112,451

SOURCE: DIRECTORATE OF RESOURCES MANAGEMENT - FINANCIAL RECORDS

PETROLEUM PRODUCT COST (\$ IN MILLIONS)

PRODUCT	FY 97	FY 98	FY 99
BULK			
AVGAS	\$.0	\$.0	.0
DISTILLATES AND DIESEL	448.7	332.5	314.1
GASOHOL	0	0	0
JP-4, JAB	1.6	1.1	.9
JAA, JA1	39.4	45.7	22.9
JP-5	491.2	327.1	347.0
JP-8	1,687.3	1,282.5	1,419.1
LUBE OILS	2.6	2.0	2.5
MOGAS (LEADED AND UNLEADED)	16.4	12.8	10.6
RESIDUALS	<u>4.2</u>	<u>1.6</u>	<u>3.7</u>
SUBTOTAL	2,691.4	2,005.3	2,120.8
INTO-PLANE PRODUCTS	167.8	126.0	128.4
PC&S	137.1	89.9	81.7
BUNKERS	<u>71.2</u>	<u>58.6</u>	<u>52.9</u>
TOTAL REFINED PRODUCTS	\$ 3,067.5	\$ 2, 279.8	\$2,383.8

SOURCE: DIRECTORATE OF RESOURCES MANAGEMENT - FINANCIAL RECORDS

PETROLEUM

PURCHASES BY CATEGORY

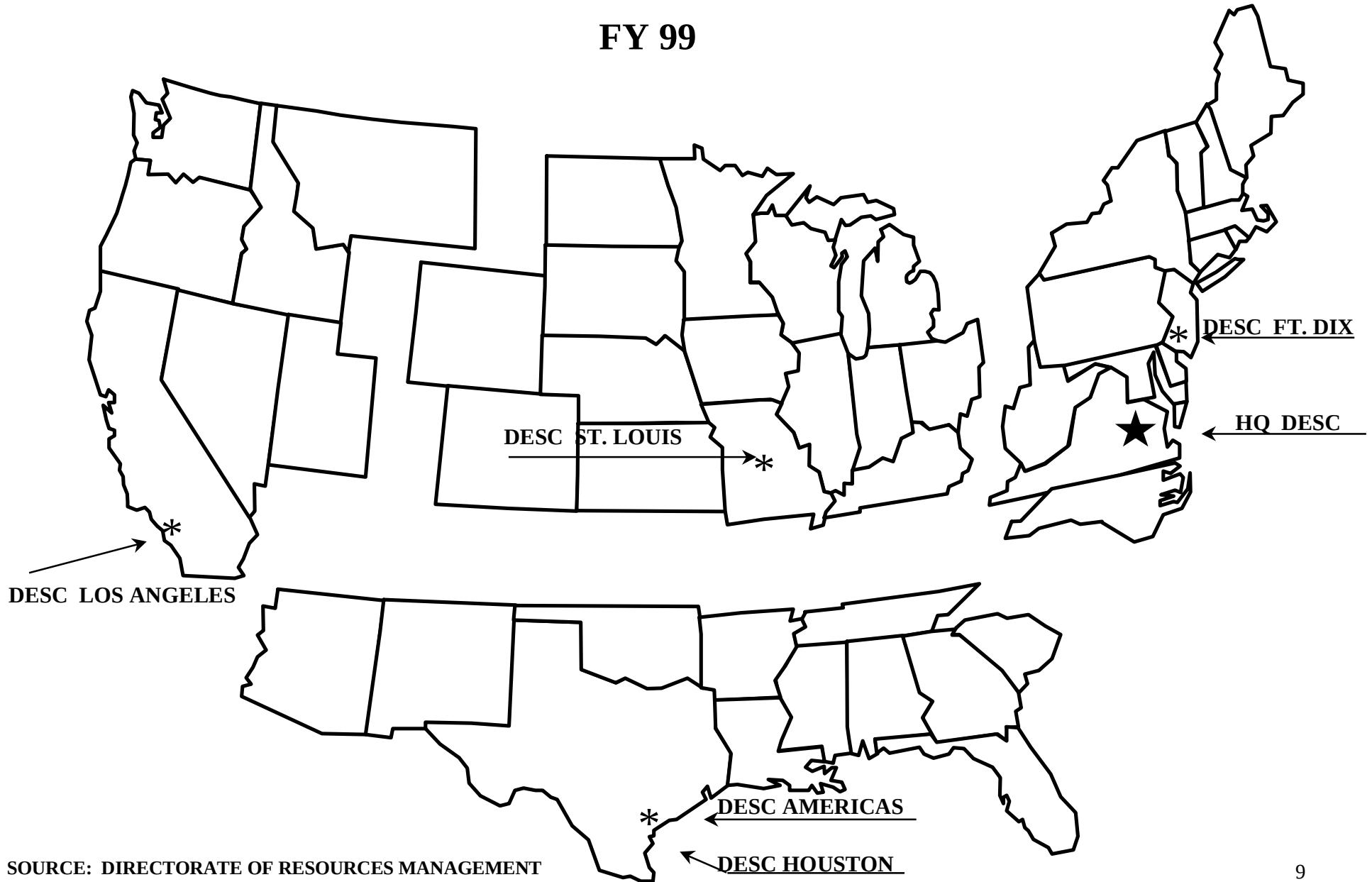
(THOUSANDS OF BARRELS)

PRODUCT	FY 97	FY 98	FY 99
BULK			
AVGAS	0	0	0
DISTILLATES & DIESEL	16,914	16,480	16,068
GASOHOL	0	0	0
JP-4, JAB	50	41	38
JAA, JA1	979	1,394	690
JP-5	17,932	15,989	16,665
JP-8	60,058	61,160	68,551
LUBE OIL	31	24	28
MOGAS LEADED AND UNLEADED	552	540	526
RESIDUALS	<u>230</u>	<u>136</u>	<u>271</u>
SUBTOTAL	96,746	95,764	102,837
INTO-PLANE	3,742	3,336	3,684
PC&S	4,727	3,774	3,709
BUNKERS	<u>2,563</u>	<u>2,608</u>	<u>2,532</u>
TOTAL REFINED PRODUCT	107,778	105,482	112,762

FIGURES REFLECT ACTUAL PURCHASES IN FY 99 (NOT CONTRACT AWARDS)
 SOURCE: DIRECTORATE OF RESOURCES MANAGEMENT – FINANCIAL RECORDS

CONUS DEFENSE ENERGY REGION/OFFICES

FY 99



SOURCE: DIRECTORATE OF RESOURCES MANAGEMENT

NUMBER OF WHOLESALE TERMINALS STORING GOVERNMENT-OWNED FUEL FY 99

<u>TYPE OF OPERATION</u>	<u>ARMY</u>	<u>NAVY</u>	<u>AIR FORCE</u>	<u>DLA</u>	<u>TOTAL</u>
GOVERNMENT-OWNED GOVERNMENT-OPERATED (GOGO)	18	34	180	0	232
GOVERNMENT-OWNED CONTRACTOR-OPERATED (GOCO)	0	19	20	17*	56
CONTRACTOR-OWNED CONTRACTOR-OPERATED (COCO)	0	0	14	27	41
NORTH ATLANTIC TREATY ORGANIZATION (NATO)	0	6	0	8	14
COMMERCIAL PIPELINE	0	0	0	36	36
FLOATING STORAGE	3	18	0	0	21
FOREIGN GOVERNMENT (FG)	<u>0</u>	<u>0</u>	<u>0</u>	<u>13</u>	<u>13</u>
TOTAL	21	77	214	101	413

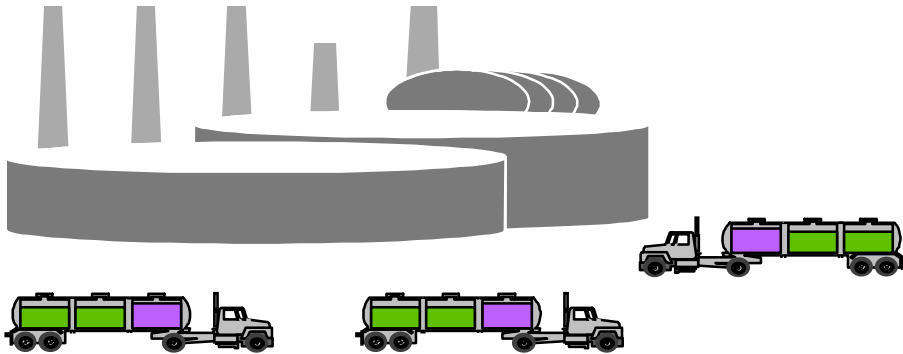
Note: Defense Fuel Support Points as of September 30, 1999

* Includes 3 Service-Managed, DLA-funded GOCOs and 1 GOCO operated by Dept. of Interior GOCOs in caretaker status during environmental cleanup not included in numbers

SOURCE: FACILITIES AND DISTRIBUTION MANAGEMENT COMMODITY BUSINESS UNIT

DLA MANAGED STORAGE CONTRACTS

FY 99

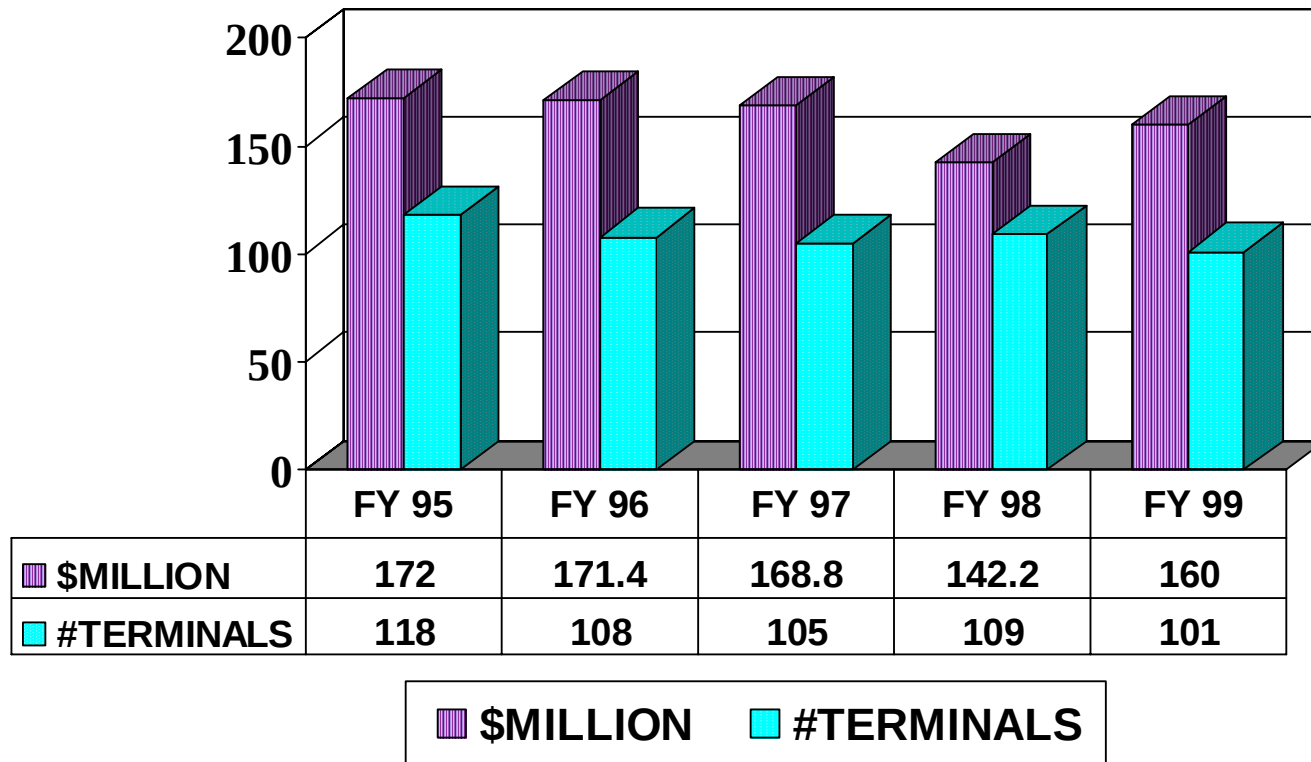


	OCONUS		CONUS	
	NUMBER OF CONTRACTS	BARRELS (Storage Capacity)	NUMBER OF CONTRACTS	BARRELS (Storage Capacity)
COCO	10	8,717,850	15	3,859,750
GOCO	7	1,518,905	7	5,575,314

SOURCE: FACILITIES AND DISTRIBUTION MANAGEMENT COMMODITY BUSINESS UNIT

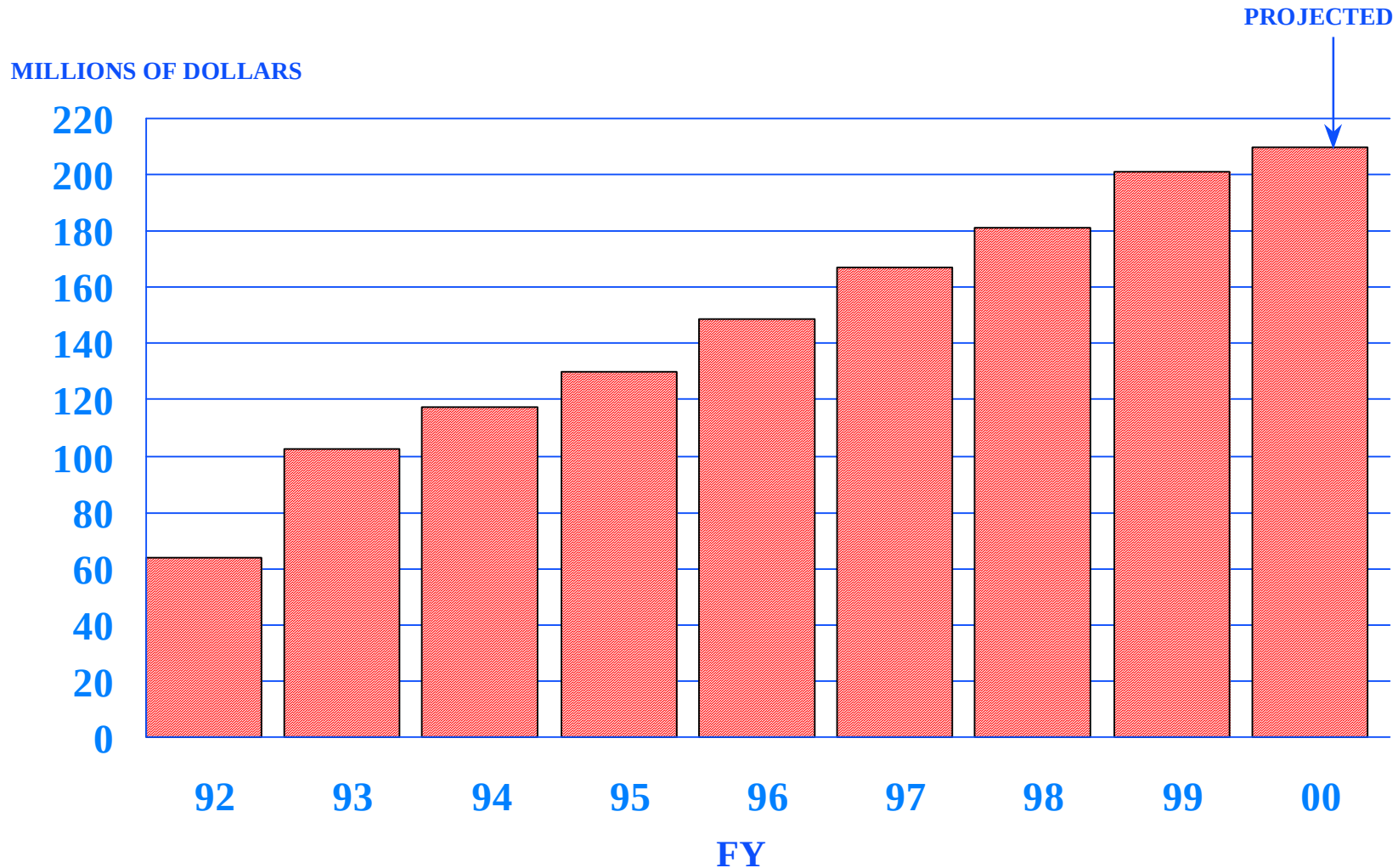
*FIGURES REPRESENT ACTUAL CONTRACTS (NOT TERMINALS)

COST OF DLA FUNDED STORAGE GOGO/GOCO/COCO/FG/NATO



SOURCE: FACILITIES AND DISTRIBUTION MANAGEMENT COMMODITY BUSINESS UNIT

MAINTENANCE, REPAIR, AND ENVIRONMENTAL COSTS



SOURCE: FACILITIES AND DISTRIBUTION MANAGEMENT COMMODITY BUSINESS UNIT

AUTOMATED FUEL DISPENSING FACILITIES CONTRACT COSTS

FY 99 (\$ IN MILLIONS)

FORT BRAGG, NC

- JP-8 & MOGAS: \$4.2

SCHOFIELD BARRACKS, HI

- JP-8, DIESEL & MOGAS: \$4.7

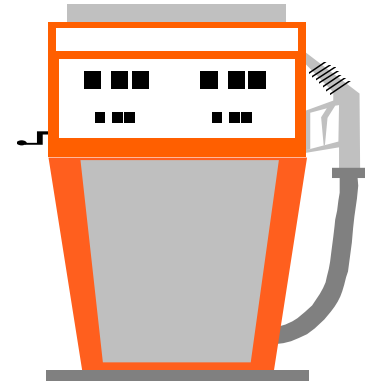
29 PALMS, CA

- JP-8, DIESEL & MOGAS: \$10.4

FORT JACKSON, SC

- JP-8, DIESEL & MOGAS: \$2.1

All contracts are written for five years with three five year options.



FY 99 TRANSPORTATION-CONUS

NUMBER OF BARRELS SHIPPED (MILLIONS OF BARRELS)

DEO	TRUCK	RAIL	PIPELINE	BARGE	TOTAL
HOUSTON	10.2	0.4	33.7	4.4*	48.7
ST. LOUIS	3.3	0	2.4	0	5.7
FORT DIX	2.6	2.1	4.8	5.0*	14.5
LOS ANGELES	1.9	0	10.2	1.6	13.7
TOTAL	18.0	2.5	51.1	11.0	82.6

*Includes Contract Barge Volume

NUMBER OF SHIPMENTS

DEO	*TRUCK	*RAIL	PIPELINE	**BARGE	TOTAL
HOUSTON	38,139	747	791	177	39,854
ST. LOUIS	14,066	0	300	0	14,366
FORT DIX	12,916	4,348	181	620	18,065
LOS ANGELES	9,609	0	867	117	10,593
TOTAL	74,730	5,095	2,139	914	82,878

* Truck and rail modes reflect individual truck or railcar loads

**Includes shipments via contract barges

Ft. Dix truck includes shipments via contract truck



WORLDWIDE TRANSPORTATION

(MILLIONS OF BARRELS)

	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>
BARGE	19.0	13.6	11.0
PIPELINE	59.2	56.9	51.1
RAIL	2.6	2.4	2.5
TRUCK	<u>14.6</u>	<u>16.1</u>	<u>18.0</u>
 CONUS TOTAL	 95.4	 89.0	 82.6
 OCEAN TANKERS	 40.0	 37.4	 48.1
OVERSEAS RAIL CAR/ TRUCK/BARGE	3.6 —	3.5 —	3.3 —
 TOTAL	 139.0	 129.9	 134.0

DEMURRAGE COLLECTED FOR FY99 - \$1.3 million

SOURCE: BULK FUELS COMMODITY BUSINESS UNIT

WORLDWIDE PETROLEUM TRANSPORTATION EXPENSE (\$ IN MILLIONS)

<u>PRODUCT</u>	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>
AVGAS	\$ 0	\$ 0	\$ 0
DISTILLATES & DIESEL	44.3	9.2	49.7
JP-4, JAA, JA1	2.3	.8	2.0
JP-5	44.5	21.0	51.4
JP-8	154.2	76.5	213.1
LUBE OILS	.1	0	.1
MOGAS (LEADED & UNLEADED)	1.4	1.7	1.5
RESIDUALS	<u>.6</u>	<u>.3</u>	<u>.6</u>
TOTAL	\$247.4	\$109.5*	\$318.4

* The FY 98 Total figure of \$109.37 represents actual transportation expenditures of \$244.33 less deobligations of \$134.96.

SOURCE: DIRECTORATE OF RESOURCES MANAGEMENT - FINANCIAL RECORDS

DEMURRAGE COLLECTED

(\$ IN MILLIONS)

<u>FISCAL YEAR</u>	<u>TOTAL</u>	<u>FISCAL YEAR</u>	<u>TOTAL</u>
1999	\$ 1.3	1993	\$ 1.3
1998	\$ 4.2	1992	\$ 3.2
1997	\$ 2.0	1991	\$ 1.4
1996	\$ 1.2	1990	\$ 1.9
1995	\$ 1.8	1989	\$ 2.4
1994	\$.6	1988	\$ 2.4

SOURCE: BULK FUELS COMMODITY BUSINESS UNIT

WORLDWIDE BULK FUEL

ENDING INVENTORY

(THOUSANDS OF BARRELS AND MILLIONS OF DOLLARS)

<u>PRODUCT</u>	<u>FY 97</u>		<u>FY 98</u>		<u>FY 99</u>	
	<u>BARRELS</u>	<u>DOLLARS</u>	<u>BARRELS</u>	<u>DOLLARS</u>	<u>BARRELS</u>	<u>DOLLARS</u>
AVGAS	0	\$ 0	0	\$ 0	0	\$ 0
DISTILLATES & DIESEL	11,533	281.0	9,932	221.1	6,994	179.2
JP-4	1,744	73.8	1,792	63.2	1,760	76.2
JP-5	17,587	435.8	15,587	288.0	14,550	403.3
JP-8	30,988	777.5	28,625	539.2	29,962	806.0
LUBE OILS	27	2.2	14	1.0	27	3.0
MOGAS (LEADED & UNLEADED)	247	11.0	207	6.0	214	7.0
RESIDUALS	21	.4	45	.6	67	1.6
ADDITIVES*		0	11	0	13	0
TOTAL ON-HAND	62,158	1,581.6	56,216	1,119.1	53,587	1,475.2
TOTAL IN TRANSIT	<u>3,916</u>	<u>109.4</u>	<u>3,220</u>	<u>104.9</u>	<u>4,956</u>	<u>190.3</u>
TOTAL	66,074	\$1,691.1	59,436	\$1,224.0	58,543	\$ 1,666.6

* New in FY 96

SOURCE: DIRECTORATE OF RESOURCES MANAGEMENT - FINANCIAL RECORDS

INTERNATIONAL AGREEMENTS

FY 99 (\$ IN MILLIONS)

<u>REGION</u>	<u>#AGREEMENTS</u>	<u>ANNUAL COST (estimated)</u>
DESC-EUROPE	20	\$43.3
DESC-MIDDLE EAST	2	8.9
DESC-PACIFIC	4	8.0
DESC-AMERICAS	2	10.6
TOTAL	28	\$70.8

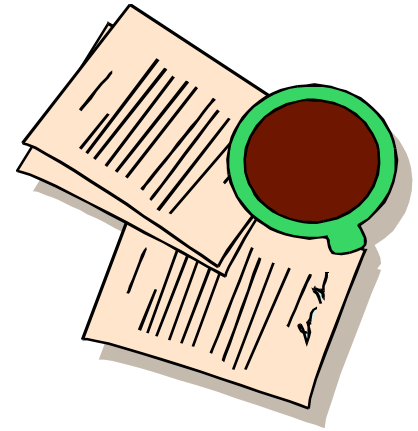
SOURCE: FACILITIES AND DISTRIBUTION MANAGEMENT COMMODITY BUSINESS UNIT

CONTRACT INTRODUCTION

FY 99

NATURE OF DESC PETROLEUM PRODUCT CONTRACTS

- Contracts are requirements and indefinite quantity type contracts.
- Minimum/maximum quantities are defined in the indefinite quantity contracts.
- Minimum/maximum delivery order limitations are defined in both types of contracts.
- Fuel is called forward through delivery orders.
- Contracts contain price adjustment clauses.
- Contract prices are indexed to market price indicators.
- All indicators are carefully selected and tested by the DESC Market Research and Analysis Office.
- Contract prices are adjusted upward or downward as indicators rise or fall.
- DESC pays the contract price in effect on the date of delivery, or as otherwise adjusted in the contract price.



SOURCE: DIRECT DELIVERY FUELS COMMODITY BUSINESS UNIT

FY 99 CONTRACT DATA

	<u>DOLLARS</u> <u>MILLIONS</u>	<u>AWARD</u> <u>ACTIONS</u>	<u>LINE</u> <u>ITEMS</u>
BULK FUEL DIVISION			
DOMESTIC	\$1,253.4	55	124
OVERSEAS	649.8	68	130
BULK LUBES	8.6	13	92
BULK FOREIGN MILITARY SALES	0	0	0
CRUDE OIL	0	0	0
 GROUND FUELS DIVISION			
DOMESTIC	265.7	444*	2129
OVERSEAS	109.7	35	164
 SPECIALTY FUELS DIVISION			
INTO-PLANE	103.0	116	404
BUNKERS	66.1	66	223
 FACILITIES PROCUREMENT DIVISION			
STORAGE	33.4	73	376
ALONGSIDE AIRCRAFT REFUELING	6.9	4	21
UTILITIES	0	0	0
TESTING/SERVICES/FMS	47.2	113	362
 ALTERNATIVE FUELS DIVISION			
NATURAL GAS	164.9	102	462
COAL	27.6	12	21
ELECTRICITY	233.5	33	49
 TOTAL	 \$2,700.7	 952	 3930

* INCLUDES EMERGENCY PURCHASES
 REPRESENTS CONTRACT AWARD DATA FOR FY 99
 SOURCE: Procurement Planning and Support Division, Procurement Oversight Branch

FY99

TOP TEN DESC PETROLEUM CONTRACTORS

(\$ IN MILLIONS)

	<u>AWARD AMOUNT</u>	<u>PERCENT OF TOTAL CONTRACT \$</u>
MOBIL CORPORATION	\$ 207.0	9.1%
EQUILON ENTERPRISES LLC	202.9	8.9%
ARCO PRODUCTS COMPANY	123.4	5.4%
COASTAL REFINING	115.7	5.1%
MOTOR OIL HELLAS	104.5	4.6%
EXXON CORPORATION	92.0	4.0%
CALTEX OIL CORPORATION	87.1	3.8%
REFINERY ASSOCIATES OF TEXAS INC	71.4	3.1%
CONOCO INC	63.0	2.8%
AGIP PETROLI SPA	<u>57.6</u>	<u>2.5%</u>
TOTAL	\$1,124.6	49.3%

ESTIMATED TOTAL PETROLEUM WORLDWIDE \$2,274.7

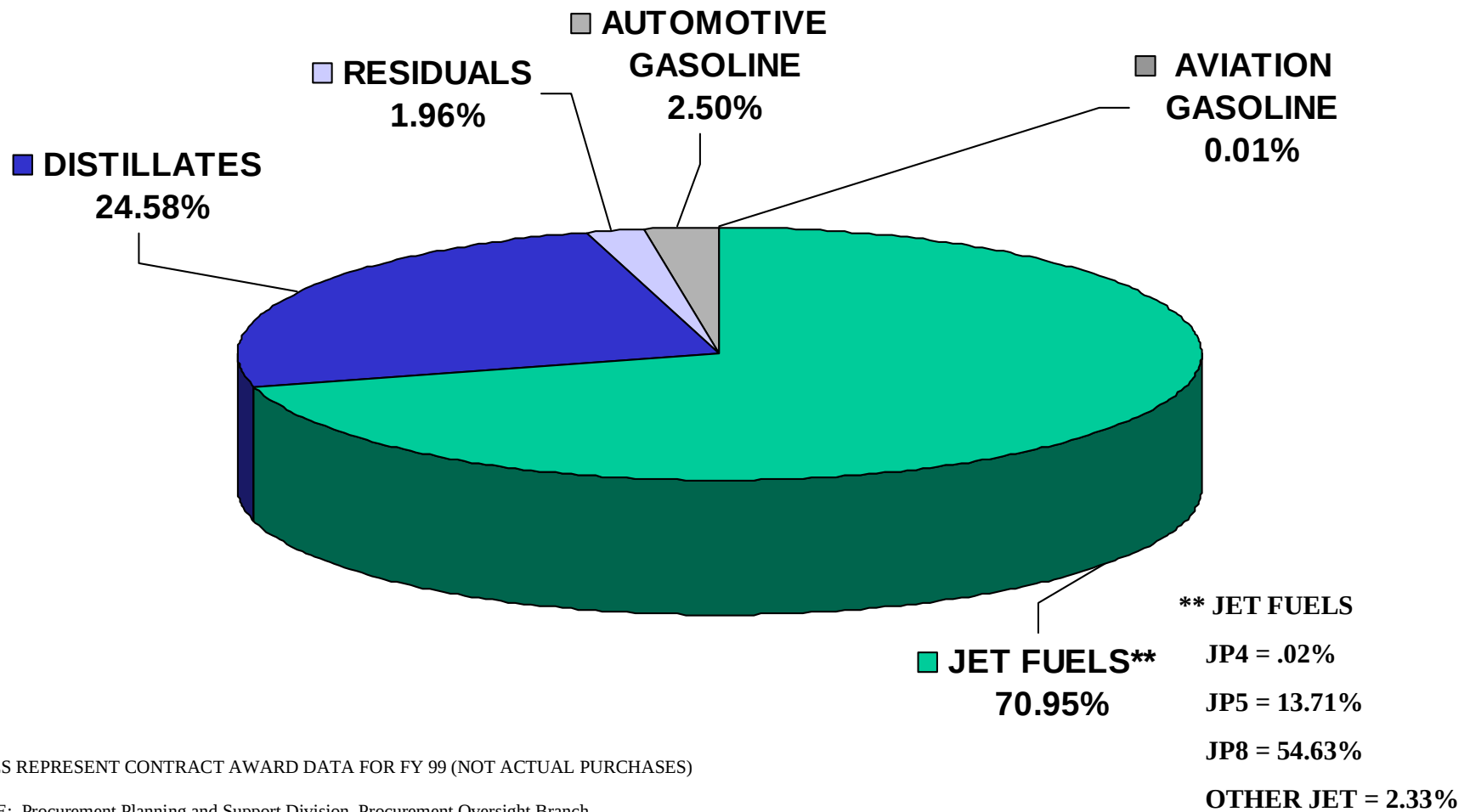
REPRESENTS CONTRACT AWARD DATA FOR FY 99

SOURCE: Procurement Planning and Support Division, Procurement Oversight Branch

FY99
TOP TEN DESC ALTERNATIVE FUEL CONTRACTORS
(\$ IN MILLIONS)

	<u>AWARD AMOUNT</u> (for one contract year)
New Energy	\$ 84.5
Duke Solutions, Inc.	\$ 37.2
Enron Energy Services	\$ 21.4
Uisbelli Coal Mine, Inc.	\$ 16.0
Washington Gas Energy Services	\$ 14.6
Amoco Energy Trading Corp.	\$ 13.7
Aurora Power Resources	\$ 11.6
Statoil Energy Services	\$ 10.0
PP&L EnergyPlus	\$ 8.3
IGI Resources, Inc.	\$ 7.4

**DESC PETROLEUM PROCUREMENT
142.6 MILLION BARRELS
FY 99**



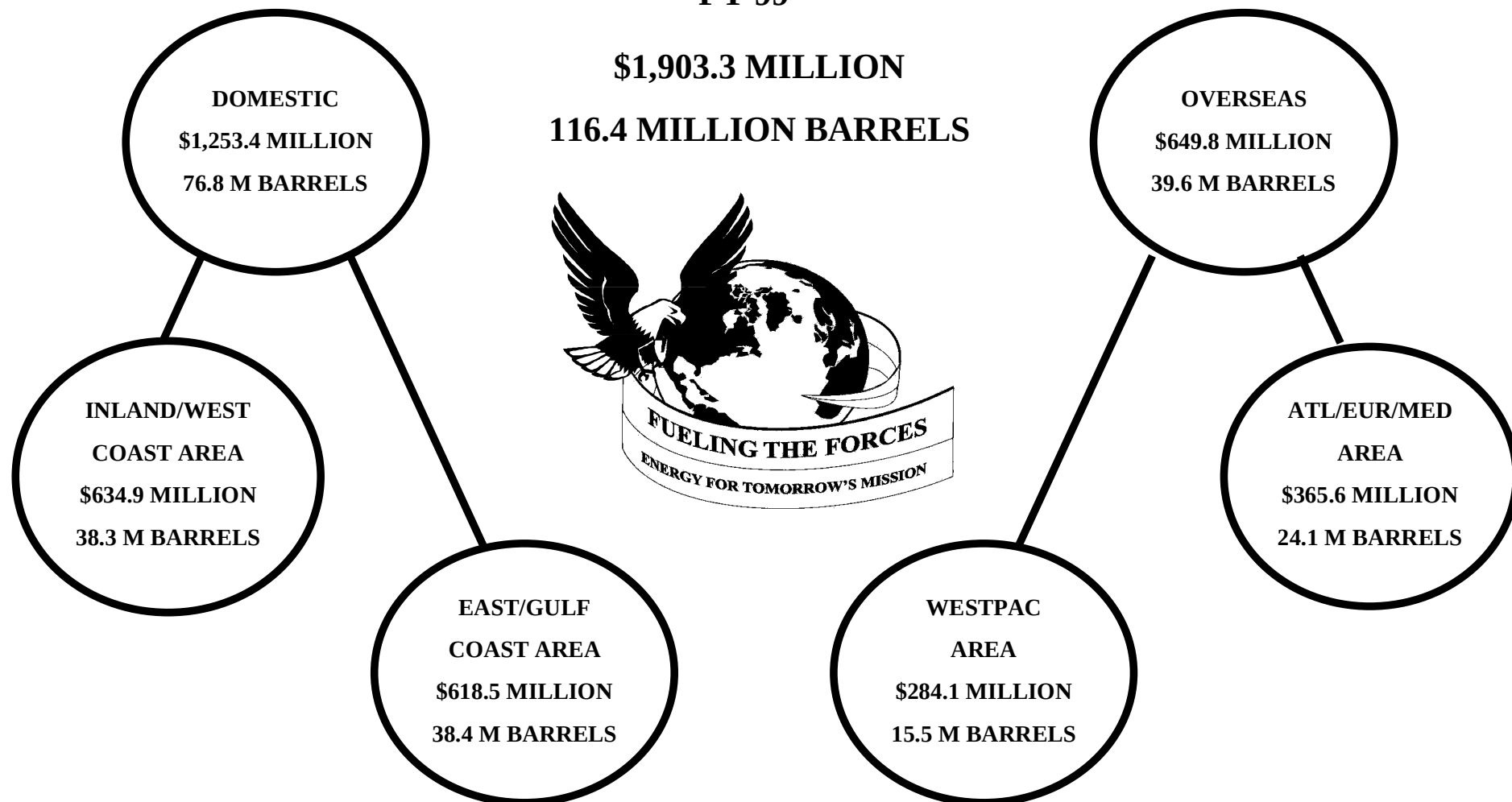
FIGURES REPRESENT CONTRACT AWARD DATA FOR FY 99 (NOT ACTUAL PURCHASES)

SOURCE: Procurement Planning and Support Division, Procurement Oversight Branch

DESC PETROLEUM PROCUREMENT

BULK FUELS DIVISION

FY 99

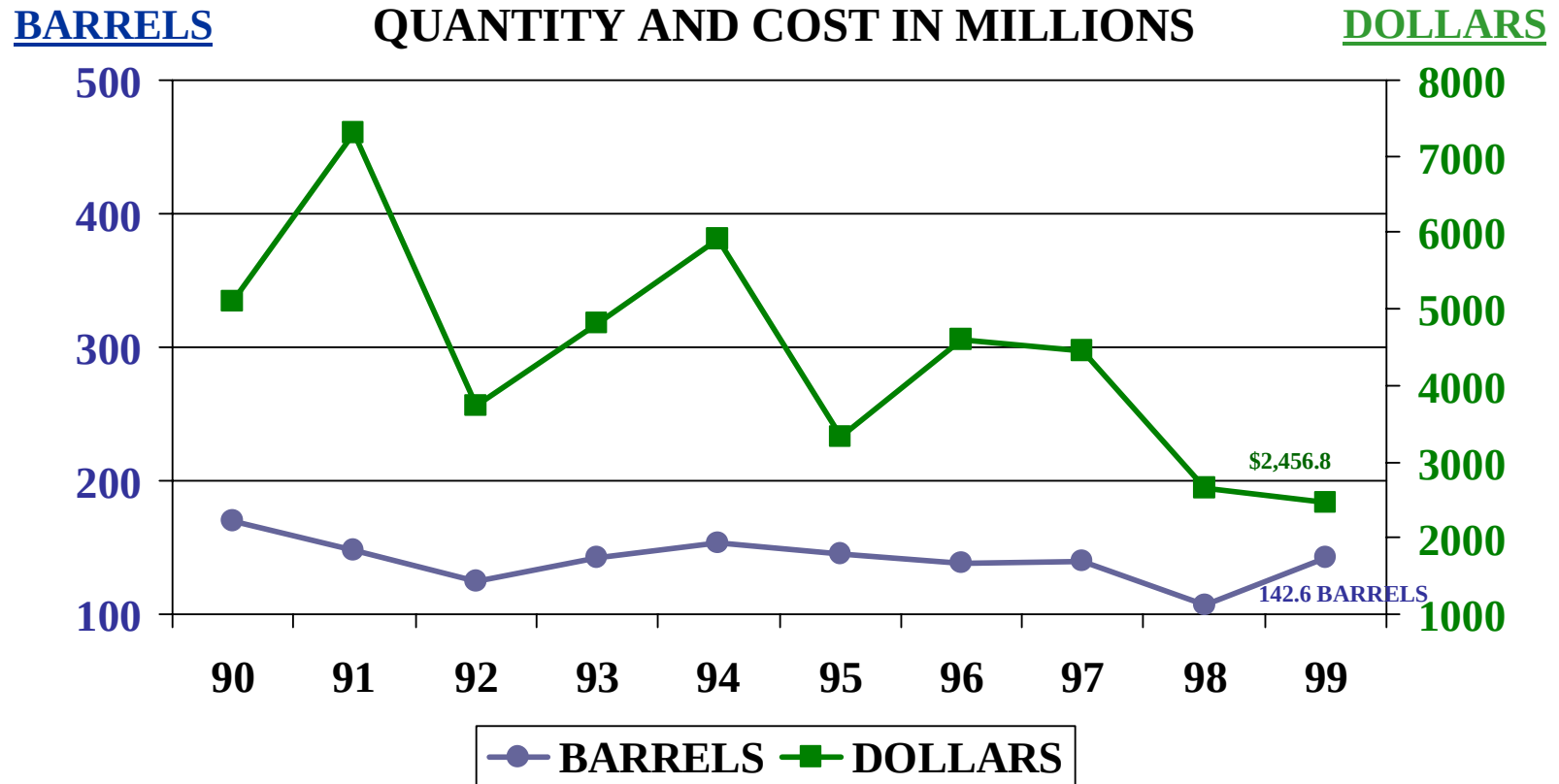


FIGURES REPRESENT CONTRACT AWARDS IN FY 99 (NOT ACTUAL PURCHASES)

SOURCE: Procurement Planning and Support Division, Procurement Oversight Branch

DESC PROCUREMENT FY90 - FY99

PETROLEUM PURCHASES



REPRESENTS CONTRACT AWARD DATA FOR FY 99

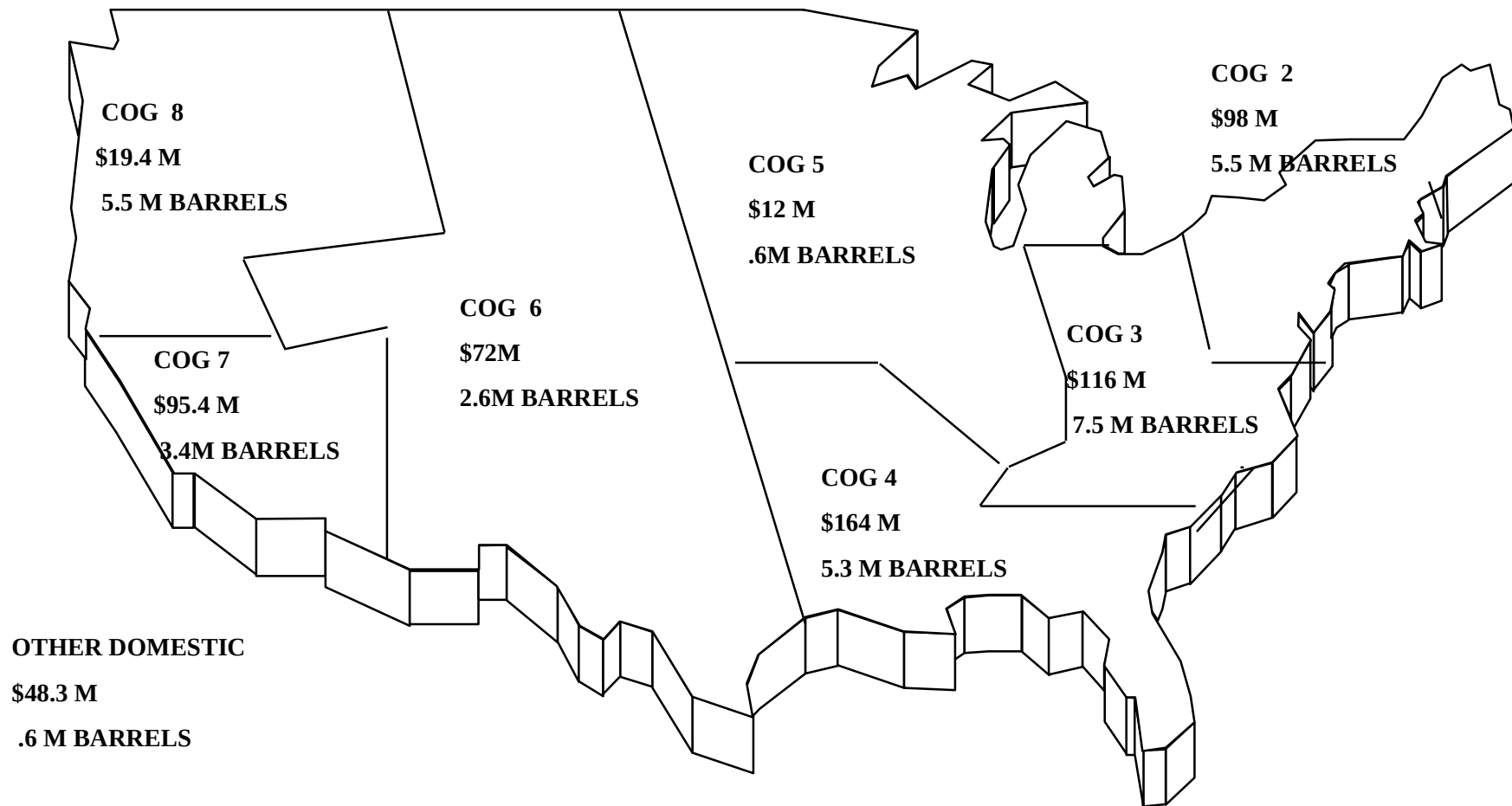
SOURCE: Procurement Planning and Support Division, Procurement Oversight Branch

DESC GROUND FUELS DIVISION

CONUS POSTS, CAMPS AND STATIONS

Customer Organized Groups (COGs)

FY 99



REPRESENTS ACTIVE MULTIYEARCONTRACT DATA AWARDED AS OF 30 SEP 99

SOURCE: DIRECT DELIVERY FUELS COMMODITY BUSINESS UNIT

DESC PETROLEUM PROCUREMENT OCONUS POSTS, CAMPS, AND STATIONS FY 99



- **28 COUNTRIES**
- **63 CONTRACTS**
- **\$311 MILLION**
- **8.9 MILLION BARRELS**

REPRESENTS ACTIVE CONTRACT DATA AS OF SEP 30, 1999

SOURCE: DIRECT DELIVERY FUELS COMMODITY BUSINESS UNIT

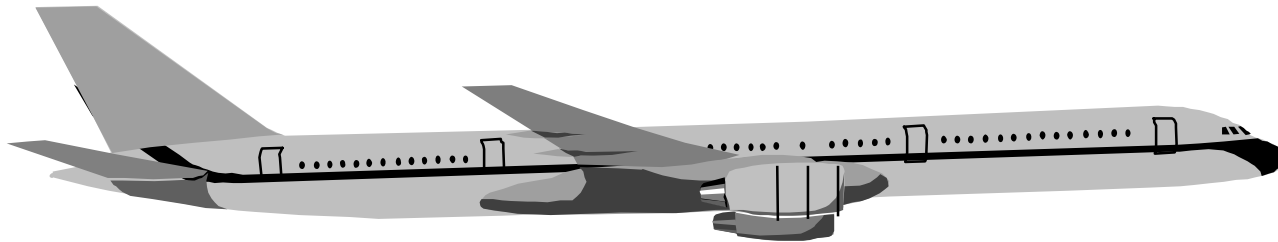
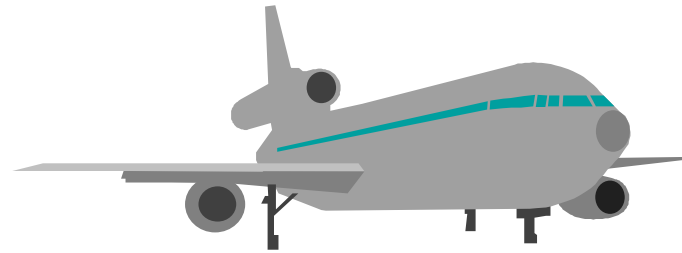
CONTRACT AWARDS

AIRCRAFT INTO-PLANE

FY 99

DOMESTIC

- 306 LOCATIONS SUPPORTED
- 5.95 MILLION BARRELS AWARDED
- \$265 MILLION AWARDED



OVERSEAS

- 173 LOCATIONS (92 Countries) SUPPORTED
- 3.95 MILLION BARRELS AWARDED
- \$173 MILLION AWARDED

REPRESENTS ACTIVE CONTRACT DATA AS OF 30 SEP 1999
SOURCE: DIRECT DELIVERY FUELS COMMODITY BUSINESS UNIT

ALONGSIDE AIRCRAFT REFUELING

FY 99

DOMESTIC

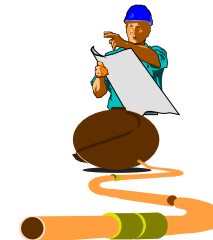
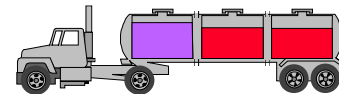
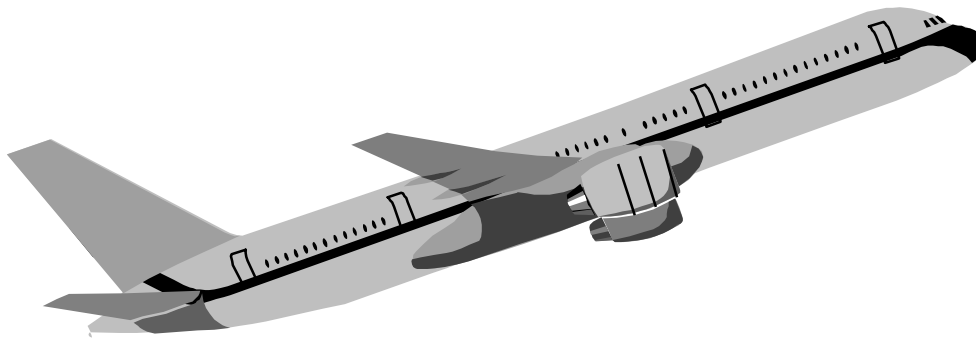
(Includes Multiyear Contracts)

- 24 LOCATIONS
- \$23.7 MILLION IN CONTRACTS

OVERSEAS

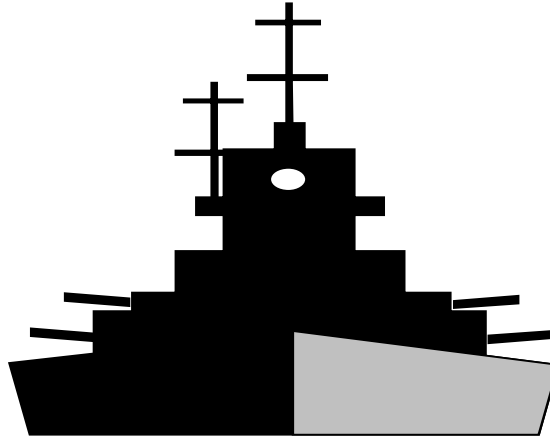
FY99

- SOUDA BAY, CRETE
- \$383,520 IN CONTRACTS



CONTRACTS AWARDED FOR SHIPS' BUNKERS PROGRAM

FY 99



DOMESTIC

- 94 PORTS UNDER CONTRACT
- 3.2 MILLION BARRELS AWARDED
- \$72 MILLION AWARDED

OVERSEAS

- 90 PORTS UNDER CONTRACT
in 51 COUNTRIES
- 7.4 MILLION BARRELS AWARDED
- \$167 MILLION AWARDED

REPRESENTS ACTIVE CONTRACT DATA AS OF 15Oct 99

SOURCE: DIRECT DELIVERY FUELS COMMODITY BUSINESS UNIT

MISCELLANEOUS PROCUREMENT ACTIONS

FY 99

TESTING

15 CONTRACTS

56 LOCATIONS

\$ 809,430

MOORING

YUMURTALIK, TURKEY

\$ 19,800

LABORATORY GOCO

PYONGTAKE, KOREA

\$ 256,369

DOCK SERVICES

PT. TAMPA, FL

\$1,614,978

BUNKER FUELS TESTING

WORLDWIDE

\$ 80,000

NAVY MGO TESTING

WORLDWIDE

\$ 100,000

NUMBER OF OPERABLE DOMESTIC REFINERIES BY SIZE (BY CALENDAR YEAR)

CRUDE DISTILLATION CAPACITY BARRELS/DAY	<u>1982</u>	<u>1990</u>	<u>1992</u>	<u>1994</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	CHANGE <u>1982-1999</u>
LESS THAN 50,000	206	106	96	75	70	62	57	55	-151
50,000 - 100,000	43	39	43	43	40	41	37	42	-1
101,000 - 175,000	30	31	30	29	24	25	26	25	-5
OVER 175,000	<u>22</u>	<u>23</u>	<u>24</u>	<u>25</u>	<u>31</u>	<u>29</u>	<u>31</u>	<u>32</u>	<u>10</u>
TOTAL	301	199	193	172	165	157	151	154	-147

SOURCE FOR 1982 – 1994, 1997, 1999: USDOE

SOURCE FOR 1996, 1998: OIL AND GAS JOURNAL (OGJ)

SOURCE: Procurement Planning and Support Division, Procurement Oversight Branch

SMALL AND DISADVANTAGED BUSINESS UTILIZATION

Dollars in Millions

<u>PREFERENCE PROGRAMS</u>	<u>FISCAL YEAR 97</u>			<u>FISCAL YEAR 98</u>			<u>FISCAL YEAR 99</u>		
	GOALS	PERFOR.	DOLLARS	GOALS	PERFOR.	DOLLARS	GOALS	PERFOR.	DOLLARS
SMALL BUS AWARDS	26.59%	27.0%	\$ 775.0	27.63%	28.20%	\$ 736.6	24.47%	26.60%	\$ 546.2
SMALL BUSINESS SET-ASIDE AWARDS	13.0%	13.6%	\$ 391.4	13.70%	13.00%	\$ 340.9	13.42%	9.90%	\$ 203.1
SMALL DISADVANTAGED BUSINESS AWARDS	6.04%	5..3%	\$ 153.7	6.80%	7.20%	\$ 190.5	5.74%	4.80%	\$ 100.0
DIRECT COMPETITIVE		5.2%	\$149.1			\$ 166.9			\$96.5
SECTION 8(a)		0.10%	\$ 23.1			\$ 23.6			\$ 3.6
WOMAN-OWNED SMALL BUS AWARDS	4.72 -%	1.6%	\$ 47.0	5.00%	1.60%	\$ 41.9	4.87%	.60%	\$ 13.8
HUBZONE SMALL BUSINESS AWARDS							1.0%	0%	*
HISTORICALLY BLACK COLLEGES & UNIV. AWARDS							5.0%	0%	*
TOTAL DOMESTIC AWARDS			\$2,867.4			\$2,610.8			\$2,045.7

Note: All percentages based on total domestic dollars awarded

* This Small Business category was not tracked during FY99.

* * No awards made in this category due to nature of DESC acquisitions.

Natural Gas Program Highlights

Customer Choice

Delivery

Burnertip
Citygate
Pipeline

Reliability

Firm
Limited Interruptible
Interruptible

Contract term

1, 2 or 3 year
Monthly buys

Pricing

Economic Price Adjustment (EPA)
Firm Fixed Price
Capped EPA

Electronic Commerce

DESC-A Homepage: http://www.desc.dla.mil/main/a/home_a.htm
Internet Distribution of Solicitations & Modifications
Prices to WEB
Requirements Manager Database (Pre-FAS)
Bid Evaluation Model (BEM)
Paperless Ordering and Transaction Screen (PORTS) System
Cost Avoidance Database
Electronic Bulletin Boards (EBBs)
Gas Industry Standards Board (GISB)
Oracle Energy Downstream



DIRECT SUPPLY NATURAL GAS PROGRAM SUMMARY FY 99

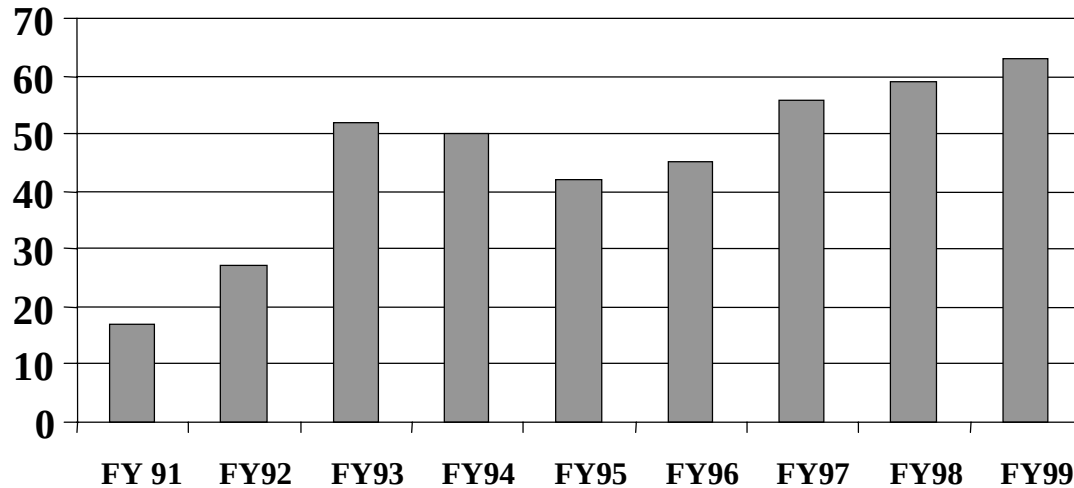
Dollars and Dekatherms (DTH) in Millions

	TOTAL DTH	TOTAL VALUE
DWCF FUNDED	22.5	\$ 61.2
SERVICED FUNDED	34.9	\$ 97.0
TOTALS	57.4	\$158.2

Federal Civilian Agencies

NATURAL GAS PARTICIPATION & COST AVOIDANCE

HISTORICAL PARTICIPATION



FEDERAL CIVILIAN AGENCY

COST AVOIDANCE

FY 91 - FY 99 = \$60.9M

FY 99 Federal Civilian Agency Participants	
DoE	16
GSA	15
Veterans Administration	10
Bureau of Prisons	5
NASA	5
Others	12
Total	63

By partnering with DESC to procure direct supply natural gas, civilian agencies saved over \$10.5 million in FY 99



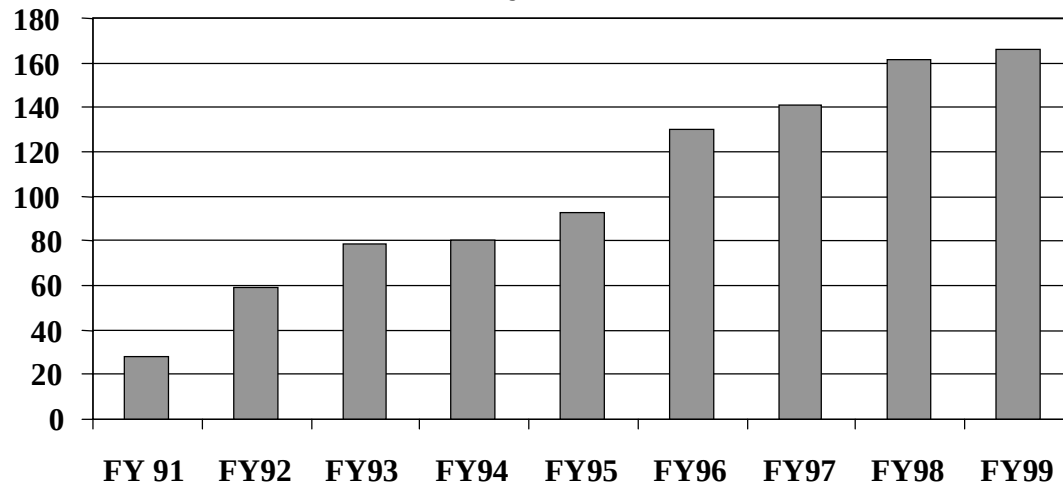
Department of Defense

NATURAL GAS PARTICIPATION & COST AVOIDANCE



HISTORICAL PARTICIPATION

Steady Growth



DoD COST AVOIDANCE
FY 91 - FY 99 = \$191.5M

DoD Natural Gas Cost Avoidance (\$ in millions)

	FY91-98	FY 99	Total
Navy	\$ 56.0	\$ 12.9	\$ 68.9
Army	\$ 55.5	\$ 10.3	\$ 65.8
Air Force	\$ 43.0	\$ 8.2	\$ 51.2
Other DoD	\$ 3.3	\$ 2.3	\$ 5.6
Total	\$ 157.8	\$ 33.7	\$ 191.5

FY 99 DoD Participants

Army	59
Air Force	49
Navy	46
DoD	12

Total	166
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COAL

FY 99

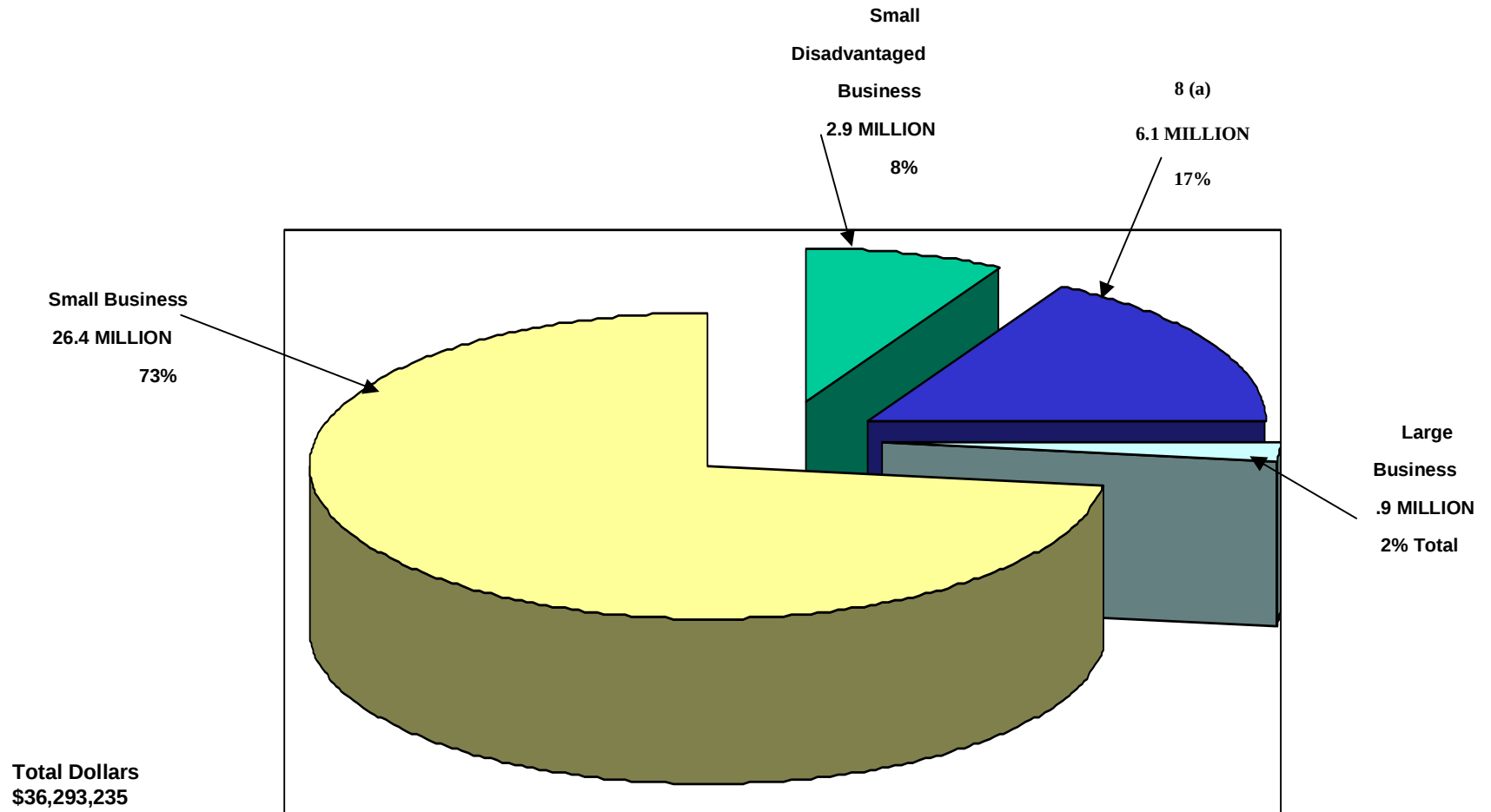
SUMMARY OF PROCUREMENT

	SHORT TONS	REQUIREMENT DOLLARS (in millions)
ARMY	289,584	\$ 13.1
AIR FORCE	323,748	\$ 13.2
NAVY	146,108	\$ 7.6
OTHER	44,400	\$ 2.4
TOTAL	803,840	\$ 36.3

COAL AWARDS

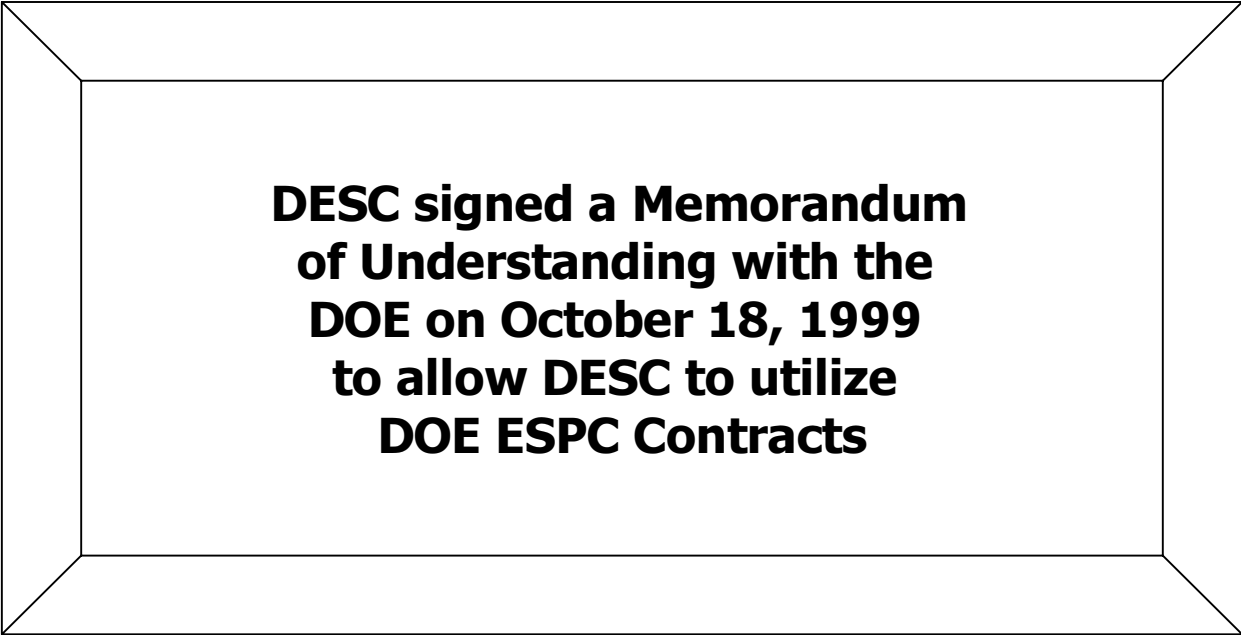
FY 99

DOLLARS AND PERCENT OF TOTAL DOLLARS



Demand Management Efforts

Partnering with the DOE to Increase Customer Support for ESPCs



**DESC signed a Memorandum
of Understanding with the
DOE on October 18, 1999
to allow DESC to utilize
DOE ESPC Contracts**

What is ESPC?

Energy Savings Performance Contracting (ESPC): The ESPC is a contract mechanism that is designed to utilize private industry financing for facility and building improvements that will lower energy consumption. The Energy Service Company (ESCO) guarantees and is only paid for its capital expenditure if energy savings are realized.

Military District of Washington ESPC Contract

- * Includes 5 MDW Installations in VA, MD, & DC
- * Contract signed on 6/29/99 with Viron/Pepco Services
- * Largest single ESPC project to date
- * In excess of \$60 million in contractor investment
- * Approximately 600,000 MMBTUs saved annually

Utility Systems Privatization Support FY 99

DRID 49 Privatization Implementation

- **DESC Services Offered**

- Contracting
- Business management

- **3 Key Regional Demonstrations Underway during FY 99**

- Georgia - solicitation issued for 4 Army installations
- Texas
 - Joint effort - Air Force, Army & Navy
 - Draft solicitation issued for industry comments
- Alaska - joint effort - Air Force and Army

- **DESC Customer Support**

- Working with over 50 installations across the U.S. (176 distribution systems)
- Awarded contracts to perform analysis of base operations

- **DESC value added**

- Dedicated contracting and engineering professionals
- Coordinate regional efforts
- Consolidate and apply lessons learned
- Customize to customer needs

DESC's Competitive Electricity Program

Program Characteristics

- ⇒ Flip of a light switch constitutes an order
- ⇒ Flexible billing options (where available)
 - ⇒ 2 bills
 - ⇒ Consolidated bill from the Contractor
 - ⇒ Consolidated bill from the Utility
- ⇒ Flexible Firm Fixed Price (FFP) contract pricing options
 - ⇒ FFP for all electricity consumed under the contract
 - ⇒ FFP for peak and another for off-peak
 - ⇒ FFP dependent on season
 - ⇒ FFP percentage off the energy credit

Basic Agreements

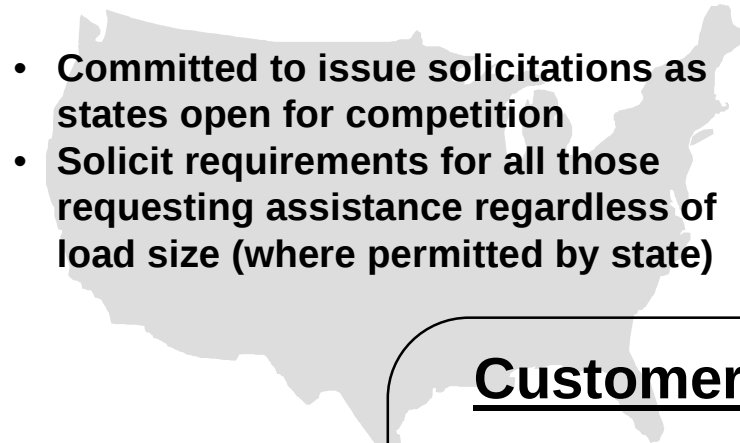
- X Innovative contracting instrument for streamlining the procurement process
- X Currently have 13 Basic Agreements (BA) in place
- X Offerors with BAs need only to submit prices - technical ratings are kept on file
- X Updated at least once a year

DESC's Competitive Electricity Program

Cost Avoidance

California	\$ 695K
California 2nd	\$pending
Illinois	\$pending
New York	\$ 0
Pennsylvania	\$ 157K
Pennsylvania 2nd	\$pending
TOTAL	\$ 852K

- Committed to issue solicitations as states open for competition
- Solicit requirements for all those requesting assistance regardless of load size (where permitted by state)



Customers

Reserves	83
Navy	34
Army	11
DOE	8
Air Force	2
VAMC	2
Other DoD	2
Air NG	1
TOTAL	143

	<u>Solicited</u>	<u>Awarded</u>
California	6,141K MWh	5,340KMWh
California 2	433K MWh	pending
Illinois	776K MWh	pending
New York	576K MWh	0 MWh
New Jersey	517K MWh	pending
Pennsylvania	109K MWh	14K MWh
TOTAL	8,784K MWh	5,354K MWh

DEFENSE ENERGY SUPPORT CENTER HIGHLIGHTS FOR FY 99

DESC Supports Operation Allied Force: The Defense Energy Support Center (DESC) distinguished itself by providing mission essential support to Operation Allied Force during the period from 01 February 1999 to 31 August 1999. During this period, DESC personnel displayed outstanding leadership, superior knowledge, unparalleled professional skills in providing superior logistical fuel support to forward-deployed forces and customers deployed in support of United States forces engaged in Operation Allied Force, Operation Joint Guardian, Task Force Hawk, and Task Force Eagle. Throughout the crisis in Kosovo, DESC provided unprecedented support to the forces by successfully coordinating the procurement, transportation and distribution of a variety of petroleum products into the European theatre. Although fuel requirements expanded to many times greater than normal during Operation Allied Force, DESC employees consistently and efficiently exceeded normal duty performance ensuring flawless support to customer organizations. DESC aggressively sought out and helped calculate accurate requirements and maximum sustained capabilities for each location and coordinated all contracting official and on-site operator efforts to accomplish every mission. These efforts resulted in the establishment and increased fuel support of 22 operating locations. The DESC team, throughout the world, responded consistently and resourcefully with innovative practices to ensure that no mission failures occurred due to fuel support operations during this critical period. By their exemplary performance of duty, the members of Defense Energy Support Center have brought great credit to themselves and to the Department of Defense.

DESC Fuel Automated System (FAS) Update: Fuel Automated System is an Automated Information System (AIS) designed to support DESC and the Military Services in performing their responsibilities in energy management and distribution. FAS provides for point of sales data, collection, inventory control, finance and accounting procurement, and facilities management. FAS consists of the Base Level and Enterprise Level. Installation of the base level software at Phase IIA sites is complete. Installation at Phase IIB sites is continuing. The Enterprise Level consist of Oracle Energy Downstream (OED) and Oracle Government Financial (OGF). FAS is replacing the legacy Defense Fuels Automated Management System (DFAMS) and the Air Force Fuel Automated Management System (FAMS). FAS is expected to be completely fielded by second Quarter FY 01. On May 3, 1999 DESC implemented Oracle Government Financials application in the Bunkers program. The application was placed into production as a "proof of concept".

INSTALLATION ENERGY COMMODITY BUSINESS UNIT (DESC-A)

Direct Supply Natural Gas: In FY 99, the Installation Energy CBU Direct Supply Natural Gas Program (DSNG) increased its customer base by 4% over FY 98 and generated savings of more than \$44,200,000 for those customers by receiving gas supplies from their local utility. The natural gas monthly buy program continues to generate savings for customers in the Northeast and South Regions. During FY 99, DESC saved more than \$12 million for the monthly buy program participants. This is an increase in savings

of 58% over the previous year for this extraordinarily successful portion of the Gas Program. For the first time, the nationwide natural gas acquisition for FY 2000 solicitation and all amendments were issued as a paperless document, with paper copies only provided upon request. The solicitation and its amendments resided entirely on DESC's website, with documents available for downloading in user-friendly formats. The division also utilized a new database, which generates e-mail notifications to the offerors to keep them informed of new documents posted to the web site. In addition, DESC developed the following databases to support the paperless initiatives: 1.) A comprehensive Customer Database which allows quick access to current and potential customers in a multitude of formats; 2.) A Cost Avoidance database that compares installations' costs for gas to their local utility cost and will eventually eliminate more than 1600 manual spreadsheets; and 3.) A "Prices to Web" database implemented in July 1999 to enhance the efficiency and accuracy of monthly price modifications and post them to the Web.

Coal: In FY 99 DESC purchased approximately 804,000 tons of coal (Sub-Bituminous, Bituminous and Anthracite coals) for 24 military and Federal Civilian installations in CONUS, Alaska and Germany. In the FY99 coal purchase for Germany, the DoD Appropriations Act of 1999 lifted the restriction to buy only U.S. sourced coal for U.S. installations in Germany. Therefore, the FY99 coal requirement for 10,000 metric tons of high volatile bituminous coal was solicited unrestricted. As a result, a contract was awarded to a U.S. small disadvantaged business firm, C&P Energy out of Amityville, NY, supplying coal from the Houilleies du Bassin de Lorraine Mine in Merlebach, France. The contractor's use of the European coal source eliminated the overseas transportation costs that are incurred with coal from U.S. sources and reduced the lead-time for delivery resulting in a \$473,000 cost savings.

Electricity Procurement Initiative: DESC has been active in all states in which competitive electricity acquisition is permitted. DESC issued a combined solicitation for the requirements of all DoD installations in New Jersey (3 Army, 2 Navy and 1 Air Force), 3 Army installations in Pennsylvania, 83 Army Reserve locations and several Federal Civilian Agencies. This solicitation resulted in three contracts awarded for an estimated 278,794 Megawatt hours and over \$900,000 in anticipated savings. As the electricity industry continues to restructure and additional states open their markets to Retail Open Access, DESC continues to refine the way we conduct business. Basic Agreements (BAs) with industry participants were expanded from a small three region focus to include the entire national grid. By establishing BAs with 12 potential suppliers (with more anticipated as the market matures), the acquisition lead time and transaction costs for competitive electricity procurements has been significantly reduced. With BA's in place DESC can conduct a solicitation, from receipt of requirements to award decision in as little as 6-8 weeks. DESC utilizes industry standard ordering procedures, which requires no more installation effort than is currently needed and we provide our customers' with an acquisition strategy tailored to the specific utility in which the installation is located

BULK FUELS COMMODITY BUSINESS UNIT (DESC-B)

Bulk Fuels Implements Plan to Reduce Fuel Inventories: As a result of a DoD Inspector General finding, the Joint Staff directed DESC to develop a strategy to draw down bulk petroleum inventories that were found to be excess to Department of Defense (DoD) requirements. Given the magnitude of the excess bulk petroleum inventories, the DESC strategy called for this task to be accomplished over a three year period, from fiscal year (FY) 1999 through FY 2001. A total of 9.7 million barrels of bulk petroleum inventory is labeled as excess or “transition stock”. In FY 1999, DESC began the year with a total 59.7 million barrels of worldwide bulk petroleum inventory. The FY 99 drawdown goal was 2.4 million barrels but DESC actually reduced a total of 4.8 million barrels of bulk petroleum inventory in FY 1999. These stocks were located in the European theater of operations, specifically at fuel terminals in Scotland, Norway, Sardinia (Italy), and Eastern Turkey. This caused DESC to dip well below its target FY 1999 inventory objective of 57.3 million barrels, a problem further exacerbated by the petroleum demands associated with Operation Allied Force. However, DESC was able to use stocks purchased for this operation to reconstitute the inventory to prescribed levels before the end of the fiscal year.

Closure of DFSPs on Spanish Pipeline: DESC closed DFSPs La Muela and Loeches on the Spanish Pipeline system as part of optimization studies. DESC-B recommended to sell product that could not be economically returned to a consuming activity over other alternatives originally agreed. This sale netted over \$11 million.

Apple Jelly, an Unsolved Mystery: A joint Service and DESC investigation into the causes of disarmament of aviation turbine fuel filter coalescers continues. The incidents occur sporadically, primarily during periods of colder weather. A gelatinous mixture coating the coalescers causes the disarmament. This results in frequent filter changes that are costly and labor intensive. DESC is working with filter manufacturers and ASTM D2 Aviation Fuels subcommittee in order to determine the cause. Once the cause of the phenomena is identified effective controls will be established.

Quality edges into the millennium: _DESC-BQ developed several quality support databases to be made available on the web. The LABORATORY CHECKBOOK was developed to provide DESC field QSRs with an automated tool to track services ordered from DESC commercial laboratory testing contractors. It provides funds management capabilities for both the QSR and the program manager. Conversion to a web based application will be completed in the first quarter FY00. Other databases will be converted for use in FY00.

DESC Employee Receives DOD Individual Standardization Award: Richard Brawley (DESC-BPE) received the individual Defense Standardization Program Award in 1999 for DLA for his accomplishments in the standardization arena in 1998. Mr. Brawley was recognized for his efforts in coordinating with the Services to convert MIL-STD-1548, used in DESC into-plane contracts, to industry standards. The plan is to fully convert to industry standards in three years.

ENERGY ENTERPRISE OFFICE (DESC-E)

DESC and Utility Systems Privatization Support: Defense Reform Initiative Directive (DRID) #49, issued in December 1998, extended the deadline for the Military Departments to privatize their utility distribution systems from January 1, 2000 to September 30, 2003. In addition, DRID #49 tasked the Military Departments to work together and with DESC to accomplish at least one joint, regional privatization effort. To date, DESC has initiated three regional demonstrations with the Military Departments. The three regional programs are located in the states of Texas, Georgia, and Alaska and involves DESC assistance to a total of 19 installations (involving 55 utility distribution systems). DESC continues to provide contracting and some limited technical support to a number of other Army and Air Force customers located throughout the United States. This support involves nearly 100 additional utility distribution systems.

DoD Energy Management Information System: The Office of Secretary of Defense (OSD) tasked DESC-E to develop a database to provide quick response to energy conservation and demand management data calls. As a result, DESC-E is developing the Energy Management Information System (EMIS). The EMIS database is a system designed to store and manipulate data, and to generate reports in compliance with the Energy Policy Act (EPA) of 1992, the National Energy Conservation Policy Act (NECPA), and various energy-related Executive Orders. The EMIS database will track progress in the specific energy management categories of Energy Savings Performance Contracts (ESPC), Demand Side Management (DSM) initiatives, Energy Conservation Investment Projects (ECIP) and other energy conservation/energy efficiency programs. The EMIS database is designed to gather data from all Department of Defense components and will be available for their review and use

FACILITIES AND DISTRIBUTION MANAGEMENT COMMODITY BUSINESS UNIT (DESC-F)

California Underground Storage Tank (UST) Compliance Effort: Federal UST regulations, intended to target the thousands of service station gasoline tanks around the country, deferred larger bulk, field-constructed USTs, such as those utilized by the Department of Defense because appropriate leak detection technologies were not available. The State of California enacted its own UST regulations, which were much more stringent and included the DoD's bulk, field-constructed USTs. This created a difficult compliance challenge for the DoD fuel facilities in the state with risk of potential closure of that facility and subsequent mission failure. The California UST compliance effort included 35 DoD bases, which had 211 bulk, field constructed USTs and 211 miles of

cross-country pipelines and inter-terminal piping, requiring some modification or upgrades to meet the UST requirement for tank lining, tightness testing, leak detection, overfill protection and cathodic protection. DESC was able to convince state regulators to adopt eight alternatives that allowed the larger bulk USTs at DoD bases in the state to comply with California UST regulations. On the December 23, 1998 deadline all DoD fuel facilities in the state of California met the state's rigorous UST regulations and the DoD fueling operations and mission in the state continued to function seamlessly.

Facilities Management System (FMS): DESC-FE has developed an innovative internet database and web site called the Facilities Management System (FMS). This site contains both DoD and Commercial fuel facilities information. The database stores relevant information on facility resources and capabilities such as details on equipment types, their condition, and their operational status. Maintenance planning and tracking, project status updates, project/funding requests, and 1391 submittals have also been incorporated. Security is provided for various user access levels and allows detailed searches for information based on locations, regions, offices, Commands, and facility types. This tool will provide assistance to DESC program managers, project planners, various Command level personnel, Server petroleum offices, and individual fuel sites for maintaining and accessing up-to-date facility information. DESC's database/web site earned recognition at the June 10, 1999 DoD Electronics Commerce Day activities in Washington DC, when it was selected as one of three finalists in the Electronics Commerce Pioneer category. The award recognized superior achievements that move DoD towards its goal of a paperless contracting environment by the year 2000. The web site for this tool is <http://160.147.203.70/test/index.html>.

DIRECT DELIVERY FUELS COMMODITY BUSINESS UNIT (DESC-P)

Paperless Ordering, Receipt and Transaction Screens (PORTS): DESC continues in its role as a world leader in WEB Technology based applications for its customers. This past September, DESC rolled out the Paperless Ordering, Receipt and Transaction Screens (PORTS) which allows our customers to electronically process fuel orders, receipts, and invoices for deliveries. PORTS dramatically reduces hardcopy reporting and is designed to minimize duplicate processing, administrative time spent researching delivery documents, and reduce the potential for fraud. Customer Organized Group (COG) 3 is the first area to have full use of PORTs with remaining COGS to join systematically. PORTS is an integral component of the Fuels Automated System (FAS) and the DLA Electronic Mall initiatives.

Disaster Relief Support: Hurricane Mitch slammed into Central America in October 1998 causing wide spread damage through out the region. The DESC was one of a handful of organizations that quickly responded to the urgent need for fuel. Into-plane and Ground Fuels staff immediately analyzed potential sources of fuel support and quickly issued emergency solicitations or added necessary contract line items to existing contracts. The pre-planning and professional approach to disaster relief allowed rescue workers to concentrate on the business-at-hand since the logistics train was already there. The combined efforts and expedited action

resulted in the timely awards of approximately 590,000 gallons of product in support of the relief effort in the countries of Guatemala, El Salvador, Nicaragua, and Honduras.

AIR Card Program: The Aviation Into-plane Reimbursement (AIR) Card program continues to provide DESC's customers expanded options for refueling and purchasing ancillary services worldwide. Under the AIR Card Program hardcopy reporting via Electronic Data Interchange (EDI) is minimized for billing and program management purposes which decreases overall operating costs to the Military Services. The AIR Card program is a phenomenal success from the customers' fiscal standpoint, with real savings valued at approximately \$4 million for FY 99. This program continues to grow and become a mainstay of DESC's future business practices. Beginning in January 2000, DESC will begin testing the AIR Card point of sale reader equipment at selected military installations and work toward implementing a one-card concept.

Fleet Card Program: As the DoD Program Management Office for the Fleet Card Program, DESC has partnered with Voyager to expand our ability to deliver world-class service to its ground fuels customers. The Fleet card is now accepted at over 144,000 locations worldwide for fuel support and additional 29,000 facilities for vehicle maintenance. DESC customers use the Fleet Card to obtain fuel and maintenance related services at locations worldwide. This program employs modern business practices and allows the DESC to partner with industry to provide world-class fuel-logistics services wherever our customers are. In addition, DESC analyzes the data captured to improve buying practices which can be used to obtain lower costs for our customers.

DESC-AMERICAS

DFSP Charleston, SC: In April 1999, DESC experienced inventory shortages at DFSP Charleston, SC, due to a reduced number of tankers on the East Coast. At the same time, a long-term tank repair/construction project was underway at the DFSP. DESC proposed converting the single JP5 tank at the DFSP to JP8 service, allowing greater re-supply flexibility by ensuring that the limited number of tankers could maximize their JP8 cargoes. DESC-Houston proposed that the displaced JP5 support would be provided by DFSP Jacksonville, FL. This reduces the number of tankers needed to support DFSP Charleston by 0.69 tankers per year, at savings of \$414,000 annually. DESC will realize net transportation savings of \$100,000 per year, plus a \$3.5 million cost avoidance that would have been incurred for construction costs.

Back from Extinction - Community Involvement Rescues an Endangered Butterfly: The Defense Logistics Agency/Defense Energy Support Center Los Angeles and its partners within the local community have rescued the Palos Verdes blue butterfly (*Glaucopsyche lygdamus palosverdesensis*) from extinction. The blue butterfly population and supporting habitat is being restored at the Defense Fuel Support Point (DFSP) San Pedro located on the Palos Verdes Peninsula. Prior to a sighting at the fuel terminal, the butterfly was thought to be extinct. The project has provided valuable educational and training opportunities for students, teachers, researchers, and

other members of the local community. UCLA conducts conservation workshops and courses for college students, high school teachers and citizens at the terminal. The fuel terminal has sponsored nature walks, tours, and seminars, which have been widely acclaimed by local community groups and schools.

Hurricane Floyd Disrupts Operations in North Carolina: Severe flooding in the eastern parts of North Carolina caused by Hurricane Floyd disrupted normal fuel operations for almost two weeks during September 1999. All rail movements were stopped as crews worked to repair damaged rail beds and bridges while truck shipments to activities east of Defense Fuel Support Point Selma were either cancelled completely or delayed by closure of most main roadways. Fuel inventories on hand at all military activities in the area were sufficient to support weather restricted flying operations. Throughout the emergency period, DESC Fort Dix kept enough JP8 trucks moving from Selma to the Air National Guard at Charlotte, NC to support emergency relief efforts in the surrounding civilian communities.

New Super Gas Station Opens at Fort Bragg, NC: A contractor-owned and operated fuel dispensing location at Fort Bragg, NC opened for business during the first quarter of Fiscal Year 1999 as part of a privatization initiative for military service-owned fuel facilities. Nicknamed "Super Gas Stations" the new facilities are being built with private funds on land leased from the Army when it is found to be more efficient and economical than using military construction (MILCON) funding. The Fort Bragg facility receives JP8 by tank truck from DFSP Selma and motor gasoline from local suppliers for direct issue to Army vehicles and equipment. The MILCON cost avoidance for Fort Bragg was \$6.5 million and the MR&E and operational cost savings over 20 years is \$7.5 million.

FISC Norfolk Transitions to Contractor Operation: During the past year, an OMB Circular A-76 study was conducted to evaluate Fleet Industrial Support Center (FISC) fuels operations at Norfolk which encompasses geographically dispersed locations at Craney Island, Sewell's Point and Yorktown, VA. Based on study results, a performance work statement was prepared to solicit bids from interested private contractors effectively changing the largest FISC fuel operation in CONUS from Government (Navy) to contractor operated. The new operating contractor, Trajen, Inc., assumed full responsibility for maintenance and operation of the three terminals comprising DFSP Norfolk on September 1, 1999.

Virginia Barge Carrier Wins MTMC Award: Bay Gulf Trading Company, a Norfolk-based barge carrier, won the Military Traffic Management Command Carrier Award for CY 1998. Bay Gulf was nominated for the award by DESC Fort Dix based on outstanding service provided both on long-term contract work and on spot movements. Matt Lipkin, Bay Gulf Trading Company president, credited high levels of professionalism, teamwork and partnering between carriers and the DESC Fort Dix staff for his company's success. The award was presented in April 1999 at the MTMC Symposium held in Denver.

DESC EUROPE

DESC-Split: The DESC Split installed meters at several FMS customer locations to ensure accurate accounting of fuel deliveries. Since the installation of these meters, quantity discrepancies resulting from deliveries have virtually disappeared. Also, DESC Split hosted a petroleum conference in February 1999 for DESC customers to discuss issues relating to fuel support, and review procedures published in our external operating procedures. As a result of this conference, DESC Split was able to improve fuel support procedures with each of our customers by providing them with a copy of our new Customer Standard Operating Procedure. This document has significantly reduced the number of problems encountered by each of our customers.

DESC-Livorno: DESC Ankara/Incirlik completed the drawdown of all JP8 stored against the Commercial MOU between the Government of Turkey (GOT) and DESC. A total of approximately 13.4 million gallons was transferred to and consumed by the USAF at Incirlik AB, Turkey. The completion of the drawdown and termination of the Commercial MOU saves the US over \$1.6 million in annual storage fees. A letter was drafted and sent to Petrol Ofisi AS stating that all storage fees have been paid.

DESC-MIDDLE EAST (DESC-ME)

Update in the Middle East: In the area of storage, DESC-ME spearheaded the transfer of storage facilities via a five year contract, from Djibouti to Aden which is a much more efficient location. Also a new contract for F-76 storage cut cost and increased capacity. A new Memorandum of Agreement was negotiated with Egypt to provide support and insure uninterrupted bulk petroleum support during major exercises and operations. The Region also provided support during Operation Desert Fox in Mid-December 1998. FY 1999 also saw the first step taken to establish a DFSP in Qatar, which will provide up to 750,000 bbl capacity to better support operations in the area.

DESC PACIFIC

Defense Energy Support Center Anchorage (DESC-A) Supports 1999 OPERATION COOL BARGE: The Cool Barge program was established by the U.S. Air Force in the 1950's to annually replenish supplies to key military bases and radar sites in the Aleutian Islands and coastal sites in western and northern Alaska. DESC took over the Cool Barge program in 1996. After an evaluation of the program, DESC initiated a change, which was designed to decrease the overall program cost while increasing the efficiency of fuel deliveries to customers. The large bulk deliveries to King Salmon, Attu, Adak and Shemya remained under the Cool Barge program while the other 80+ customers, representing both DoD and non-DoD agencies, will receive their fuel under the Post, Camps & Stations (PC&S) program. This shift allocated actual cost of fuel and transportation by location but more importantly the change allowed the customers to coordinate directly with contractors on fuel deliveries to their locations.

1999 Environmental activities in Alaska: DESC-A was instrumental in getting ADEC approval for the final restoration and clean-up plan for the Indian Booster Pump Station. This was the culmination of 6 long years of work with ADEC Chugach and the local community. DESC Alaska reaffirmed its commitment to the SOC at a formal signing on 7 Apr 99. This consortium composed of several government agencies and the ADEC has been instrumental in furthering environmental activities in the region. ADEC gave final approval for the Risk assessment for DFSPs at Anchorage and Whittier. This document evaluates contamination and hazards at the sites and serves as a guidepost for restoration activities

Defense Energy Support Center, Camp Smith (DESC CS): DESC Camp Smith was instrumental in providing support to over 110 aircraft, 18 ships, including the Kitty Hawk Battle Group. Air, land and naval forces from four nations were supported as operations were conducted in and around Guam during Tandem Thrust 99. The MSC tanker, M/V Lawrence Gianella, conducted at sea consolidate operations with the USNS Guadalupe, offloading 113,000 barrels of F-76/JP-5 to support the Kitty Hawk CVBG. Inventories at the enroute stops of Hickam AFB and Wake Island supported increased AMC traffic to Andersen AFB. The Schofield Barracks Superstation opened for business. This is the second station to open under the DESC-funded Army initiative. The Superstation allowed the closure of multiple refueling points on the installation and the cost avoidance of over \$2 million dollars for environmental upgrades for underground storage tanks.

Defense Energy Support Center, Taegu: DESC Taegu assumed the Combined Petroleum Support Center (CPSC) mission for Exercises RSO&I (Reception, Staging, Onward Movement and Integration) and UFL 99 (Ulchi Focus Lens). (The CPSC is one of 8 Combined Logistics Coordinating Agencies (CLCAs) under CINCUNC.) As the CPSC, DESC Taegu, along with their Republic of Korea (ROK) military counterparts, is responsible for all combined petroleum issues to include: cross national support requirements; Wartime Host Nation Support for POL facilities; monitors bulk resupply and inland distribution; conducts contingency scenario analysis and prepares/submits combined reports. These exercises provide realistic training opportunities that validate distribution plans and require continual situation analysis necessitated by destruction of facilities, product contamination and changes in the tactical scenario and/or the CINCs priority for support. The successful completion of these exercises ensures the readiness of the DESC Taegu employees and augmentees to provide petroleum support for the warfighter in Korea during a contingency operation.

Defense Energy Support Center – Yokota (DESC-Y): DESC-Y continues to provide outstanding support to DESC customers in Japan. The office arranged the delivery of over 170 million gallons of fuel to 15 different locations. They expertly managed the contracts for 125 lease rail tank cars, 2 trucking contracts, and managed the scheduling of a T-1 tanker. The DESC-Y Inventory manager monitors 45% of the Pacific Theater fuels inventory, which is located in Japan. In addition, DESC-Y augmented the USFJ/J4 shop during RSO&I 99, providing the warfighter the most up to date critical fuels information.

Defense Energy Support Center

Director	Mr. Jeff Jones	767-9706
Deputy Director	COL Raymond Rodon	767-9700
Director of Operations	COL Jack Vance	767-9301
Chief of Staff	CAPT John Proctor	767-9700
Public Affairs Office/Executive Officer	Ms. Darlene Velicki	767-9676
Director, Center Procurement Office	Ms. Sharon Murphy	767-8550
Internal Review Office	Mr. Robert Hobson	767-9678
Small Business Office	Ms. Kathy Williams	767-9465
Director, Contingency Plans & Operations	Maj Gerald David	767-8370
Director, Installation Energy	Ms. Sharon Murphy	767-8572
Director, Energy Enterprise	Ms. Sharon Murphy	767-8572
Director, Bulk Fuels	CDR Dale Scheffs	767-9280
Director, Facilities Management	Mr. John Bartenhagen	767-9363
Director, Direct Delivery Fuels	Ms. Colleen Morris	767-8504
Director, Resources Management	Ms. Carol O'Leary	767-9484
Director, Information Systems	Mr. Bill Robinson	767-8702
Director, Market Research	Mr. Larry Ervin	767-8353

PREPARED BY:

**Directorate of Resources Management
Manpower and Management Analysis Division
Defense Energy Support Center
8725 John J. Kingman Road
Fort Belvoir, VA 22060-6222**

**Telephone: (703) 767-9401
(703) 767-9475**

www.desc.dla.mil

