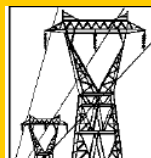


DEFENSE ENERGY SUPPORT CENTER

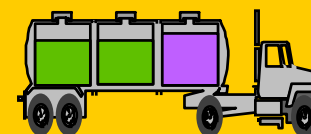
FACT



BOOK



2001



Twenty-fourth Edition

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FOREWORD

The Defense Energy Support Center Fact Book contains statistical information regarding the Center's business operations. The Fact Book reflects the Center's operational status at the end of fiscal year 2001 unless otherwise indicated. The intent is for the use of this publication as a source for general information purposes only. The Fact Book 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.

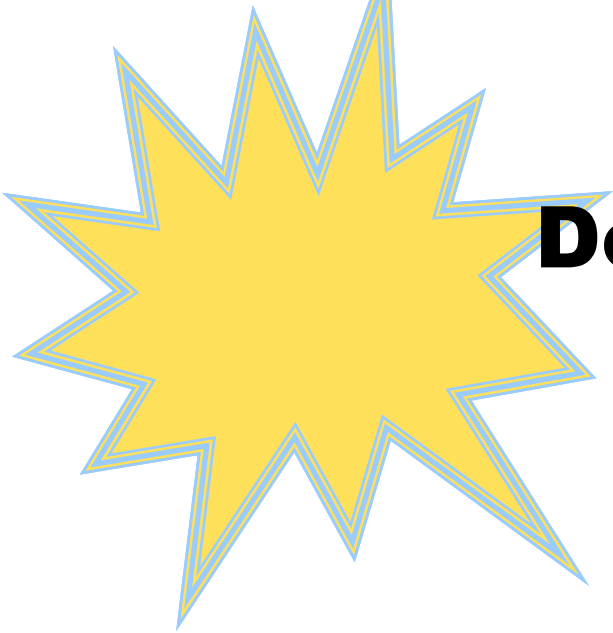
Once Phase II is completed DLA will own all bulk petroleum product from the point of purchase until its final point of issue to power aircraft, ships, and ground equipment.

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.



Defense Energy Support Center's Mission



**To provide the Department of
Defense
and other customers
comprehensive energy solutions in
the
most
efficient manner possible.**

DEFENSE ENERGY SUPPORT CENTER DIRECTOR'S UPDATE FOR FISCAL YEAR 2001

In Fiscal Year 2001, DESC continues to meet its customers' worldwide needs and provides high quality products and services. At the same time the Center expanded its efforts to achieve higher standards in reforming business processes and implementing the latest in technological advances. As the Center changed from managing energy infrastructure to managing energy products, it worked towards providing comprehensive energy solutions. Significant efforts in this area include: partnering with the energy industry and its customers and implementing the latest in information technologies. These efforts have resulted in DESC accomplishing its mission in the most efficient and economical manner.

The Center continued providing energy support to all customers. From the support of DoD contingency operations in support of Operation Enduring Freedom to an ever increasing customer base in the electricity and natural gas markets, DESC has ensured delivery of the right product at the right time. The Center carried out its critical support of the warfighter overseas by providing the necessary fuel to U.S. Forces, NATO, and other allies in both peacetime and contingency modes.

By the end of FY01, DESC had completed AF fuel capitalization and was well on the way toward capitalizing the fuel stocks of the remaining Services. This capitalization had originally started in 1992 under Phase IIA of Integrated Material Management. Phase IIB involves the capitalization of all ground fuels, non-capitalized jet fuels and DESC retail billing to the end-use customers. DESC has capitalized over 300 sites since inception and continues to expand its processing of retail billings to numerous customers previously billed by the Military Services. DESC sponsored numerous training sessions that trained over 450 people in preparation for capitalization. The elimination of retail billings previously performed via the Military Services' Fuel Working Capital Funds will facilitate the eventual closing of those accounts.

During Fiscal Year 2001, DESC expanded on its development of contractor-owned, contractor-operated automated fuel dispensing facilities to replace the aging motor pool fuel facilities and underground storage tanks on military installations. This initiative continues to solve Service environmental concerns while providing a significant cost savings to the DoD. The list of Army and USMC installations that have privatized their fuel dispensing operations continues to grow. Many other sites are in the process of evaluation for possible conversion to contractor operations.

DESC continued to provide world class support to the Military Services in meeting their Energy Management goals. DESC's Utility Privatization Program completed actions to privatize three DoD owned natural gas systems during FY01 resulting in a projected cost savings in excess of \$2.2 million for the Department over the life of these contracts. Additionally, the DESC Energy Savings Performance Based Contracting (ESPC) team awarded ESPC awards for two Army locations that will generate an estimated \$59 million in savings for the Army over the life of these contracts.

DEFENSE ENERGY SUPPORT CENTER DIRECTOR'S PLAN FOR FISCAL YEAR 2002

During fiscal year 2002, DESC will continue to move toward its vision to be an efficient provider of total energy solutions. Our commitment is that DESC employees will continue the level of accomplishment that have made us truly effective in supporting the warfighter.

DESC will continue to support the Office of the Secretary of Defense (OSD) and the Military Services in achieving OSD's goal of privatizing on-base utility infrastructure in order to achieve the vision of changing the Department's focus to managing energy, not infrastructure. During this coming year, the Texas Regional Demonstration Project, a joint utility privatization effort between DESC, the Air Force, Army and Navy will conclude and provide valuable insight to the Department in documenting lessons learned and setting policy for future privatization efforts. DESC will also further its relationship with the Department of Energy's Federal Energy Management Program (FEMP) in an effort to advance DESC's support to the Military Services in utilizing FEMP's regional Energy Savings Performance Based Contracts (ESPC) to achieve mandated energy conservation goals.

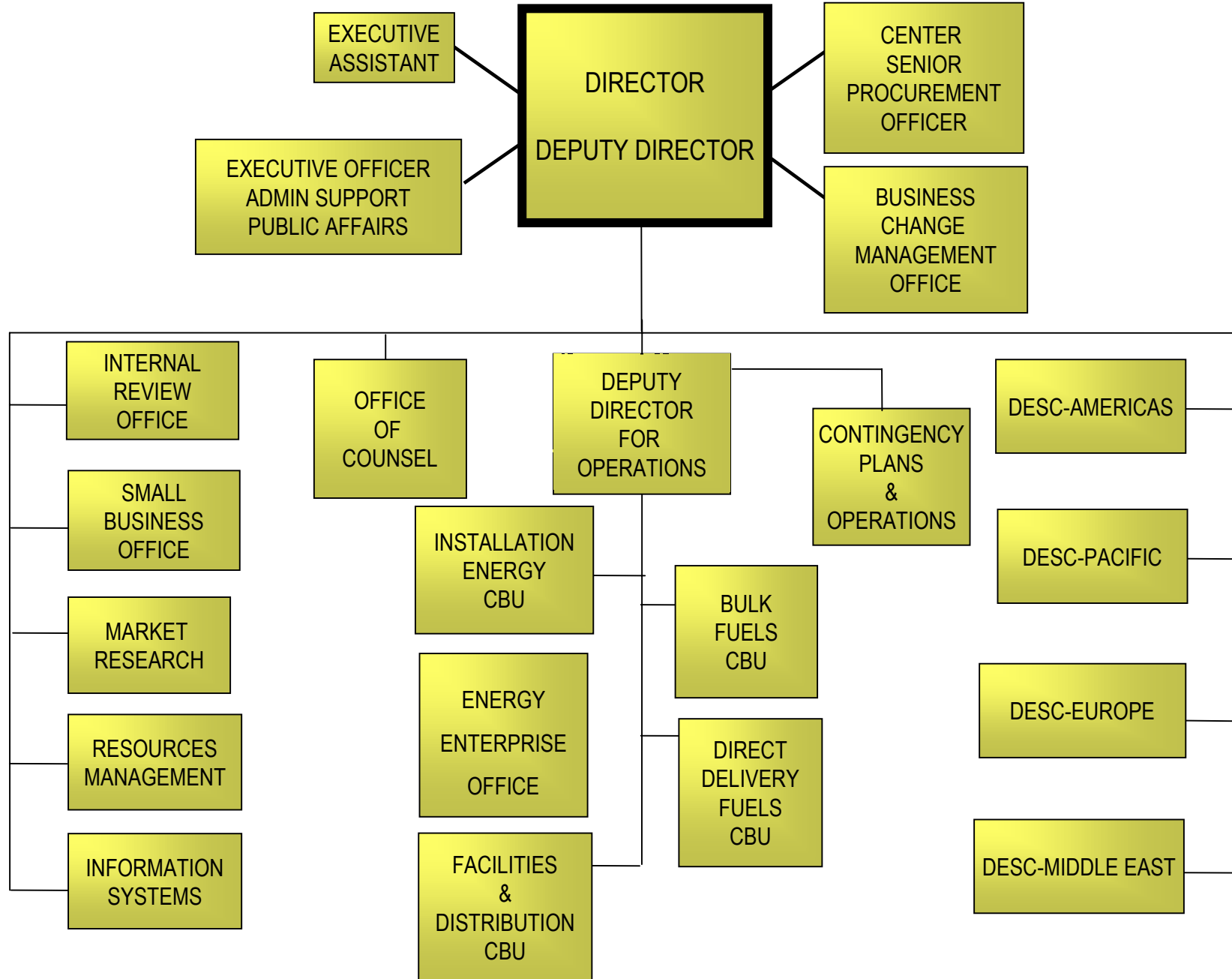
DESC is committed to improving logistics support by migrating industry best business practices and the latest capabilities in modern information technology, including e-commerce, data warehousing, and business-to-business (B2B) applications. We will further expand the use of Internet-based applications to enhance the retail mission and support the flow of information between DESC, our contractors, and customers. Expanding implementation of the Paperless Ordering & Receipt Transaction Screens, Powertrack, and other applications will move us in this direction. Further development and implementation of the latest capabilities in information technology will ensure even greater efficiency in future DESC operations.

DESC will continue capitalization efforts, concentrating on Navy ground fuel and retail billing.

Lastly, DESC will add a new mission in FY2002. On 1 October 2001, DESC will assume the Missile Fuels mission formerly performed by the US Air Force Directorate of Aerospace Fuels Management. The new DESC Missile Fuels Commodity Business Unit, as well as two DESC support offices, the Retail Management Division and the Data Systems Division, are located in San Antonio, Texas. DESC's vision of providing world-class support and total business solutions will now extend beyond bulk petroleum and installation energy to direct support of major Space Industry programs, such as the USAF Titan Missile Program, the Cruise Missile, and the NASA Space Shuttle and International Space Station.

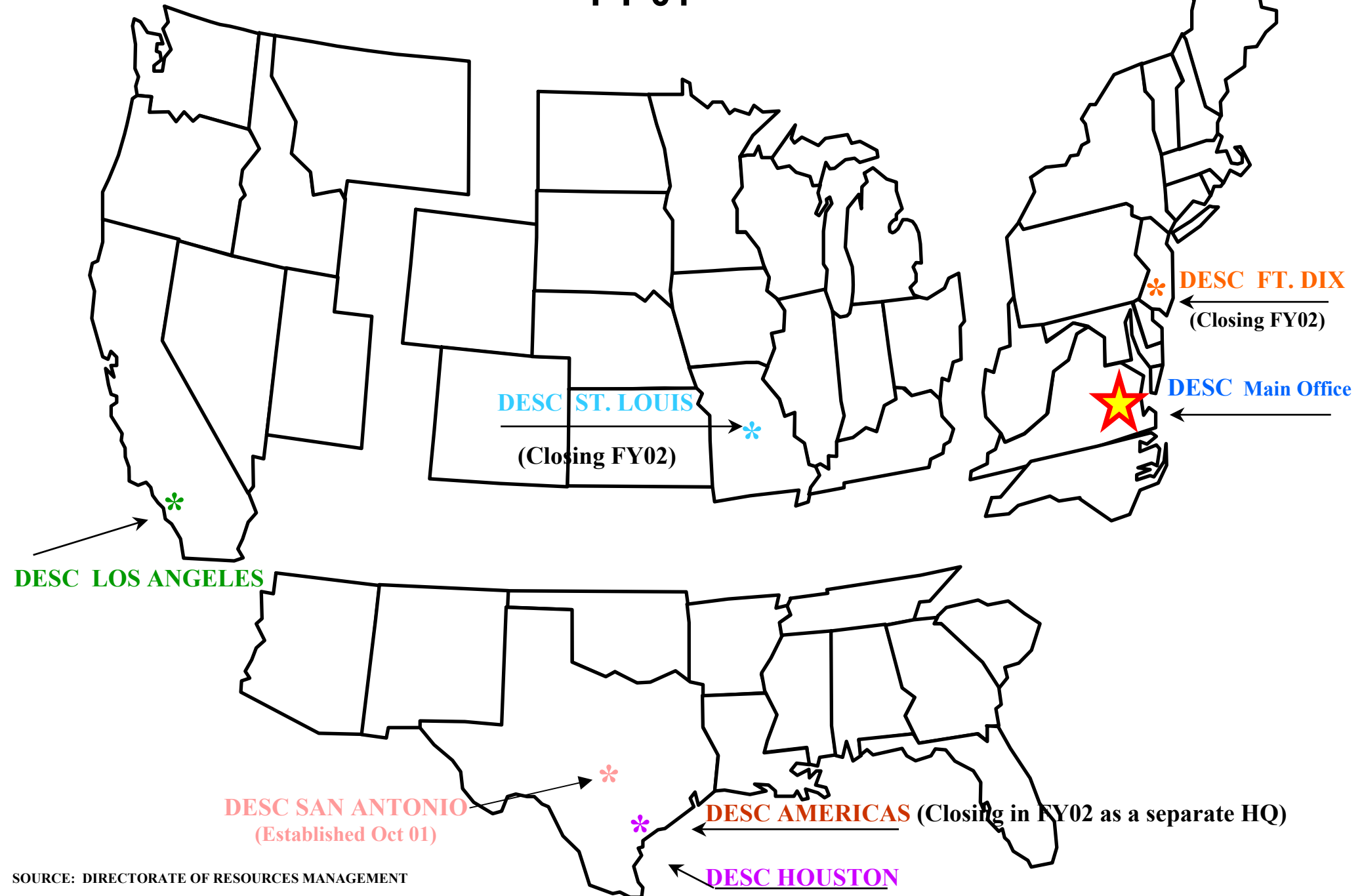
Our ultimate goal remains, as always, to ensure the most effective and economical energy support to the men and women of our Armed Forces.

DESC Organization



CONUS DEFENSE ENERGY REGION/OFFICES

FY 01



BIOGRAPHY

JEFFREY A. JONES

Director, Defense Energy Support Center

As Director of the Defense Energy Support Center (DESC), Mr. Jeffrey Jones directs the Department of Defense organization responsible for purchasing and managing all petroleum resources used by the U.S. military. In addition, Mr. Jones guides the growing mission of total energy support by developing strategies to buy and sell deregulated electricity and natural gas to DoD and other federal agency customers. In his capacity as DESC's Director, Mr. Jones also directly supports DoD's initiative to privatize the military base infrastructure that distributes those utilities (in addition to lighting, heating, air conditioning and water/wastewater systems).

Mr. Jones assumed the DESC directorship in March 2000. He had served as Deputy Commander, Defense Logistics Support Command, since July 1997, and as the agency's Executive Director, Logistics Management, from June 1995 to July 1997.

From November 1992 until June 1995, Mr. Jones served as DoD's Assistant Deputy Under Secretary of Defense (Materiel and Resource Management Policy), presenting the department's views to Congress and the public. He also represented the United States internationally, including at NATO, and coordinated department programs for supply management and related activities.

From February through July 1993, Mr. Jones served as Acting Deputy Assistant Secretary of Defense (Logistics). From October 1992 through February 1993, Mr. Jones served as Director, Materiel and Resource Management Policy, concurrently serving as the department's Director, Energy Policy. From May 1992 through October 1992, Mr. Jones served as Acting Director, International Logistics.

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

From 1979 to 1981, Mr. Jones held positions at Headquarters, U.S. Air Force, with 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.

BIOGRAPHY

CAPTAIN STUART D. FUNK

**United States Navy
Deputy Director, Defense Energy Support Center**

In September 2000, Captain Stuart D. Funk reported as Deputy Director, Defense Energy Support Center. From June 1998 until September 2000, he commanded the Navy Petroleum Office, which is responsible for worldwide technical support of the Naval fuel mission. He has been designated as a subspecialist in petroleum management and operations analysis, and is a member of the Acquisition Professional Community (DAWIA Level III) as a result of his shore tours.

Captain Funk completed the Basic Course at the Navy Supply Corps School in Athens, Georgia, in 1976. His first sea duty assignment was aboard the USS MOUNT HOOD (AE-29) homeported in Concord, California. From 1977 until 1979, he served as the Assistant Supply Officer, with duties as the Disbursing Officer, Ship's Services Officer, and the Food Services Officer while making two WESTPAC deployments. His subsequent sea duty assignment was from 1981 to 1983 as the Supply Officer on the USS HAROLD E. HOLT (FF-1074), homeported in Pearl Harbor, Hawaii. During his tour, the USS HAROLD E. HOLT completed a WESTPAC deployment, as well as a regularly scheduled shipyard overhaul.

Captain Funk's shore assignments have included duty in the areas of fuel management and budget development. He served on the staff at CINCPACFLT in Pearl Harbor, Hawaii, from 1979 to 1981 as the Fleet Fuel Systems Officer and the Sub Area Petroleum Officer for the Mid Pacific. From 1985 through 1988, he was the Requirements Division Officer at the Navy Petroleum Office, Cameron Station, Virginia. After completion of the Program Manager's Course at the Defense Systems Management College in 1988, he reported to the Naval Air Systems Command for duty as the Deputy Program Manager for Business and Financial Management on the Airborne Self-Protection Jammer (ASPJ) program (PMA-272). He was assigned to the U.S. European Command in Stuttgart, Germany from 1991 to 1994, serving in the Joint Petroleum Office as the Staff Petroleum Officer for plans and theater reserves. From 1995 to 1998, he served as the Support and Infrastructure Analyst in the Navy Assessment Division (N81), which is responsible for management of the Navy's long-range budget and requirements assessment process.

Captain Funk graduated from the U.S. Naval Academy in 1976 with a bachelor of science degree in Aerospace Engineering. In December 1984, he earned a master of science degree in Petroleum Management from the University of Kansas. He also earned a master's degree in National Security Studies from the Naval War College in 1995, and completed the Advanced Management Program at the University of North Carolina, Chapel Hill in 1999.

Captain Funk's personal decorations include the Defense Meritorious Service Medal (2 awards), the Meritorious Service Medal (2 awards), the Navy Commendation Medal, and the Navy Achievement Medal.

BIOGRAPHY

COLONEL JACK L. VANCE

United States Army Deputy Director, Operations Defense Energy Support Center

Colonel Jackie (Jack) L. Vance received his commission in the United States Army and initial Quartermaster Corps officer training in 1977, following his graduation from the University of Arkansas with a Bachelor of Business Administration degree. In his first assignment, the Houston, Mississippi native served as Platoon Leader, 6th Air Cavalry Combat Brigade at Ft. Hood, Texas.

Following advanced Quartermaster Officer training at Ft. Lee, Virginia Colonel Vance served as Commander, Central Operations District (PDSK) at Camp Humphreys, Korea from October 1981 to October 1982. He commanded the 549th Quartermaster Company at Ft. Story, Virginia from October 1982 to June 1985, and spent the following year training with the Sun Oil Company in the Training with Industry program. Colonel Vance served as Commander, Defense Fuel Region – Alaska at Elmendorf Air Force Base, Alaska from June 1986 to July 1989, after which he attended the Command and General Staff College at Ft. Leavenworth, Kansas.

Colonel Vance served as Joint Petroleum Officer, U.S. Central Command, McDill Air Force Base, Florida from July 1990 to June 1993. He then served as Logistics Officer (G4) at 3rd Corps Support Command in Wiesbaden, Germany from July 1993 to June 1995. Colonel Vance assumed command of the Defense Fuel Region – Middle East, serving in Bahrain from July 1995 to July 1997. He served as a Staff Officer at Headquarters, Department of the Army, Office of the Deputy Chief of Staff from July 1997 to July 1998. Following his Pentagon tour, Colonel Vance studied for a year at the Industrial College of the Armed forces at Ft. McNair in Washington, DC.

Colonel Vance came to the Defense Energy Support Center in August 1999, where he directed Joint Plans and Operations until December 1999, when he became the Agency's Deputy Director, Operations. Colonel Vance's military awards and decorations include the Bronze Star, three awards of the Defense Meritorious Service Medal, two Army Meritorious Service Medals, three Army Commendation Medals, the Joint Service Achievement Medal and two Joint Meritorious Unit Awards.

Colonel Vance holds a Master of Science degree in National Resource Strategy from the National Defense University, as well as a Master of Science in Administration from Central Michigan University in Kansas City, Missouri.



ENERGY SUMMARY

(In Millions of Dollars)

FY01

Purchases At Cost	\$5,256.9 (1)
Net Sales	\$4,925.8 (2)
Ending Inventory	\$1,945.1 (3)

(1) Includes Expenses for Petroleum, Natural Gas, Electricity, Federal Excise Tax, Transportation, Facilities, DESC Operations, Headquarters.

(2) Includes Net Sales for Petroleum, Natural Gas, and Electricity

(3) Includes Petroleum Inventory





MILITARY AND CIVILIAN END STRENGTHS



	MILITARY		CIVILIAN	
	AUTHORIZED	ON BOARD	AUTHORIZED	ONBOARD
FY 96	81	76	681	661
FY 97	81	74	654	633
FY 98	82	71	658*	607
FY 99	81	72	649	595
FY00	76	64	610	599
FY01	76	61	621	599

SOURCE: CIVILIAN DATA - DIRECTORATE OF RESOURCES MANAGEMENT

* INCREASE AUTHORIZED FOR NEW ENERGY MISSION

OPERATIONS PROGRAM (\$ IN MILLIONS)

	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY01</u>
CIVILIAN PAY	\$37.7	\$38.6	\$40.3	\$42.7
MILITARY PAY	5.1	8.3	5.8	7.7
NON-LABOR	68.6*	61.8*	72.3*	84.7
TOTAL	\$111.4	\$108.7	\$118.4	\$135.1
<i>Average Cost Per Work Year (\$actual)</i>				
	\$60,500	\$64,820	\$67,062	\$71,960

* INCLUDES OPERATION ENDURING FREEDOM SUPPORT AND COSTS FOR THE FUELS AUTOMATED SYSTEM (FAS)

STATEMENT OF FINANCIAL CONDITIONS

BULK FUEL CATEGORY

(Millions of Dollars)

<u>ASSETS:</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
Accounts Receivable	143.1	103.6	187.1
Claims Receivable	2.7	1.4	6.4
Inventories	1,665.5	2,483.6	1945.1
Undistributed Collections	667.0	278.1	<384.0>
Progress Payments	0	0	0
<u>TOTAL ASSETS</u>	\$2478.3	\$2866.7	\$1,754.6
<u>LIABILITIES:</u>			
Accounts Payable	496.8	564.0	473.6
Undistributed Disbursements	564.8	<333.8>	<369.9>
Other Liabilities	0.7	1.2	.3
<u>TOTAL LIABILITIES</u>	\$1062.3	\$231.4	\$104.0
<u>CAPITAL:</u>			
Cash Allocation	<3,434.6>	<2,125.9>	<1,971.7>
Capitalized Inventories	467.5	470.0	479.1
Decapitalized Inventories	<3.7>	<3.7>	<3.7>
Other Liabilities Capitalized	2,357.1	2,377.9	2,382.5
Accumulated Operating Results	1,982.8	1,407.3	792.4
<u>TOTAL CAPITAL</u>	\$1,369.1	\$2,125.6	\$1,678.6
<u>TOTAL LIABILITIES AND CAPITAL</u>	\$2,431.4	\$2,357.0	\$1,782.6

STATEMENT OF SALES

PETROLEUM, NATURAL GAS AND ELECTRICITY

(In Millions of Dollars)

<u>PRODUCT:</u>	FY99	FY00	FY01
U.S. ARMY	\$243.1	\$185.6	\$296.0
U.S. NAVY	1,547.3	1,160.9	1,852.5
U.S. AIR FORCE	2,286.3	1,652.7	2,692.6
U.S. MARINE CORPS	27.8	33.1	33.8
OTHER DoD	13.5	9.7	21.5
TOTAL DoD	\$4,118.0	\$3,042.0	\$4,896.4
OTHER GOVERNMENT AGENCIES	\$78.4	\$83.1	194.8
SUBTOTAL	\$4,196.4	\$3,125.1	\$5,091.2
FOREIGN GOVERNMENTS	0	1.6	73.8
DoD CONTRACTORS	30.0	0.3	2.6
UNIDENTIFIED ISSUES	0	0	0
TOTAL GROSS SALES	\$4,226.4	\$3,127.0	\$5,167.6
<u>LESS:</u>			
PRICE REDUCTION ON SALES	\$21.3	\$0.1	\$9.7
MATERIAL RETURNS CREDITS APPLIED	171.4	124.2	232.1
NET SALES	\$4,033.7	\$3,002.7	\$4,925.8

PETROLEUM, NATURAL GAS AND ELECTRICITY NET SALES BY CATEGORY

PETROLEUM (<i>Thousands of Barrels</i>)			
<u>BULK CATEGORY</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
AVGAS	0	0	18
DISTILLATES & DIESEL	18,594	16,578	17,735
GASOHOL	0	0	1
JP-4,JAB,JAA,JA1	400	122	186
JP-5	16,207	15,745	15,915
JP-8	66,711	64,290	64,539
LUBE OILS	26	27	27
MOGAS (<i>LEADED & UNLEADED</i>)	505	588	921
RESIDUALS	8	0	10
BULK SUBTOTAL	102,451	97,350	99,352
INTO-PLANE CATEGORY	3,691	3,440	3,757
PC&S CATEGORY	3,712	4,180	4,746
BUNKERS CATEGORY	2,597	2,730	2,460
TOTAL PETROLEUM	112,451	107,700	110,315
NATURAL GAS (<i>Thousands of Dekatherms</i>)	25.0	28.0	24.6
ELECTRICITY (<i>Thousands of Megawatthours</i>)	1.4	1.4	430

PETROLEUM, NATURAL GAS AND ELECTRICITY PRODUCT COST

PETROLEUM (<i>Millions of Dollars</i>)			
<u>BULK CATEGORY</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
AVGAS	\$0	\$0	\$0
DISTILLATES & DIESEL	314.1	483.4	612.6
GASOHOL	0	0	0
JP-4,JAB,JAA,JA1	23.8	6.5	8.3
JP-5	347.0	529.8	686.1
JP-8	1,419.1	2,139.3	2,330.4
LUBE OILS	2.5	2.8	3.2
MOGAS (<i>LEADED & UNLEADED</i>)	10.6	22.2	33.3
RESIDUALS	3.7	5.9	11.1
BULK SUBTOTAL	\$2,120.8	\$3,189.9	\$3,685.0
INTO-PLANE CATEGORY	128.4	171.1	210.7
PC&S CATEGORY	81.7	150.5	186.6
BUNKERS CATEGORY	52.9	92.4	95.5
TOTAL PETROLEUM	\$2,383.8	\$3,603.9	\$4,177.8
NATURAL GAS	\$79.2	\$92.2	\$229.6
ELECTRICITY	\$66.5	\$97.9	\$47.0

SOURCE: DIRECTORATE OF RESOURCES MANAGEMENT

PETROLEUM, NATURAL GAS AND ELECTRICITY PURCHASES BY CATEGORY

PETROLEUM (<i>Thousands of Barrels</i>)			
<u>BULK CATEGORY</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
AVGAS	0	0	0
DISTILLATES & DIESEL	16,068	15,546	17,627
GASOHOL	0	0	1
JP-4,JAB,JAA,JA1	728	118	155
JP-5	16,665	15,399	18,568
JP-8	68,551	61,740	62,255
LUBE OILS	28	27	26
MOGAS (<i>LEADED & UNLEADED</i>)	526	604	882
RESIDUALS	271	246	499
BULK SUBTOTAL	102,837	93,680	100,013
INTO-PLANE CATEGORY	3,684	3,440	3,756
PC&S CATEGORY	3,709	4,250	4,760
BUNKERS CATEGORY	2,532	2,730	2,460
TOTAL PETROLEUM	112,762	104,100	110,989
NATURAL GAS (<i>Thousands of Dekatherms</i>)	25.4	28.0	24.6
ELECTRICITY (<i>Megawatts</i>)	N/A	1,230	430

SOURCE: DIRECTORATE OF RESOURCES MANAGEMENT

NUMBER OF WHOLESALE TERMINALS STORING GOVERNMENT-OWNED FUEL FY 01

TYPE OF OPERATION	ARMY	NAVY	AIR FORCE	DLA	TOTAL
GOVERNMENT-OWNED GOVERNMENT-OPERATED (GOGO)	117	36	180	0	333
GOVERNMENT-OWNED CONTRACTOR-OPERATED (GOCO)	15	21	23	15*	74
CONTRACTOR-OWNED CONTRACTOR-OPERATED (COCO)	0	0	2	29	31
NORTH ATLANTIC TREATY ORGANIZATION (NATO)	0	1	0	7	8
COMMERCIAL PIPELINE	0	0	0	37	37
FLOATING STORAGE	0	21	0	0	21
FOREIGN GOVERNMENT (FG)	0	0	0	9	9
TOTAL	132	79	205	97	513

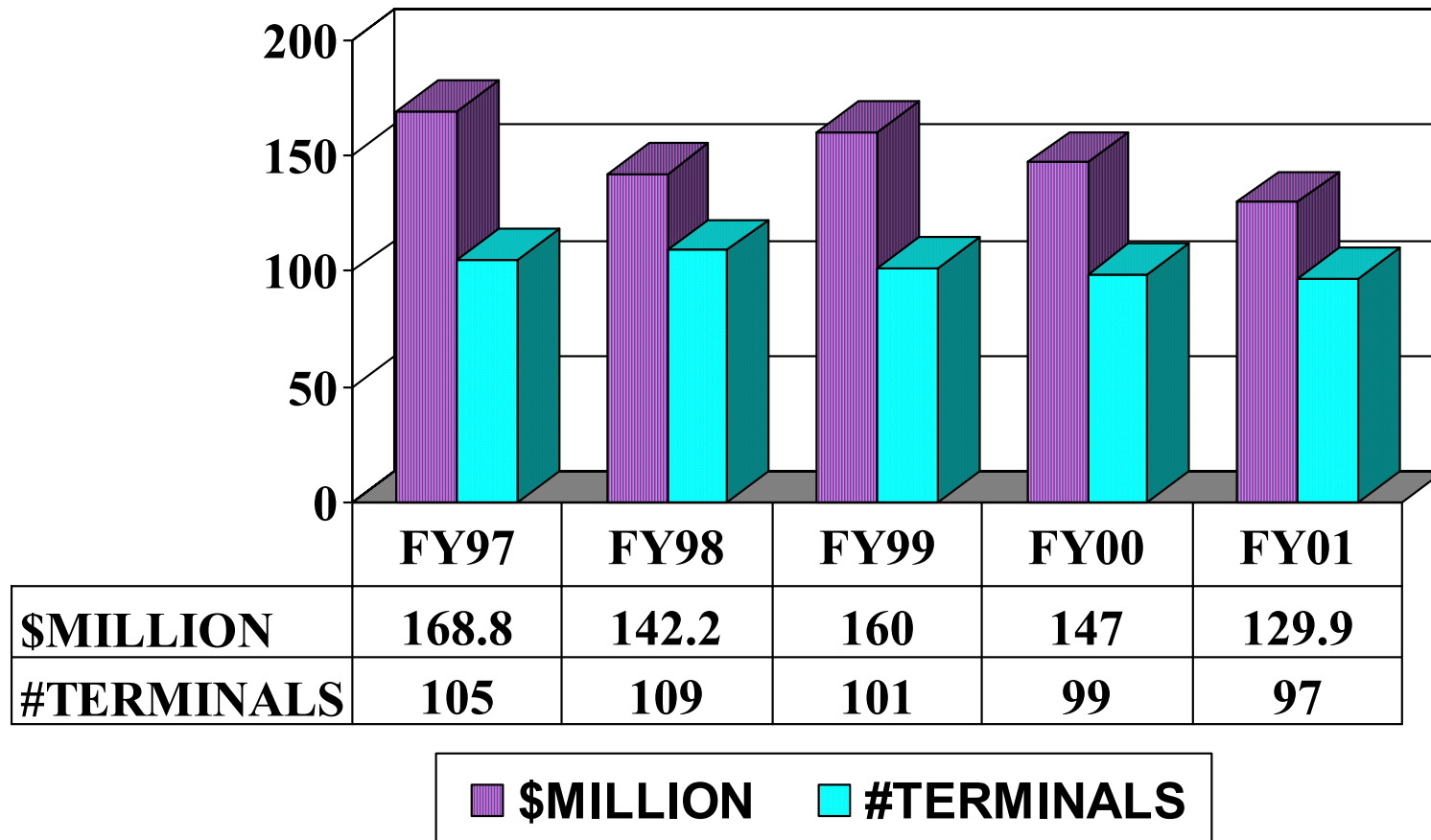
Note: Defense Fuel Support Points as of September 30, 2001

*** Includes 3 Service-Managed, DLA-funded GOCOs**

GOCOs in caretaker status during environmental cleanup not included in numbers

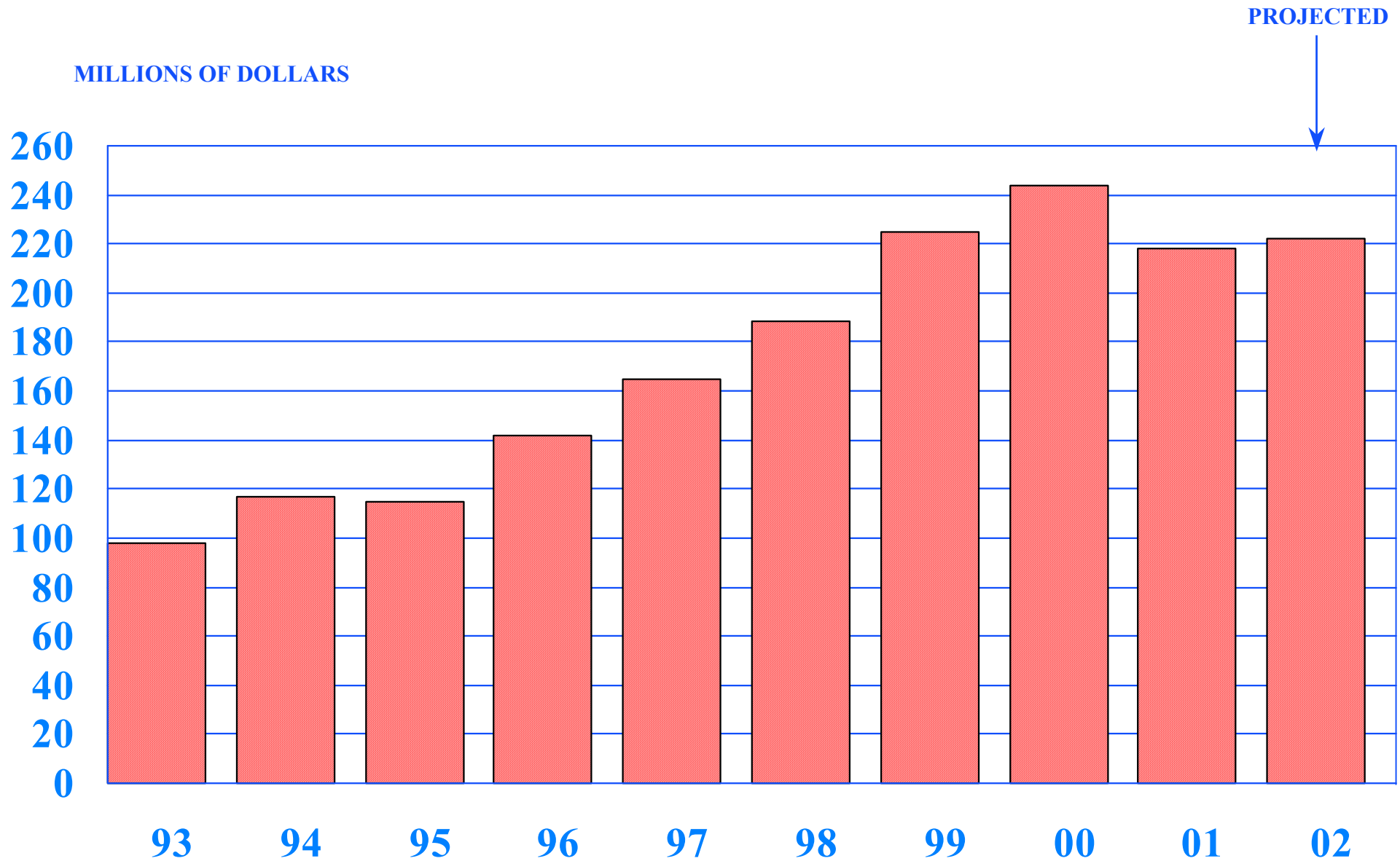
Increase in number of DFSPs is the result of Phase IIB capitalization

COST OF STORAGE/DISTRIBUTION SERVICES 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

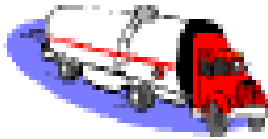
DESC Commercialization Projects (\$ in Millions)

DESC Commercialization Projects						
Location	Service	Type	Contract Date	Contract Cost	Service Cost	Savings
Ft Bragg, NC	USA	COCO	Apr-98	8.9	16.4	7.5
Schofield Barracks, HI	USA	COCO	Jun-98	9.3	16.0	6.7
Ft Jackson, GA	USA	COCO	Jun-99	4.7	6.2	1.5
29 Palms, CA	USMC	COCO	Jul-99	8.4	13.6	5.2
Ft Hood, TX	USA	GOCO	Dec-00	3.5	8.0	4.5
Hunter AAF, GA	USA	GOCO	Dec-00	4.9	5.6	0.7
Ft Stewart, GA	USA	COCO	Jun-01	7.6	11.1	3.5
Ft Gordon, GA	USA	COCO	Oct-01	3.7	4.2	0.5
TOTALS				\$51.0	\$81.10	\$30.10

* Costs are 20 year NPV (\$M)

** Costs are 5 year NPV (\$M)

SOURCE: FACILITIES AND DISTRIBUTION MANAGEMENT COMODITY BUSINESS UNIT



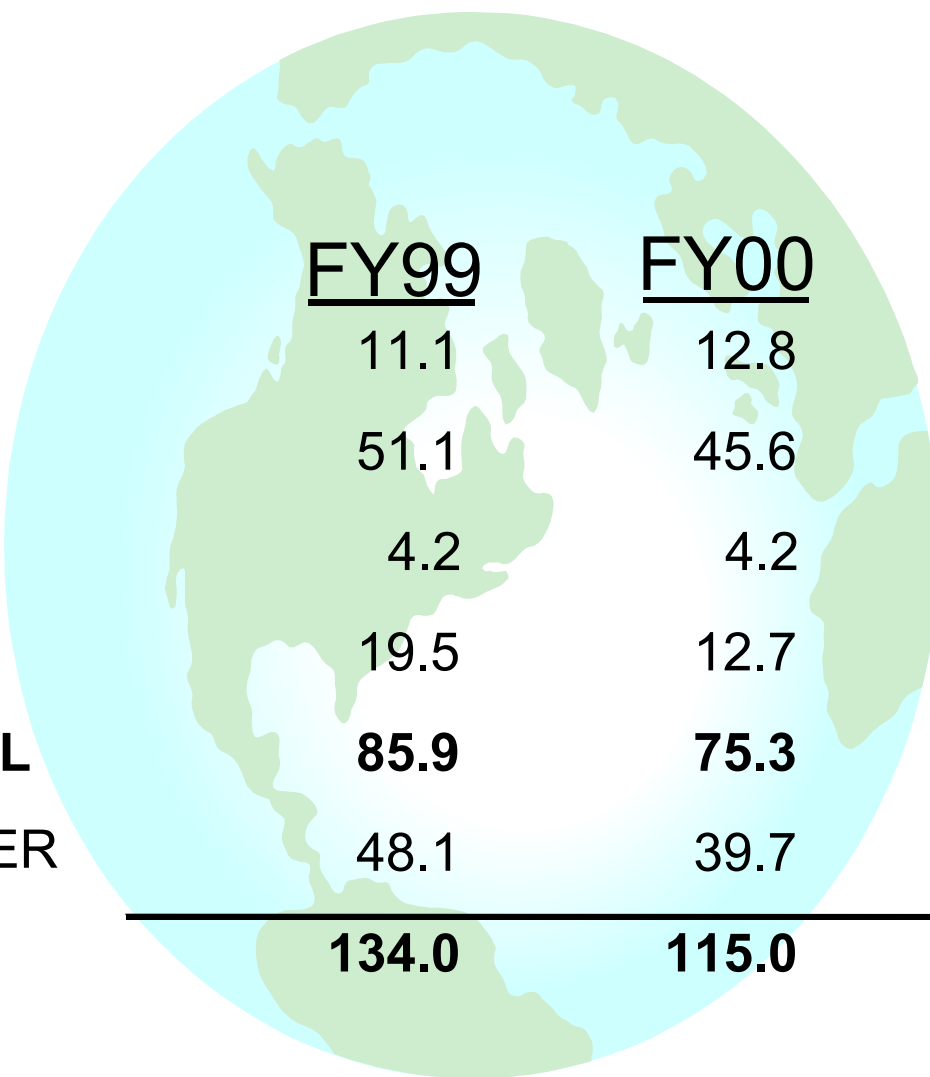
FY 01 TRANSPORTATION



			<u>NUMBER OF SHIPMENTS</u>			
DESC		<u>TRUCK*</u>	<u>RAIL</u>	<u>PIPELINE</u>	<u>BARGE*</u>	<u>TOTAL</u>
HOUSTON		35,967	698	1,916	312	38,893
ST. LOUIS		14,030	0	258	0	14,288
FORT DIX		15,420	3,762	63	563	19,808
LOS ANGELES		16,372	0	573	77	17,022
SUB TOTAL CONUS		81,789	4,460	2,810	952	90,011
OCONUS		15,093	8,841	0**	0	23,934
TOTAL		96,882	13,301	2,810	952	113,945
				* Includes contract truck and barge		
		** Incorporated into International Agreements (Code F)				

WORLDWIDE TRANSPORTATION

(MILLIONS OF BARRELS)



	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
BARGE*	11.1	12.8	17.9
PIPELINE	51.1	45.6	56.2
RAIL	4.2	4.2	4.3
TRUCK*	19.5	12.7	16.6
SUB TOTAL	85.9	75.3	95.0
OCEAN TANKER	48.1	39.7	45.0
TOTAL	134.0	115.0	140.0

* Includes contract truck and barge

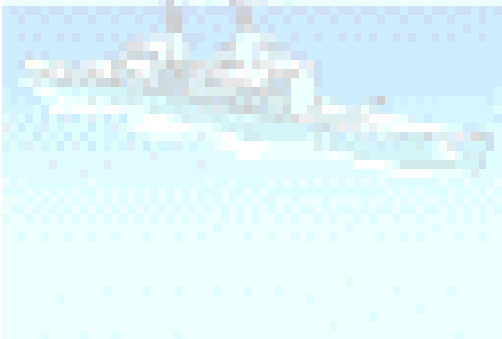
WORLDWIDE BULK FUEL PETROLEUM TRANSPORTATION EXPENSE (\$ IN MILLIONS)

PRODUCT	FY 99	FY 00	FY01
AVGAS	0	0	0
DISTILLATES & DIESEL	49.7	41.2	50.1
JP-4, JAA, JA1	2.0	0.2	0.3
JP-5	51.4	42.0	51.1
JP-8	213.1	166.0	182.4
LUBE OILS	.1	0.1	0.1
MOGAS (LEADED & UNLEADED)	1.5	1.6	2.4
RESIDUALS	<u>0.6</u>	<u>0.0</u>	<u>1.3</u>
TOTAL	\$318.4	\$252.1*	\$287.7

*Decrease in MSC rates

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>
2001	\$ 1.6		1995	\$ 1.8
2000	\$ 3.1		1994	\$ 0.6
1999	\$ 1.3		1993	\$ 1.3
1998	\$ 4.2		1992	\$ 3.2
1997	\$ 2.0		1991	\$ 1.4
1996	\$ 1.2		1990	\$ 1.9

SOURCE: BULK FUELS COMMODITY BUSINESS UNIT

WORLDWIDE BULK FUEL ENDING INVENTORY FY01 (Millions of Barrels and Dollars)

PRODUCT	FY99		FY00		FY01	
	<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	\$0.0	0.0	\$0.0
DISTILLATES & DIESEL	7.0	\$179.2	7.0	\$302.4	7.7	\$269.5
JP-4 (JP-4, JAB, JAA, & JA1)	1.8	\$76.2	1.8	\$104.9	1.7	\$98.9
JP-5	14.5	\$403.3	13.7	\$608.6	14.4	\$508.8
JP-8	30.0	\$806.0	28.2	\$1,263.4	25.7	\$904.2
LUBE OILS	0.0	\$3.0	0.0	\$2.3	0.1	\$2.7
MOGAS (LEADED & UNLEADED)	0.2	\$7.0	0.2	\$10.2	0.3	\$12.8
RESIDUALS	0.1	\$1.6	0.0	\$1.0	0.3	\$7.7
ADDITIVES	<u>0.0</u>	<u>\$0.0</u>	<u>0.0</u>	<u>\$0.0</u>	<u>0.0</u>	<u>\$0.0</u>
TOTAL ON-HAND	53.6	\$1,476.3	50.9	\$2,292.8	50.2	\$1,804.6
TOTAL IN TRANSIT	5.0	\$190.3	3.4	\$190.8	4.0	\$140.5
TOTAL	58.6	\$1,666.6	54.3	\$2,483.6	54.2	\$1,945.1

SOURCE: DIRECTORATE OF RESOURCES MANAGEMENT

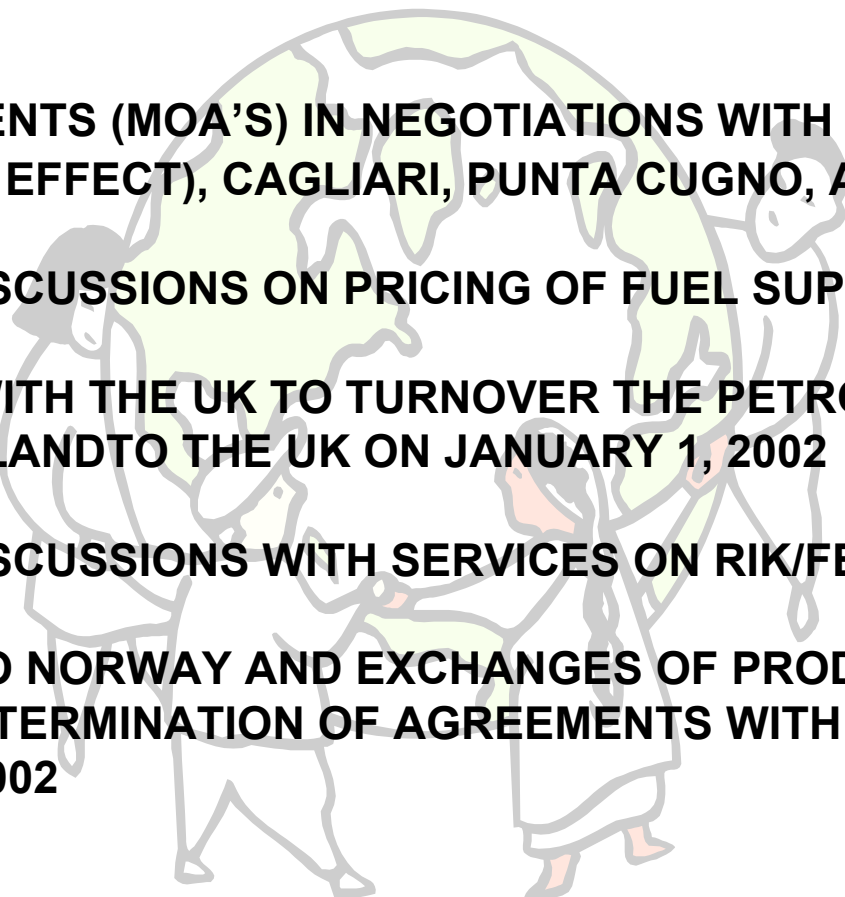
INTERNATIONAL AGREEMENTS FY 01 (\$ IN MILLIONS)



<u>REGION</u>	<u>#AGREEMENTS</u>	<u>ANNUAL COST (Estimated)</u>
DESC-EUROPE	13	\$ 32.1
DESC-MIDDLE EAST	2	\$ 8.9
DESC-PACIFIC	2	\$ 7.8
DESC-AMERICAS	1	\$ 10.0
TOTAL	18	\$ 58.8

SOURCE: FACILITIES AND DISTRIBUTION MANAGEMENT COMMODITY BUSINESS UNIT

INTERNATIONAL AGREEMENTS ADDITIONAL INFORMATION

- 
- ➡ **NEW AGREEMENTS (MOA'S) IN NEGOTIATIONS WITH TURKEY (LOA CURRENTLY IN EFFECT), CAGLIARI, PUNTA CUGNO, AND UZBEKISTAN**
 - ➡ **CONTINUED DISCUSSIONS ON PRICING OF FUEL SUPPORT IN EGYPT**
 - ➡ **MOU SIGNED WITH THE UK TO TURNOVER THE PETROLEUM MISSION ON ASCENSION ISLAND TO THE UK ON JANUARY 1, 2002**
 - ➡ **CONTINUED DISCUSSIONS WITH SERVICES ON RIK/FEA TURNOVER TO DESC**
 - ➡ **FUEL SALES TO NORWAY AND EXCHANGES OF PRODUCT WITH GERMANY WILL LEAD TO TERMINATION OF AGREEMENTS WITH NORWAY AND DENMARK IN 2002**

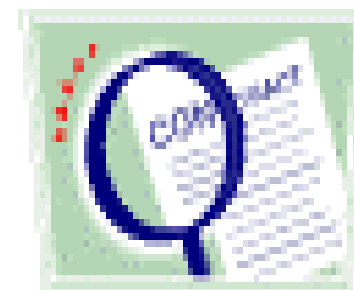
SOURCE: FACILITIES AND DISTRIBUTION MANAGEMENT COMMODITY BUSINESS UNIT

CONTRACT INTRODUCTION

FY 01

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.





CONTRACT AWARD DATA

(Estimated Amounts)

FY 01



	<u>DOLLARS</u> <u>MILLIONS</u>	<u>AWARD</u> <u>ACTIONS</u>	<u>LINE</u> <u>ITEMS</u>
BULK FUEL DIVISION			
DOMESTIC	2,781.2	67	142
OVERSEAS	893.1	27	40
BULK LUBES	9.4	9	73
BULK FOREIGN MILITARY SALES	119.5	3	4
CRUDE OIL	0	0	0
 GROUND FUELS DIVISION			
DOMESTIC	401.9	605	1400
OVERSEAS	112.3	54	163
 DIRECT DELIVERY FUELS			
INTO-PLANE	296.2	194	244
BUNKERS	73	40	84
 FACILITIES PROCUREMENT DIVISION			
STORAGE	26.3	34	34
ALONGSIDE AIRCRAFT REFUELING	6.3	2	2
UTILITIES	0.0	0	0
TESTING/SERVICES/FMS	47.3	82	82
 ALTERNATIVE FUELS DIVISION			
NATURAL GAS	233.6	157	246
COAL	19	11	27
ELECTRICITY	0.5	3	3
 TOTAL	5080.2	1289	2540

Note: Data source is FY01 DD350s containing estimated contract award amounts

SOURCE: Procurement Planning and Support Division, Procurement Oversight Branch

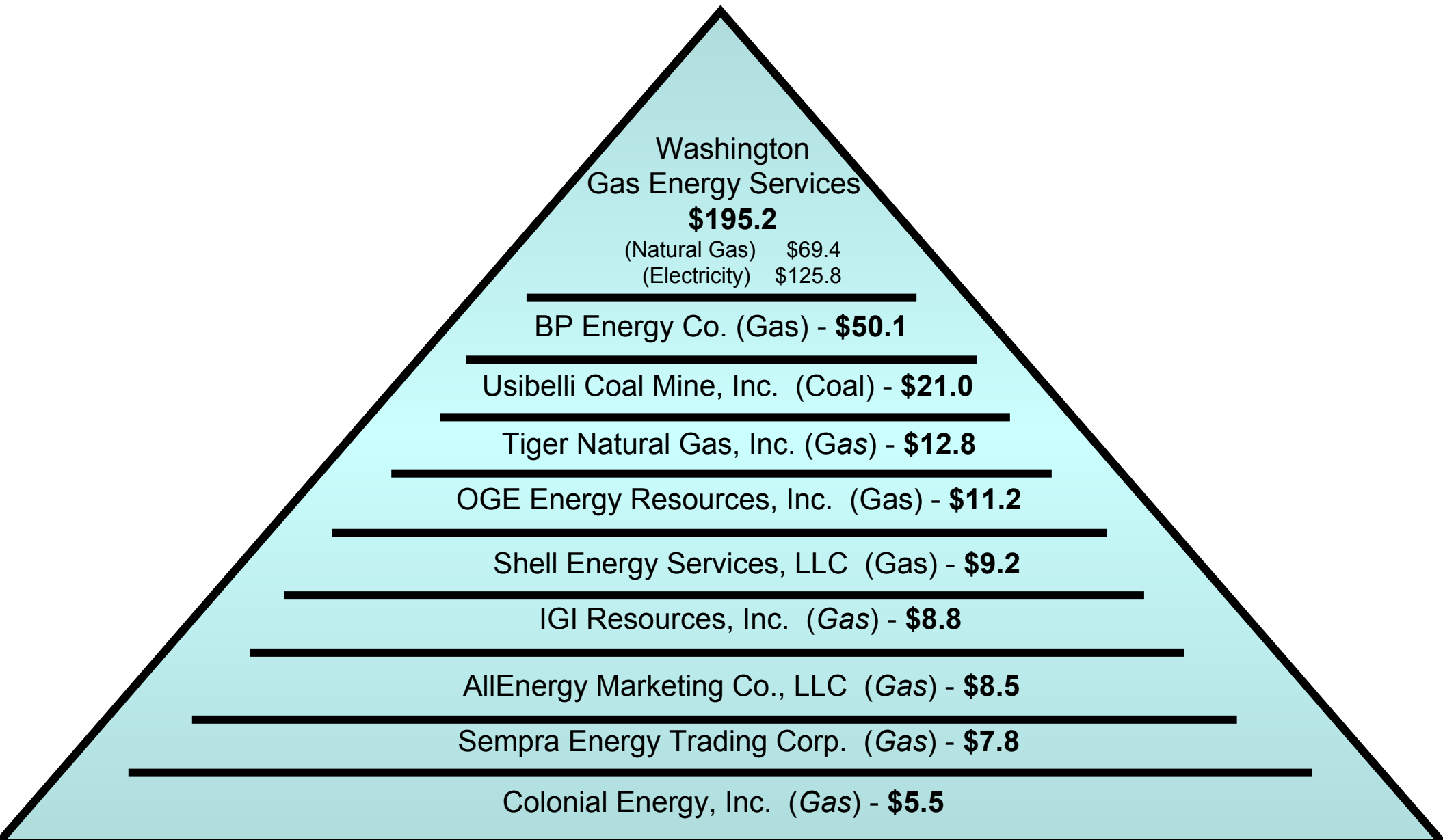


FY01 TOP TEN DESC PETROLEUM CONTRACTORS (\$ IN MILLIONS)

	<u>AWARD AMOUNT</u>	<u>PERCENT OF TOTAL CONTRACT \$</u>
EXXON MOBIL CORP	\$ 711.6	14.0
BP (BP, ARCO, AMOCO)	\$ 561.9	11.1
EQUILON ENTERPRISES	\$ 466.3	9.2
VALERO	\$ 303.6	6.0
MOTOR OIL HELLAS	\$ 206.5	4.1
COASTAL ARUBA REFINING	\$ 146.6	2.9
LG CALTEX	\$ 145.1	2.8
NAVAJO	\$ 121.8	2.4
PARAMOUNT	\$ 94.4	1.9
TESORO	<u>\$ 88.6</u>	<u>1.7</u>
TOTAL	\$2,846.4	56.1%

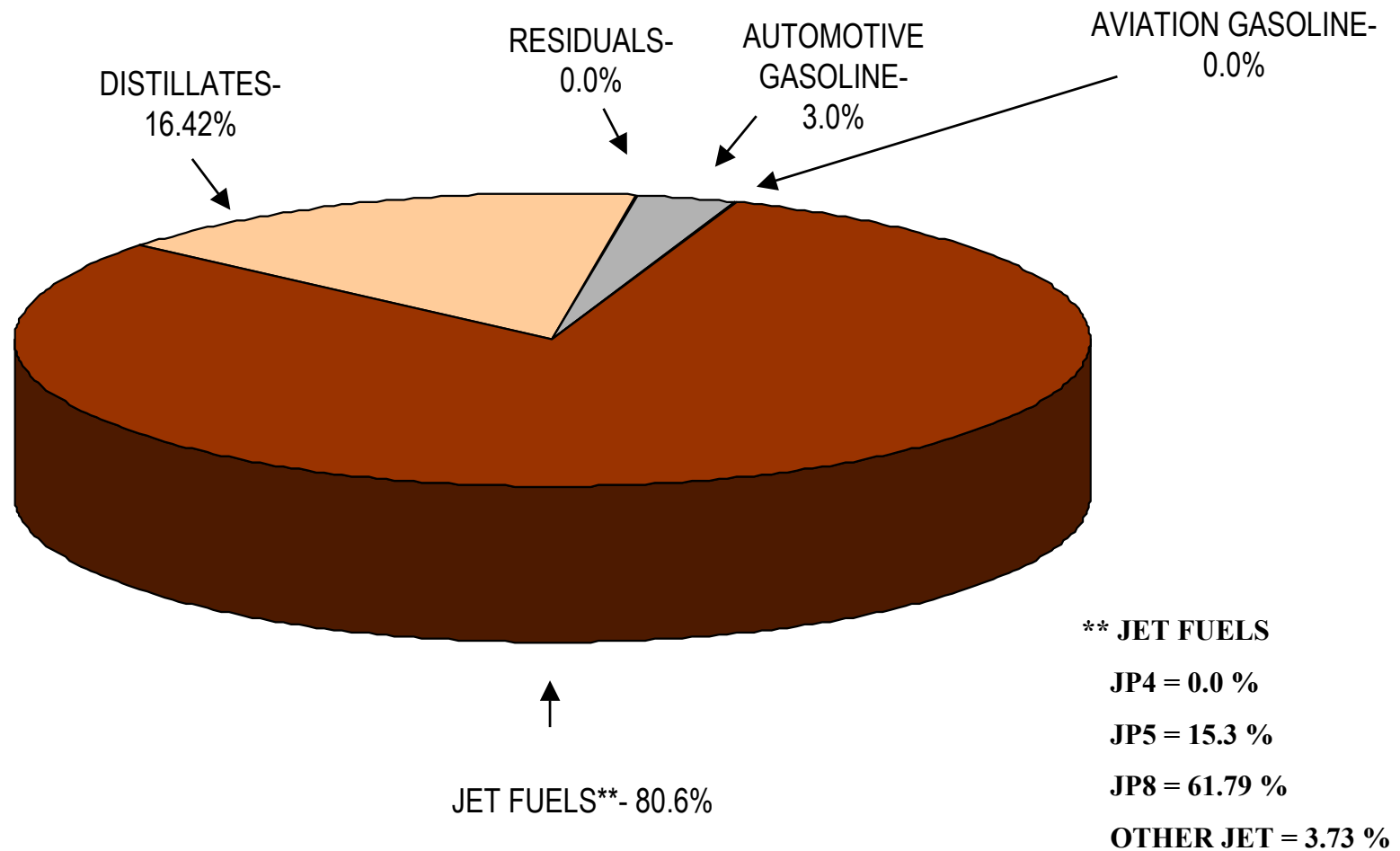
ESTIMATED TOTAL PETROLEUM WORLDWIDE \$5080.2

FY 01
TOP TEN INSTALLATION ENERGY CONTRACTORS*
(\$ IN MILLIONS)



* Delivery periods under some awarded contracts are longer or shorter than 12 months

DESC PETROLEUM PROCUREMENT 134 MILLION BARRELS FY 01



FIGURES REPRESENT CONTRACT AWARD DATA FOR FY 01 (NOT ACTUAL PURCHASES)

SOURCE: Procurement Planning and Support Division, Procurement Oversight Branch

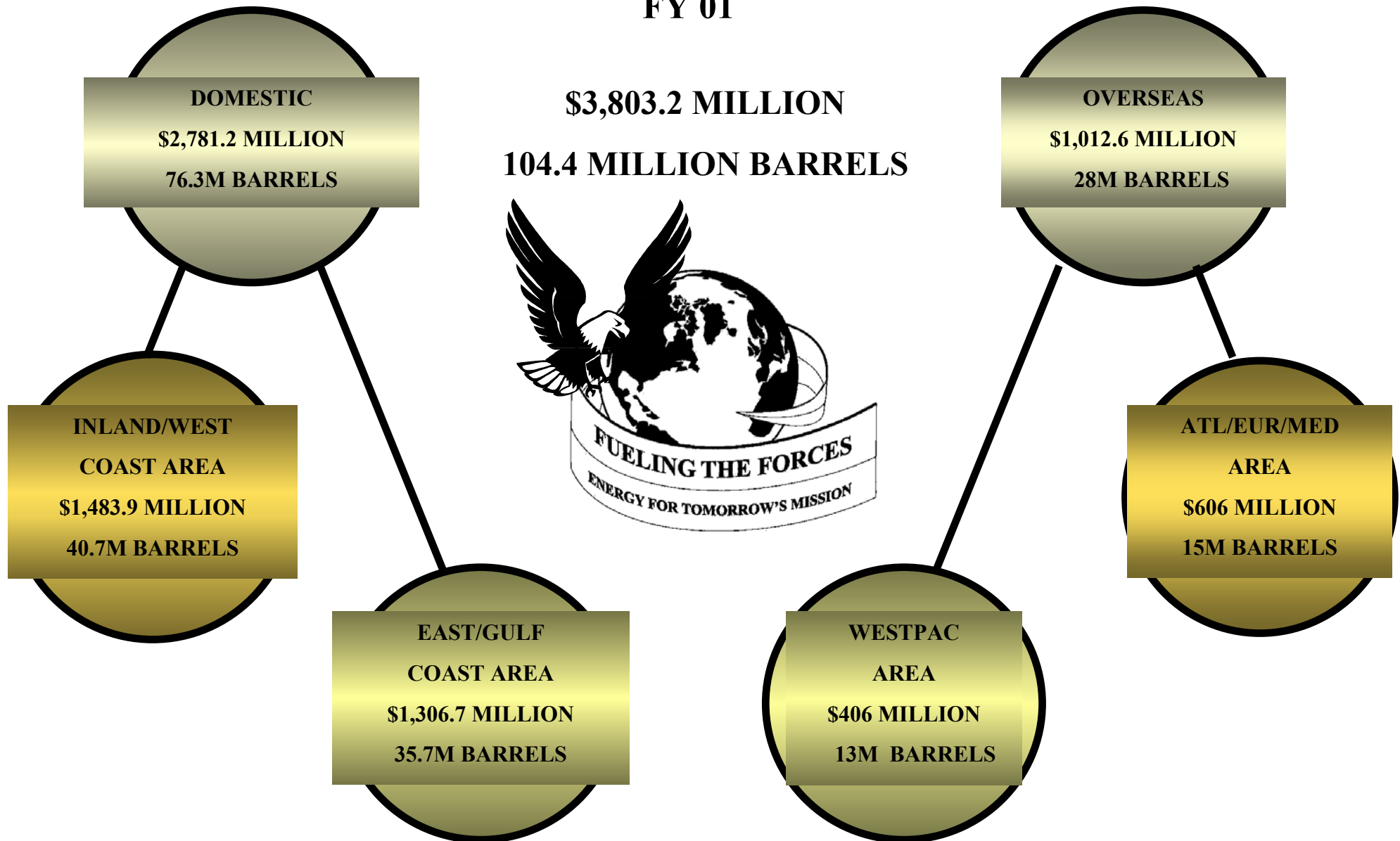
DESC PETROLEUM PROCUREMENT

BULK FUELS DIVISION

CONTRACT AWARDS

(Estimated Amounts)

FY 01



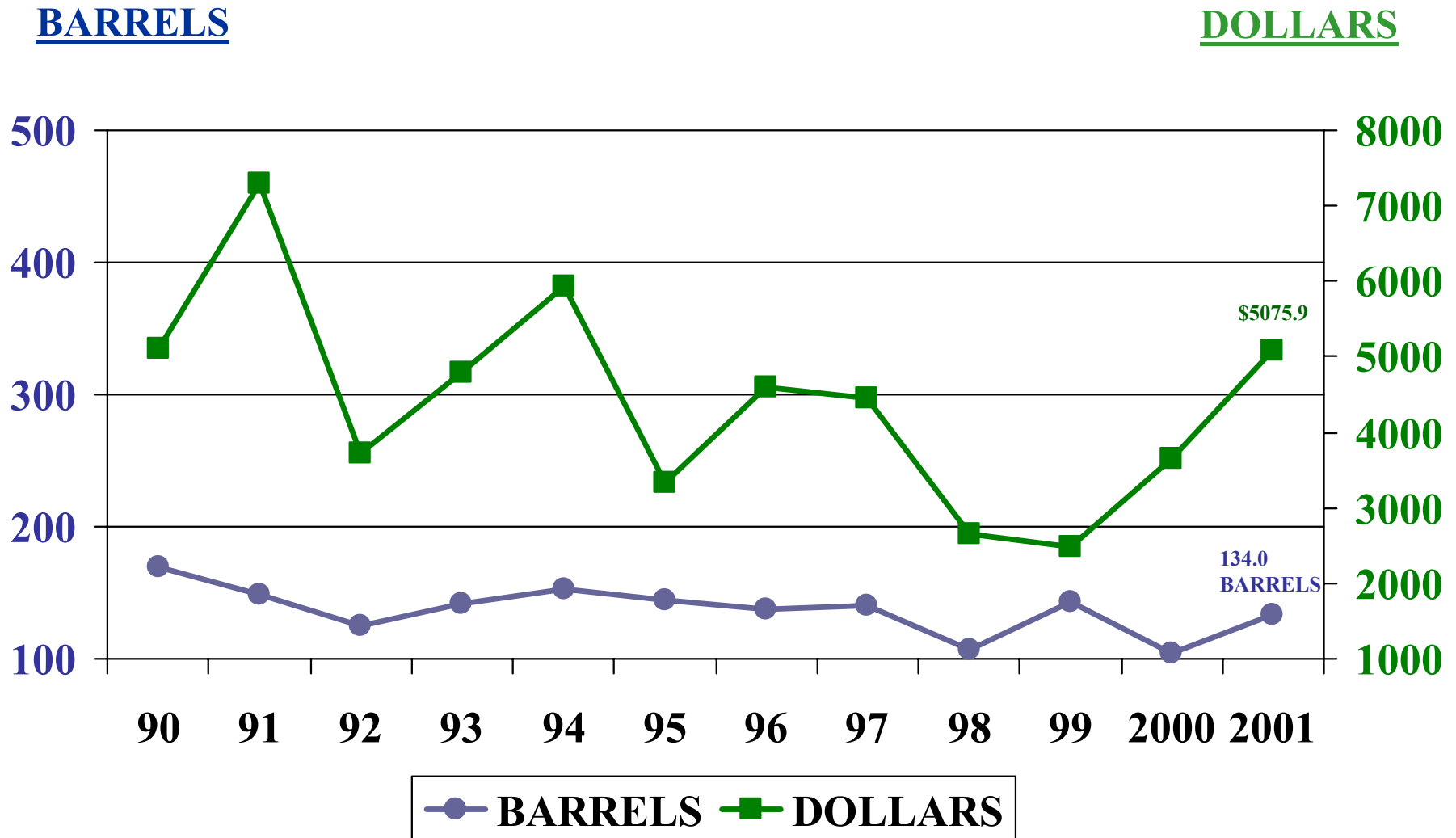
FIGURES REPRESENT CONTRACT AWARDS IN FY 01 (NOT ACTUAL PURCHASES)

SOURCE: Procurement Planning and Support Division, Procurement Oversight Branch

DESC PROCUREMENT FY90 – FY01

PETROLEUM PURCHASES

QUANTITY AND COST IN MILLIONS



REPRESENTS CONTRACT AWARD DATA FOR FY 01

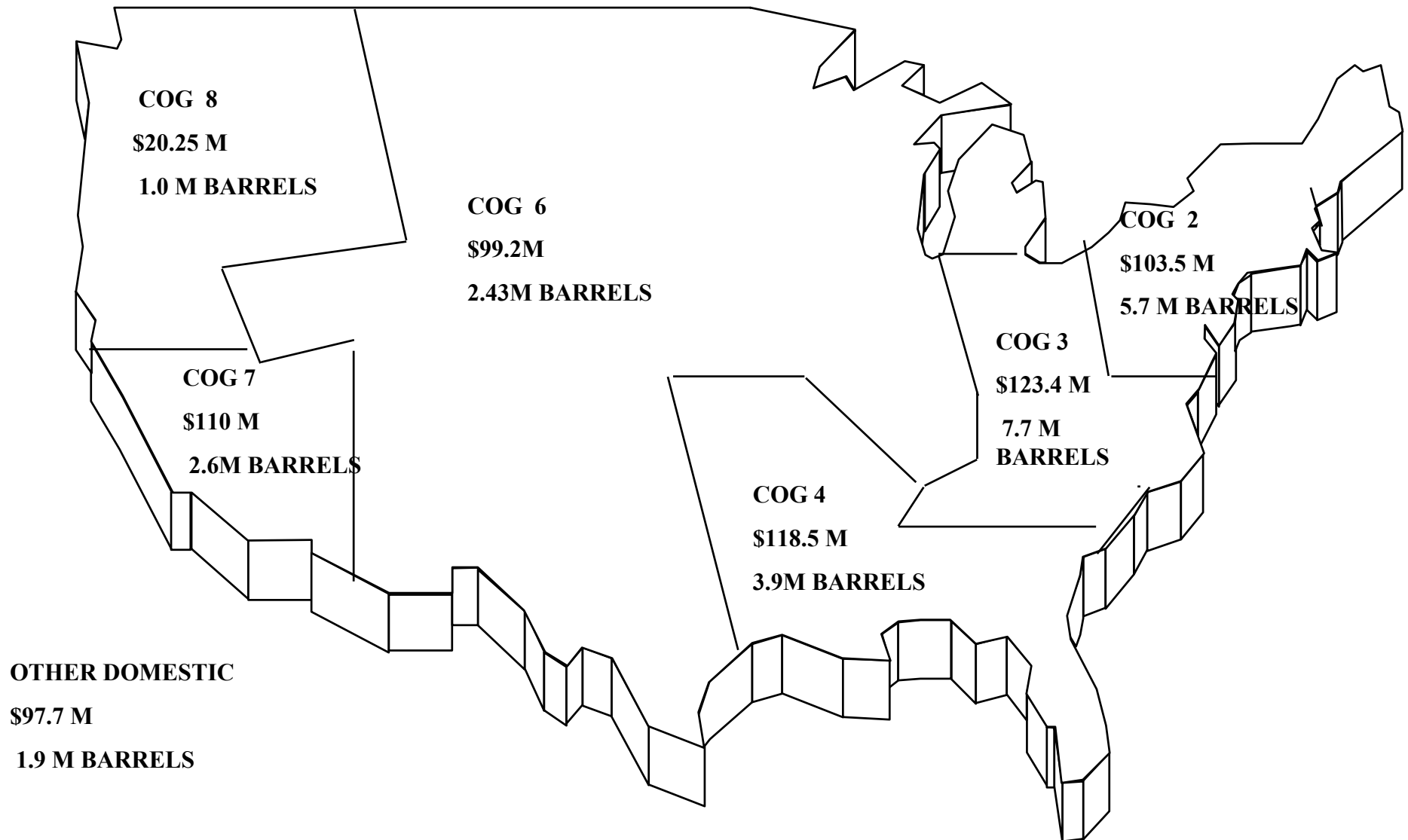
SOURCE: Procurement Planning and Support Division, Procurement Oversight Branch

DESC GROUND FUELS DIVISION

CONUS POSTS, CAMPS AND STATIONS

Customer Organized Groups (COGs)

FY 01



Represents active multiyear contract data awarded as of 30 Sep 01

SOURCE: DIRECT DELIVERY FUELS COMMODITY BUSINESS UNIT

DESC PETROLEUM PROCUREMENT CONUS AND OCONUS POSTS, CAMPS, AND STATIONS FY 01



REPRESENTS ACTIVE CONTRACT DATA AS OF SEP 30, 2001

Domestic (CONUS)

- 269 CONTRACTS
- 1849 ACTIVITIES
- \$673 MILLION
- 25.2 MILLION BARRELS

Overseas (OCONUS)

- 51 CONTRACTS, 28 COUNTRIES
- 538 LINE ITEMS
- \$368 MILLION
- 8.5 MILLION BARRELS

SOURCE: DIRECT DELIVERY FUELS COMMODITY BUSINESS UNIT

REPORTED CREDIT CARD SAVINGS

FY 01



AIR Cards:

Cards Issued:	21,217
Gross Sales:	\$64.4
Net Sales:	<u>\$57.3</u>
Savings:	\$7.1

AIR Card savings attributed to negotiated discounts off posted prices.



Fleet Cards:

Cards Issued:	54,212
Gross Sales:	\$34.2
Net Sales:	<u>\$31.4</u>
Savings:	\$2.8

Voyager savings from quantity discounts and direct tax rebates.

AIRCRAFT INTO-PLANE CONTRACT AWARDS FY 01

DOMESTIC (CONUS)

- 327 LOCATIONS SUPPORTED
- \$236 MILLION
- 5.6 MILLION BARRELS



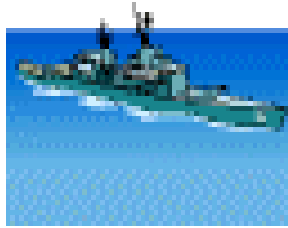
OVERSEAS (OCONUS)

- 174 LOCATIONS (96 Countries) SUPPORTED
- \$179 MILLION AWARDED
- 4 MILLION BARRELS

REPRESENTS ACTIVE CONTRACT DATA AS OF 30 SEP 2000

SOURCE: DIRECT DELIVERY FUELS COMMODITY BUSINESS UNIT

CONTRACTS AWARDED FOR SHIPS' BUNKERS PROGRAM FY 01



DOMESTIC (CONUS)

- **91 PORTS UNDER CONTRACT**
- **\$74 MILLION AWARDED**
- **2 MILLION BARRELS**

OVERSEAS (OCONUS)

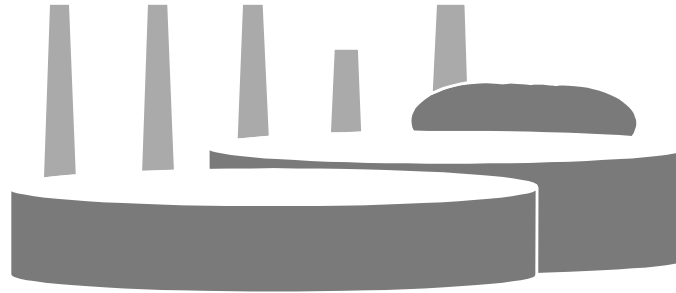
- **86 PORTS in 57 COUNTRIES**
- **\$67 MILLION AWARDED**
- **2.1 MILLION BARRELS**

REPRESENTS ACTIVE CONTRACT DATA AS OF 15Oct 01

SOURCE: DIRECT DELIVERY FUELS COMMODITY BUSINESS UNIT

DESC MANAGED STORAGE CONTRACTS

FY 01



OCONUS			CONUS	
	NUMBER OF CONTRACTS	BARRELS (Storage Capacity) (in millions)	NUMBER OF CONTRACTS	BARRELS (Storage Capacity) (in millions)
COCO	11	8.6	14	3.8
GOCO	7	1.5	8	5.0

*FIGURES REPRESENT ACTUAL CONTRACTS (NOT TERMINALS)

SOURCE: FACILITIES AND DISTRIBUTION MANAGEMENT COMMODITY BUSINESS UNIT

AUTOMATED FUEL DISPENSING FACILITIES CONTRACT COSTS FY 01 (\$ IN MILLIONS)

FORT BRAGG, NC - JP-8 & MOGAS-INITIAL 5 YR PERIOD: \$4.2

SCHOFIELD BARRACKS, HI - JP-8, DIESEL & MOGAS-INITIAL 5 YR PERIOD: \$4.7

29 PALMS, CA - JP-8, DIESEL & MOGAS-INITIAL 5 YR PERIOD: \$5.6

FORT JACKSON, SC - DIESEL & MOGAS-INITIAL 5 YR PERIOD: \$2.1

FORT STEWART, GA - JP-8, DIESEL & MOGAS - INITIAL 5 YR PERIOD: \$5.6

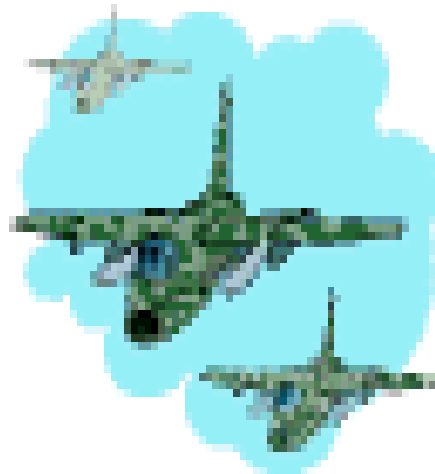
FORT GORDON, GA - DIESEL & MOGAS – INITIAL 5 YR PERIOD: \$2.5

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

ALONGSIDE AIRCRAFT REFUELING FY 01

CONUS

- 26 LOCATIONS
- \$99.3 MILLION IN CONTRACTS

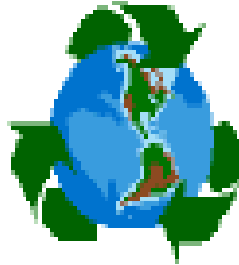


OCONUS

- SOUDA BAY, CRETE
- \$1.6 MILLION IN CONTRACTS

ENVIRONMENTAL CONTRACTS

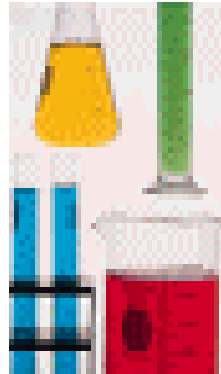
FY 01



- 19 Assessment/Remediation Contracts at DLA Managed GOCOs
 - 7 Active/12 Inactive
- 5 Environmental Service Contracts
 - Preparation of Environmental Plans
 - Environmental Audits
 - Occupational Safety and Health Services
 - Pollution Prevention Studies and Assessments
 - Oil Spill Response Training

Testing Contracts

FY 01



- 4 Domestic contracts for 26 locations
- 5 Overseas contracts for 11 locations

FOREIGN MILITARY SALES (FMS) /MISCELLANEOUS

- FMS

 - Bosnia \$79.6M

 - Colombia \$.3M

 - Israel \$127.7M

- Port Tampa dock services \$1.9M

- Yumurtalik, Turkey mooring services
\$.12M

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

<u>CRUDE DISTILLATION CAPACITY BARRELS/DAY</u>	<u>1986</u>	<u>1988</u>	<u>1990</u>	<u>1992</u>	<u>1994</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>Change 1986-2001</u>
LESS THAN 50,000	124	117	106	96	75	70	62	57	55	54	53	-71
50,000- 100,000	41	37	39	43	43	40	41	37	42	42	40	-1
100,001- 175,000	27	29	31	30	29	24	25	26	25	24	24	-3
OVER 175,000	22	22	23	24	25	31	29	31	32	32	33	11
TOTAL	214	205	199	193	172	165	157	151	154	152	150	-64

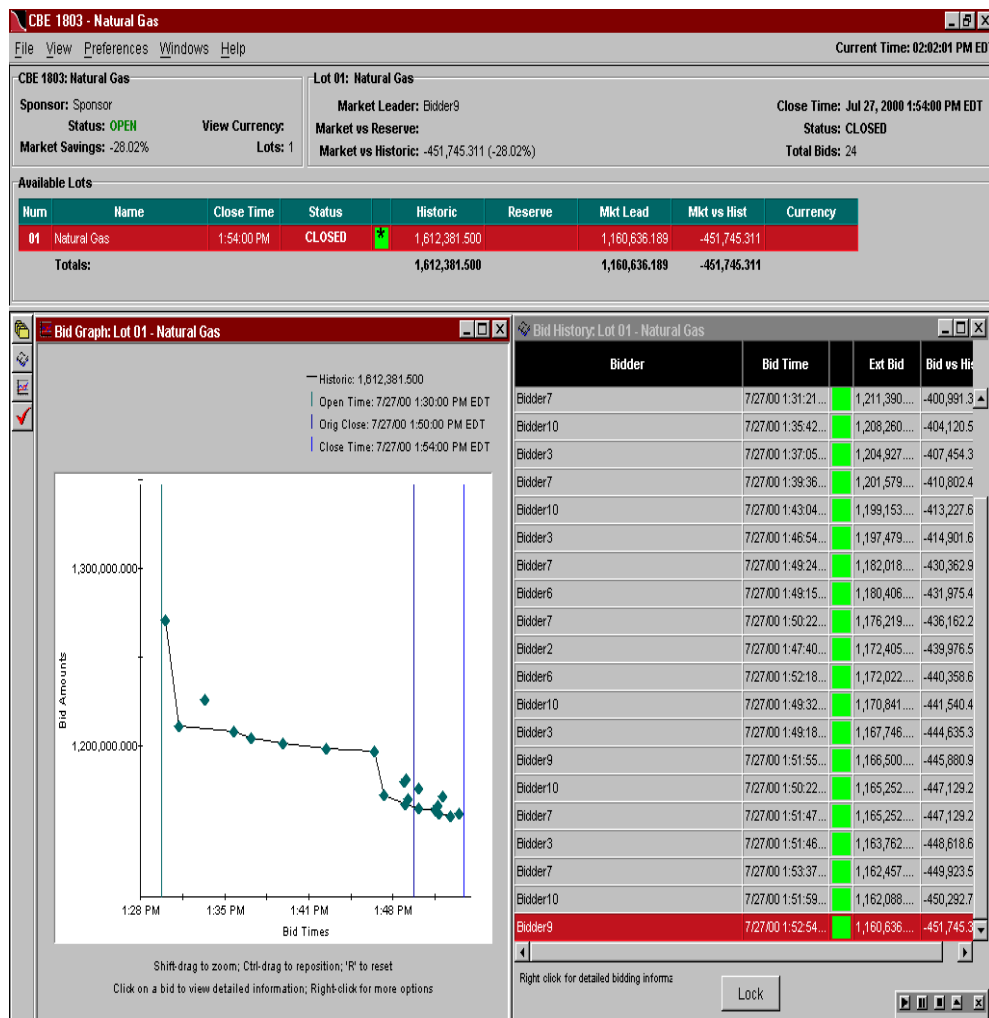
Source for 1986-1994, 1997, 1999-2000: US Department of Energy
Source for 1996, 1998: Oil and Gas Journal

SMALL AND DISADVANTAGED BUSINESS UTILIZATION

SMALL BUSINESS ACHIEVEMENTS									
(IN THOUSANDS)									
		FY 99			FY 00			FY 01	
Preference Programs	GOALS	PERFOR.	DOLLARS	GOALS	PERFOR.	DOLLARS	GOALS	PERFOR.	DOLLARS
Small Bus Awards	24.47%	26.60%	\$ 546,152	21.50%	22.30%	\$ 782,866	30.30%	29.40%	\$ 1,134,587
Small Business Set-Aside Awards	13.42%	9.90%	\$ 203,114	13.50%	9.10%	\$ 321,707	4.10%	11.40%	\$ 440,172
Small Disadvantaged Business Awards	5.74%	4.80%	\$ 100,048	5.00%	4.00%	\$ 139,808	4.20%	4.20%	\$ 163,407
Direct Competitive			\$ 96,466						\$ 157,038
Section 8(a)			\$ 3,582						\$ 6,369
Women-Owned Small Business Awards	4.87%	0.60%	\$ 13,760	2.00%	0.40%	\$ 14,128	5.00%	1.10%	\$ 43,341
Hubzone SB Awds	1.00%	1.00%	1.00%	1.50%	**	\$ TBD	2.00%	4.40%	\$ 169,535
HBCU	5.00%	0%	* *	5.00%	**		5.00%	**	
Veteran-Owned SB							3.00%	0.10%	\$ 5,747
Total Awds			\$ 2,045,720			\$ 3,518,268			\$ 3,859,699
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.									

DIRECT SUPPLY NATURAL GAS

On-line Reverse Auctioning Pilot Natural Gas Monthly Buy Program



On-Line Auction Summary

- 10 Online Reverse Auctions
 - 9 Natural Gas (reverse)
 - 1 Electricity (reverse)
- 11 of DESC's suppliers participated
- 563% Increase in competition
 - 265 bids for natural gas (9 auctions) vs 40 using traditional method
 - 2 bids for electricity (1 auction)

SOURCE: INSTALLATION ENERGY COMMODITY BUSINESS UNIT

Sample depiction

DIRECT SUPPLY NATURAL GAS

On-line Reverse Auctioning Benefits

- Increased competitive bidding
- Reduced price evaluation time from hours/days to minutes
- DESC “savings” under gas pilot auctions
 - Versus utility: \$6.8 M
 - Versus traditional approach (depending on benchmark)
 - \$69 K - \$806 K (in additional savings)
 - 1.0% - 13.5%
- Accomplished with no increase in FTE staff resources
- Mitigated any need to extend procurement periods through RFP amendments
- Pilot program demonstrated that this procurement method is a viable acquisition procedure

DIRECT SUPPLY NATURAL GAS PROGRAM SUMMARY FY 01



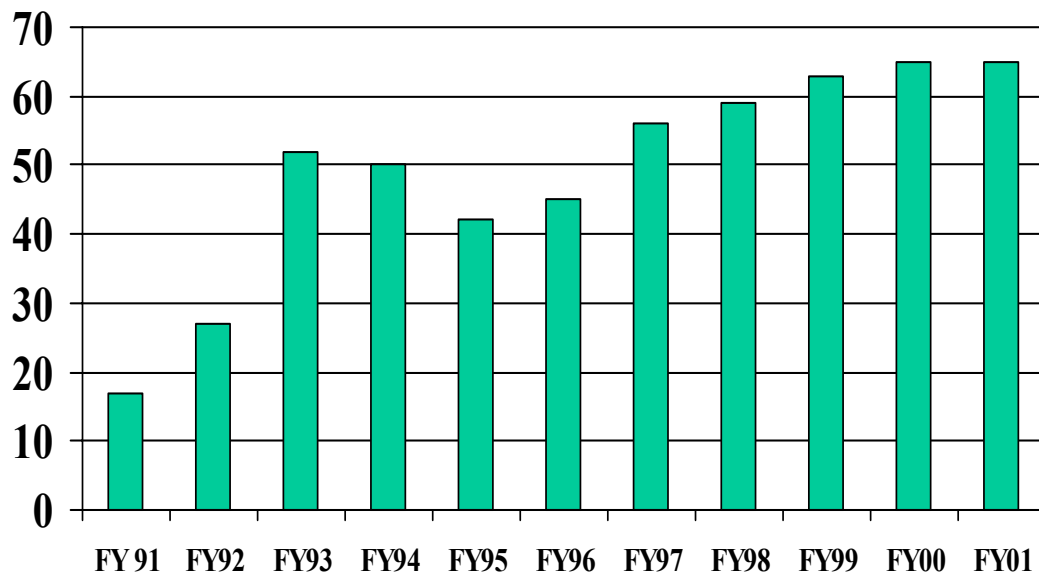
Dekatherms (DTH) and Dollars

	<u>TOTAL DTH</u>	<u>TOTAL VALUE</u>
DWCF FUNDED	24.87	\$215.94M
SERVICED FUNDED	35.64	\$206.84M
TOTALS	60.51	\$422.78M

Federal Civilian Agencies

NATURAL GAS PARTICIPATION & COST AVOIDANCE

HISTORICAL PARTICIPATION



SOURCE: INSTALLATION ENERGY COMMODITY BUSINESS UNIT

FY01 Federal Civilian Agency Participants

DOE	16
Veterans Administration	20
Department of Justice	9
NASA	5
Others	15
Total	65

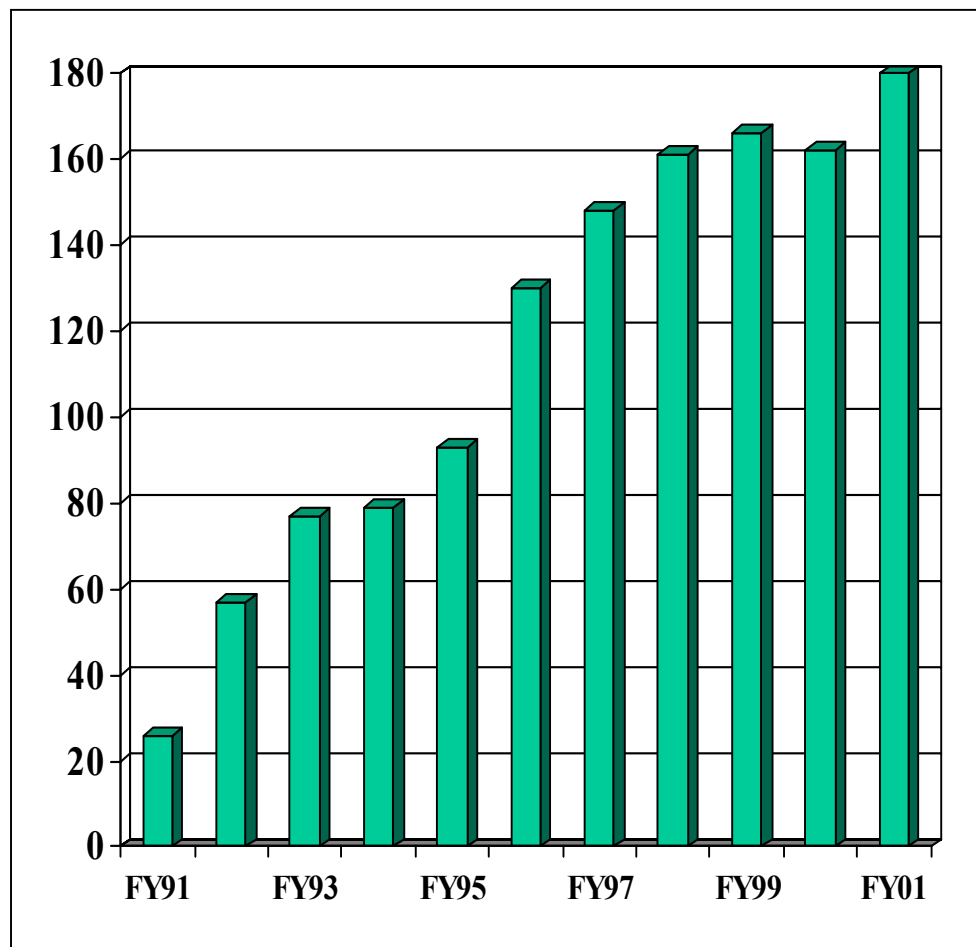
By partnering with DESC to procure direct supply natural gas, civilian agencies saved over \$6.5 million in FY01.



Department of Defense

NATURAL GAS PARTICIPATION & COST AVOIDANCE

DoD Participation
121% growth FY94-FY01



DoD Natural Gas Cost Avoidance

	FY91-00	FY 01	Total
Army	\$ 82.8	\$ 10.7	\$ 93.5
Navy	\$ 74.0	\$ 2.7	\$ 76.7
Air Force	\$ 58.5	(\$.3)	\$ 58.2
Other DoD	\$ 7.1	\$.8	\$ 7.9
Total	\$222.4	\$ 13.9	\$236.3

(Dollars are in Millions)

FY 01 DoD Participants

Army	68
Navy	54
Air Force	44
DoD	14
Total	180

Coal – FY01

Summary of Procurement

	Short Tons	Requirement Dollars(M)
Army	283,400	\$14.4
Air Force	305,200	\$14.8
Navy	148,600	\$10.0
Other	32,500	\$ 2.3
Total	769,700	\$41.5M

DEMAND MANAGEMENT EFFORTS

**Utilizing Memorandum of Understanding
and
Partnering with DOE to Increase Customer Support for ESPCs**

AWARDS

- ★ **Aberdeen Proving Ground, Maryland - September 14, 2001**
 - ✓ **Ground Source Heat Pumps**
 - ✓ **Savings estimated 8,637,858 kilowatt-hours - \$15 million over 20-year period**
- ★ **Fort Jackson, South Carolina - September 19, 2001**
 - ✓ **Lighting Retrofits**
 - ✓ **Ground Source Heat Pumps**
 - ✓ **Chiller Plant Upgrades**
 - ✓ **Peak Load Limiting System**
 - ✓ **Water Saving**
 - ✓ **Annual savings estimated 11 million kilowatt-hours, 45,000 dekatherms in natural gas and 5,000 gallons of water - \$44 million over 20-year period**

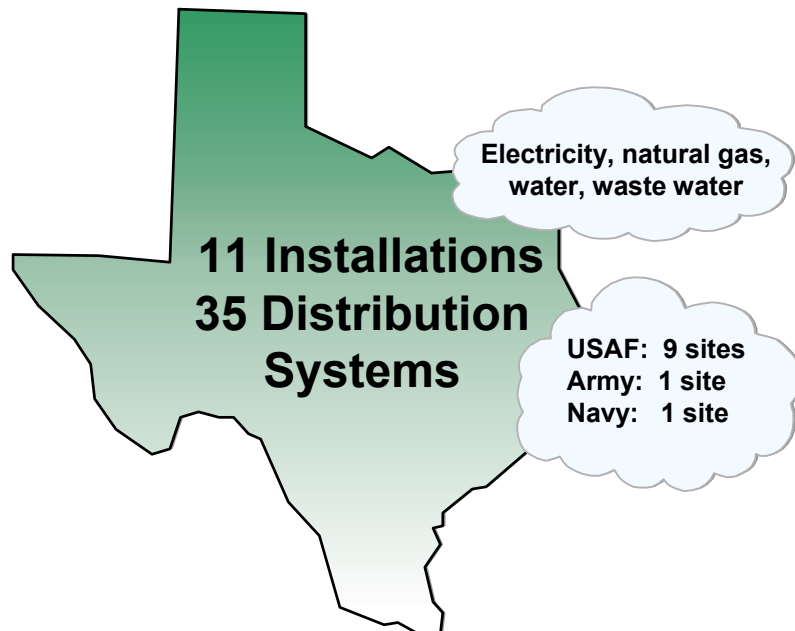
CONTINUING PROJECTS

- | | |
|--|----------------------------|
| ▪ Fort Hamilton, New York | ▪ Fort Bliss, Texas |
| ▪ Carlisle Barracks, Pennsylvania | ▪ Fort Hood, Texas |
| ▪ Fort Leavenworth, Kansas | |

Utility Privatization Support

Ongoing Actions

TEXAS REGIONAL DEMO



Directed in DRID # 49

- DESC Contracting Support for USAF
- DESC Business Manager Role for Army and Navy

OTHER REGIONAL EFFORTS

- TRADOC in VA 13 Systems
- Air National Guard 181 Systems
- Army National Guard 29 Systems

Working 467 Systems



Army 152



Air Force 304



Navy 11

CONTRACTS AWARDED

Fort Detrick - Natural Gas awarded 14 Dec 00
\$1.4 million cost avoidance over LCCA

Bolling AFB - Natural Gas awarded 31 Jul 01
\$800K cost avoidance over LCCA

Minneapolis-St Paul - Natural Gas awarded
25 Sep 01 - \$77K cost avoidance over LCCA



DESC's Competitive Electricity Program

Cost Avoidance

	FY99	FY00	FY01	TOTAL
CA	\$722K	\$1,346K	\$2,566K	\$4,634K
PJM*	\$165K	\$1,066K	\$525K	\$1,756K
ME		\$6K	\$229K	\$235K
TOTAL	\$887K	\$2,418K	\$3,320K	\$6,625K

***PJM – Represents awards in PA, NJ, MD, DE, DC**

In addition to the above awards, RFP's have been issued in NY, DE, IL, RI, CT. Under these procurements, the incumbent utility was determined to be the "best value."

Customers**

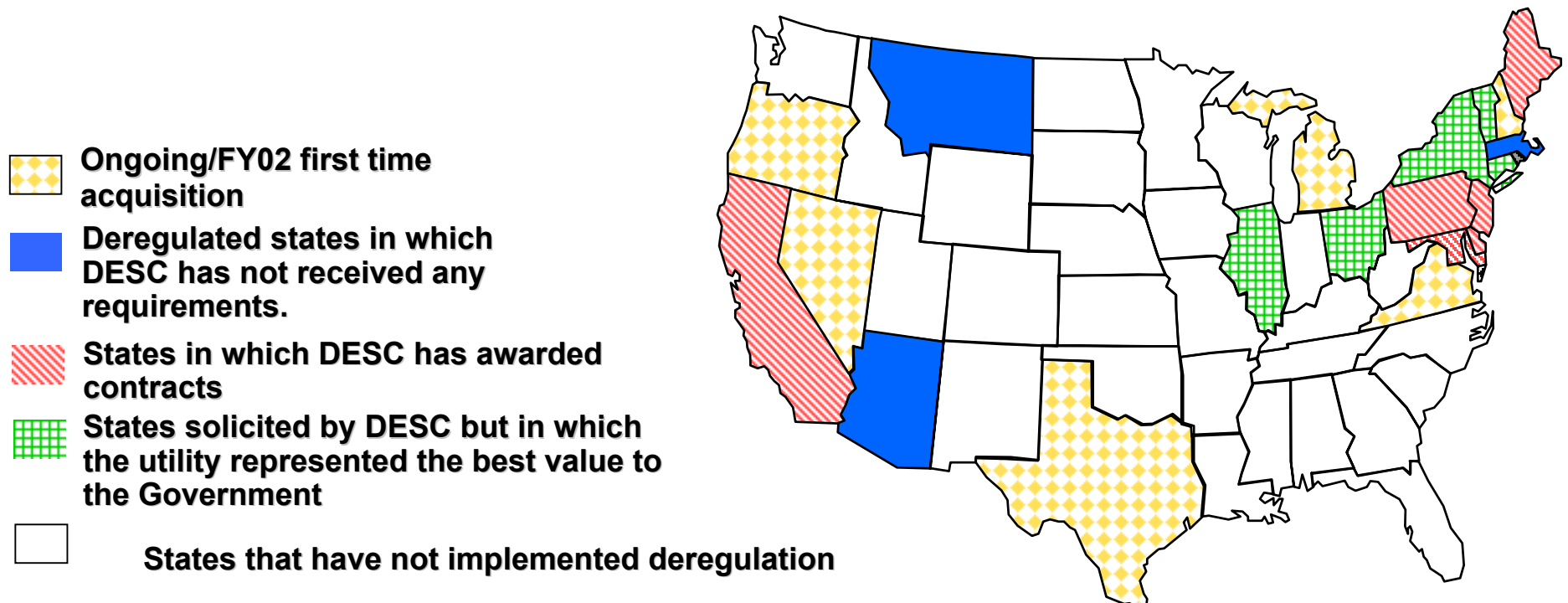
Army	24
Navy/USMC	114
Air Force	12
Army Res.	261
ANG	3
Other DoD	4
Fed Civ.	24
Coast Guard	7
TOTAL	449

**** Customers = activities submitting requirements under electricity RFPs**

DESC's Competitive Electricity Program (cont)

1994 - DFSC began monitoring electricity deregulation in anticipation of the market being opened.

Since May 1998, in partnership with the Military Services, DESC has been contracting for deregulated electricity.



DEFENSE ENERGY SUPPORT CENTER

HIGHLIGHTS FOR FY01

PETROLEUM

Optimization: DESC-FL has reorganized and now conducts facility optimization studies to include options for commercialization. A small core of systems analysts act as program managers for study teams consisting of site and service representatives combined with DESC technical, environmental and engineering personnel. We expanded optimization studies to include the United States Marine Corps (USMC). Current USMC projects include Marine Corps Activities Okinawa, Marine Corps Base (MCB) Camp Lejeune, NC, MCB Camp Pendleton, CA and Marine Corps Air Station (MCAS) Miramar, CA. Future optimization studies will include MCB Quantico, VA, MCAS Yuma, AZ, Marine Corps Recruit Depot (MCRD) San Diego, CA and MCRD Parris Island, SC.

PowerTrack Implementation: In FY 2001, in support of DoD guidance to reengineer the Defense Transportation Documentation and Financial Processes, DESC completed implementation of U.S. Bank's PowerTrack system throughout the continental United States and Alaska. DESC is currently developing an interface between PowerTrack and the Fuel Automated System, facilitating the integration of inventory and distribution information. We are also reviewing the potential expansion of PowerTrack for use overseas.

AIR Card Program: The Aviation Into-plane Reimbursement (AIR) Card Program, coupled with extensive into-plane contract coverage, continues to provide DESC's customers, and the "warfighter" expanded options to meet refueling and ancillary services needs worldwide. Not only has the AIR Card Program decreased overall operating costs to the customer, the program utilizes "best" commercial practices, minimizing hardcopy reporting via Electronic Data Interchange (EDI) for billing and program management purposes. The AIR Card program is a phenomenal success from the customers fiscal standpoint, with prior year cost avoidances provided directly to customers in excess of \$20 million since the program began in 1997. The AIR Card is DESC's most visible and recognized symbol - known worldwide, and has become a mainstay of DESC's future business practices. Beginning October 1, 2001, DESC began to process all aviation fuel transactions for centralized payments through DFAS-Columbus. DESC continues testing the swipe of the AIR Card on electronic point of sale reader equipment at selected military installations, and has furnished into-plane contractors with electronic reader equipment for domestic contractors. DESC remains dedicated to eventually implementing a "one-card" concept for all aviation fuel needs.

Ethanol (E85) Support For Navy Public Work Center, Great Lakes And Fort Meade: In May of 2001 DESC awarded its first Ethanol contract in support of Flexible Fuel Vehicle initiatives outlined under the Energy Policy Act of 1992 (EPACT). The legislation allows federal and state fleet managers to meet EPACT's requirements by using blends of 85 percent ethanol and 15 percent gasoline. DESC fulfilled the Navy Public Works requirement of 75,000 gallons and Fort Meade's requirement of 228,000 gallons of E85 for their flexible fuel vehicles.

Fleet Card Program: As the DoD Program Management Office for the Fleet Card Program, DESC has partnered with US Bank to expand our ability to deliver world-class service to its ground fuels customers. The Fleet Card has been issued to over 54,000 customers and is currently accepted at over 155,000 service stations for fuel support and an additional 29,000 facilities for vehicle maintenance. DESC customers use their Fleet Card to obtain fuel and maintenance related services at commercial service stations worldwide. US Bank recently provided several overseas customers with their Fleet/Visa card to meet off-base vehicle needs and enables DESC to utilize modern business practices to serve our customers on a worldwide basis. The US Navy, DESC, and US Bank also tested the Fleet/Visa card by issuing small USN vessels the card so they could purchase marine fuel on the annual recruiting mission called, Great Lakes Cruise. This endeavor was extremely successful and may be expanded in the future to cover other vessels. Most recently, DESC has been working towards electronic acceptance of the Voyager cards on-base for both DoD land GSA leased vehicles. This is the first year that DESC negotiated pump discounts with some major suppliers, which equates to lower costs to customers overall. Integration efforts to stand up some electronic initiatives are planned to begin Jan 02.

Biodiesel Support For Scott Air Force Base: In April of FY01, DESC supported the Scott Air Force Base Biodiesel Demonstration Program by procuring approximately 35,000 gallons of Biodiesel B-20 in support of alternative vehicle fuel initiatives outlined under the Energy Policy Act (EPACT) of 1992 and Executive Order 13149. The test program at Scott AFB serves as a model for other military bases. In addition to biodiesel support for Scott, DESC participated in other alternative vehicle fuel seminars and meetings with various federal agencies such as the Departments of Agriculture and Interior. DESC's participation in such events creates awareness about its capabilities to procure these alternative vehicle fuels and provided a procurement source for federal agencies to support alternative vehicle fuel programs.

Turkey Posts, Camps & Stations: Concerned about the reliance on a single refinery source or contractor in Turkey for diesel fuel, DESC developed a plan to award diesel items to multiple contractors that would use different refineries in support of the same location. Using indefinite quantity contracting procedures, DESC split the diesel requirements 70%-30% and awarded each 30% volume requirement to companies that submitted offers using an alternate refinery source. For the highly critical Incirlik Air Base, DESC awarded multiple contracts to significantly reduce the risk of a single contractor's failure to meet quality assurance standards.

Ships' Bunker Magnetic Stripe Card: DESC awarded a follow-on small purchase contract to the current magnetic stripe contractor, NOVA Systems Inc., a credit card processor that provides plastic "mag-strip" cards to each Navy and Coast Guard vessel. The mag-strip contains data pertinent to the vessel, and when used in conjunction with the card reader at time of refueling, allows an electronic transmission of invoice and supply information to be sent to DFAS-CO. The replacement mag-stripe card, most likely will be called the Bunkers Fuel Documentation (BFD) Card, will be awarded through the GSA SmartPay contract in 2002. DESC will integrate this ships' bunker fuel program with the Fuels Enterprise System for customer oversight and the process will mirror the commercial purchase card environment.

Bosnia Post, Camps, and Stations (PC&S) Program: DESC continues to meet the critical needs of its customers by providing Bulk Petroleum fuel support to U.S. and non-U.S. Forces participating in OPERATION JOINT FORGE in Bosnia-Herzegovina, Croatia, and Hungary. In executing U.S. responsibilities as Role Specialist Nation (RSN), DESC supplies all fuel for several participating nations. Due to the mission's nature and potential for hostilities at any time, DESC relies on suppliers that provide quality service in a timely manner at the "best overall value." Additionally, DESC ensures fuel availability by awarding contracts requiring site delivery for large quantity, critical items to multiple contractors. The program's success is directly attributed to a team effort with DESC performing contract administration and ordering, Defense Finance Accounting Service serving as the paying office, and Defense Contract Management Agency performing quality assurance.

Petroleum Quality Information System (PQIS) Database Update: DESC moves closer to having reliable quality information for all bulk fuels purchases made by DESC on an annual basis. Now recognized by the aviation and petroleum industry worldwide, the PQIS 2000 Annual Report was published in July 2001 as a document and an interactive CD-ROM. The CD-ROM contains both the 1999 and 2000 reports as well as the data tables used to generate the report. Through contacts with DCMA QARs and refineries, representation of quality data in PQIS for products purchased by the Bulk Commodity Business Unit reached 100% for all fuels except JP8, which achieved a 96% level of representation. Programming will be completed in the near future to submit data into PQIS electronically via the Paperless Ordering and Receipt Transaction Screens System, which is collecting information from refinery locations in CONUS. The ultimate goal is for PQIS to provide real-time access to fuel quality purchased, stored, and issued to our customers, worldwide.

Apple Jelly Jet Fuel Contamination Study: The Product Technology and Standardization Division (DESC-BP) continued to attack the Apple Jelly jet fuel contamination problem. DESC-BP established a contract with Southwest Research Institute (SwRI) to perform a detailed research and field study. The goal of the study, which began in January 2001, was to determine the components and conditions of Apple Jelly formation, and formulate recommendations for and/or corrective actions to preclude reoccurrence. Over 100 field samples of Apple Jelly and related fuel were collected from affected military bases and sent to SwRI for detailed chemical and physical analyses. Additionally, SwRI conducted visits to several bases and DESC terminals that reported Apple Jelly formation to collect specific operational information related to fuel storage and distribution. This data was used in conjunction with technical analyses and assessments. The study concluded in August 2001, with findings that explained the formations of both thin and thick variations of the substance. The final report of the study, prepared by SwRI, was reviewed for technical soundness by a panel of Government and commercial industry representatives with expertise in various aspects related to Apple Jelly. Currently, several courses of corrective action, based largely on the conclusions and recommendations of the report, are being implemented.

Standard Commercial Automotive Diesel Use Expansion: DESC was successful in adding another Military Service customer to those already using standard commercial diesel grades. Army and Army National Guard activities in 14 Midwestern states have joined Navy and Federal Civilian activities in using this grade of product. The Army began trial use of commercial grades on June 1, 2001 after DESC-BP proposed use of today's low sulfur commercial product in place of Federal specification diesel. FY 2001 shipments of commercial grades to Army customers in these 14 states exceeded 1 million gallons resulting in a cost avoidance versus Federal specification diesel of \$172,698. The Navy's FY savings for previously initiated 100% conversion from Federal specification diesel to standard commercial automotive diesel exceeds \$1 million.

DESC Purchases Biodiesel To Meet EPACT: The Energy Policy Act of 1992 (EPACT) directs the Federal Government to use alternative fueled vehicles (AFV) for administrative purposes. In 1999 Executive Order (EO) 13149 implemented the EPACT by directing that 75% of Federal Government administrative vehicles be AFVs by 2005. In order to comply with EO 13149, DESC-BP is working with Military and Federal Civilian organizations as well as industry groups to develop an acceptable industry biodiesel specification. DoD will use the alternative fuel, B20, which is a blend of 20% biodiesel (B100) and 80% conventional diesel. DESC-BP continues to work with the Services to ensure suitability of certain biodiesel types, storage stability of B20, adequate cold weather properties, and other unique properties that could impact equipment performance and operations.

DESC Customer Quality Days: DESC-BQ hosted the Customer Quality Days at the HQ Complex, Ft. Belvoir on 26 and 27 October 2000. This meeting was designed as a forum for our customers (Army, Navy, Air Force, Fed Civilians) to express concerns with product specifications and receipt quality on DESC supplied products and services. DESC adopted two action items from this meeting. The first is to develop and distribute a Standard Operating Procedure for Processing Contract Exceptions, Deviations and Waivers. The second was to form three Integrated Process Teams; to develop policy for DESC funding of research and development, to develop funding policy for Service laboratories moving from direct funding to fee for service funding and to develop an Automated Quality Information System. The Regional Commanders and Quality Managers were present to interact with our customers and provide insight into operational constraints affecting quality.

DFSP San Pedro, CA Groundwater Remediation Project: During FY 2001, DESC continued the prototype phytoremediation project at DFSP San Pedro, CA. This involves the use of plant roots to clean contaminated soil and groundwater through direct up-take and biodegradation of the contaminants. The project began in November 1998 and uses 110 poplar trees to remediate two small marine diesel plumes at DFSP San Pedro. In March 1999, further investigation revealed that it was a single larger plume. Consequently, a conventional pump and treat system and an active biovent system were installed in February 2000 to prevent the plume from spreading off-site. These mechanical systems only remove a portion of the contamination. Using phytoremediation in conjunction with the mechanical systems shortens the process with phytoremediation continuing to work even after the mechanical systems are turned off.

Central Europe Pipeline System (CEPS) Funding Mechanism: In an effort to reduce the costs for United States participation in the CEPS, DESC took the initiative to propose a revised CEPS funding mechanism. DESC has been successful in eliminating rebates to the CEPS host nations for commercial contracts, maintaining the rebates on military storage and throughputs, and obtaining an agreement to establish performance contracts with the CEPS operating divisions mandating operation and maintenance cost reductions over the next five years. Also negotiated, but not finalized, is an agreement to reduce the United States' share of national contributions, with the share being reduced over the next five years. All nations have agreed to small reduction through 2002 resulting in savings of \$400,000 for the United States. Negotiations continue to further reduce the United States' share of contributions by FY 2005. If successful, this final step in the revised CEPS funding mechanism will save the United States \$1.5 million annually over current cost levels.

INSTALLATION ENERGY

Direct Supply Natural Gas: In FY01, the Installation Energy CBU Direct Supply Natural Gas Program (DSNG) saved more than \$20.4M for customers receiving gas supplies from DESC contractors versus their local utility. Customer savings were down in FY01 as compared to previous years as price increases and volatility experienced during FY01 were unprecedented. As a result of November and December 2000 being colder than normal, inventories were drawn down considerably. At the end of Dec 2000, US working gas was nearly 800 billion cubic feet (bcf) below 1999 levels. Low storage levels resulted in higher prices with natural gas prices (Henry Hub) peaking at \$9.98 per dekatherm in Jan 2001 due to concerns that inventory levels would be depleted by winters' end. The prices were in stark contrast to the \$2.50 per dekatherm prices available in the winter of FY00.

Electricity Procurement Initiative: Since the inception of the Electricity Program, DESC has been active in all states in which competitive electricity acquisition is permitted, and for which we have received requirements. During FY01 DESC issued solicitations for California, Illinois, Maine, Texas, Pennsylvania, New Jersey, Delaware, Maryland and the District of Columbia. Additionally, solicitations were issued for installations under the Electricity Pilot Programs in Texas and Virginia. The Texas solicitation, which is scheduled for award 1st Qtr FY02, contains the requirements of 100% of the DoD activities eligible for competition in the state as well as the requirements of the Coast Guard, Department of Energy and NASA. Cost avoidance for FY01 is \$3,320,399 that includes \$2,566,375 in avoidance on California installations for which the contract was terminated but for which DESC negotiated a settlement agreement for savings that would have accrued had the contract not been terminated by mutual agreement. The DESC Electricity Team continues to work closely with our customers and with industry to evaluate and refine the way we conduct business so as to provide maximum support for our customers and to conduct business that closely mirrors commercial industry practice.

Coal: During FY01 the DESC Coal Team experienced a major market adjustment in the coal business. As a whole, utility coal demand rose substantially due to higher gas and oil prices, therefore creating a shortage of coal, especially stoker coal, and causing an approximate 20-30% increase in coal prices. In response to this challenge, DESC secured contract awards for all DOD and one Fed Civilian installation requiring stoker coal. Unfortunately, these awards resulted in a 20.5% decrease in the 'As Received Heat Value Per Penny' (ARBTU/1¢) over the FY00 awards, but still maintained quality coal above minimum requirements. In addition, none of the requirements reserved for the SBA 8(a) program were successful due to the rapidly changing market prices.

REGIONS

DESC Los Angeles Serves As FAS Test Bed: During FY 2001, DESC Los Angeles participated in the Simulation of Go-Live (SoGL) for the Fuels Automated System (FAS). FAS SoGL paralleled the Defense Fuel Automated Management System (DFAMS) and its purpose was to determine whether the FAS system was ready for expanded deployment. Region employees interacted with Oracle Energy Downstream (OED), Bulk Paperless Ordering and Receipt Transaction Screens (PORTS), Web Distribution Plan Authorization (WebDPA), Fuels Control Center (FCC), and FAS Enterprise Server (FES). Inventory/Traffic Managers became familiar with most facets of these systems while managing bulk fuel delivery and inventory. Toward the end of the fiscal year, the Region also participated in a Joint Interoperability Test Command (JITC) Milestone III certification, which is the final step requiring approval prior to expanded deployment.

NAS Keflavik Iceland Converts To JP8: NAS Keflavik, Iceland began its planned conversion from JP5 to JP8 in January 2001 based on a Navy and Joint Forces Command decision. The first JP8 tanker arrived in Iceland in mid-January to discharge 235,000 barrels at the Helguvik bulk storage area. Additional JP8 stock was delivered by tanker as the on-hand JP5 inventory was depleted with total conversion completed by July 2001.

Infrastructure Upgrades Planned For NAS Oceana, VA: The Navy and DESC announced planned system upgrades for NAS Oceana in December 2000 to include the construction of a new 20,000-barrel storage tank plus improvements to truck receiving capability. Once the upgrades are completed, the base will be able to receive JP5 by both pipeline and truck at the same time. The NAS Oceana fuel department supports 18 squadrons of fighter aircraft and is the second largest consumer of jet fuel in the northeast.

Railroad Agrees To Accept Electronic Freight Payments: Norfolk Southern Railroad agreed in January 2001 to settle all transportation invoices through the U.S. Bank PowerTrack electronic freight payment system. The blanket acceptance came after a successful month-long test period during which a limited number of transactions were processed each day. Acceptance of the new payment system by the railroad completed DESC's transition from Government Bills of Lading to the new PowerTrack system as directed by Department of Defense.

Experimental Truck Contract Extended For Final Year: Military Traffic Management Command extended an experimental truck contract for JP8 shipments to all customer activities supported by DFSP Verona, NY in March 2001 for a third and final year. The contract was devised by a joint MTMC and DESC team to test the core carrier concept and to streamline the freight payment process. When the U.S. Bank PowerTrack electronic freight payment system was implemented for all DESC shipping locations, most of the benefits realized by the experimental contract were eliminated. A decision was made to allow the contract to continue through the final option year because of the high quality and cost effective service provided by the contractor.

Fuel Additive Airlifted To Thule AB, Greenland: Ten drums of a fuel performance enhancement additive were airlifted to Thule AB, Greenland in March 2001 to improve the octane rating of unleaded gasoline used at the base. Low gasoline octane ratings have been a continuing problem at Thule for the last few years causing poor engine performance in Air Force vehicles. DESC Fort Dix made arrangements to have the drums of the ethanol-based additive shipped to Thule AB from the contractor source in Illinois.

Additive Injector Reutilization Saves DESC \$60,000: Three Hammonds additive injectors, rescued from the salvage yard when DFSP Melville, RI closed in 1997, were accepted for service at DFSP Yokota, Japan in March 2001. After Melville closed, DESC Fort Dix shipped the injectors to McGuire AFB, NJ where they were stored by the Air Force for possible future use. When DESC-FE confirmed they were suitable for use at Yokota, DESC Fort Dix arranged for their shipment to a Hammonds facility in Houston, TX for inspection and reshipment to Japan. The total savings compared to buying three new injectors amounted to \$60,000.

DFSP Baltimore Expands To Support New JP8 Contracts: Two additional 12,000-barrel tanks were placed in JP8 service at DFSP Baltimore during May 2001 to support increased barge shipments to DFSP Port Mahon, DE. Port Mahon was previously supplied by barge from Sun Oil, Marcus Hook, PA but the new production contracts called for all support to come from southern suppliers through the Colonial Pipeline. The two new tanks at Baltimore bring the terminal's total storage capacity to 91,000 barrels. In addition to Port Mahon's nearly one million barrel per year requirement, Baltimore also ships by truck to eight other customers in Maryland, Virginia, and West Virginia.

DESC Fort Dix Assumes Navy Defueling Mission: DESC Fort Dix assumed the scheduling responsibility for defueling Navy vessels in the Norfolk, VA area during May 2001 based on an agreement between DESC and CINCLANTFLT. Defueling service-owned fuel from vessels for return to DFSP Norfolk was previously a Navy responsibility. Scheduling conflicts at the destination prompted DESC and the Navy to change procedures allowing DESC Fort Dix to coordinate product returns for credit through the DFSP Norfolk operating contractor. All costs paid by DESC for commercial transportation equipment used to defuel Navy vessels will be reimbursed by CINCLANTFLT.

Flooding Damages Bridge At Thule AB, Greenland: Heavy flooding from ice field run-off during August 2001 washed out a bridge on Thule AB isolating the fuel farm from the main base and preventing receipt of two JP8 tanker deliveries. The Army provided a temporary bridge to permit vehicle access to the tank farm and allow discharge of the two tankers, which were standing by in the harbor. Fuel lines attached to the damaged bridge remained intact and, after pressure testing for leaks, were returned to service to supply fuel to the power plant and the aviation storage tanks on the main base. Thule AB is the Air Force's northernmost base and can only be resupplied annually during a brief period each summer.

Coast Guard Increases Security In Philadelphia Harbor: Stringent security requirements placed on waterfront facilities by the Coast Guard Captain of the Port for Philadelphia in the wake of the September 11th attacks on New York City and Washington, DC stopped JP8 barge deliveries to two key support points. The new security directive required terminal operators at DFSP Jacksonville, NJ and Port Mahon, DE to provide armed guards for their terminals and to complete security sweeps of the dock areas with bomb sniffing dogs prior to each JP8 barge discharge. Security issues for both locations were reviewed in a subsequent meeting between DESC and the Coast Guard and a compromise acceptable to both sides was reached. The Captain of the Port later amended his directive to permit barge deliveries to resume while a plan to implement new security procedures was developed.

Americas Contingency Energy Solutions (ACES): ACES is an emergency fuel transportation plan that utilizes military tank trucks to supply DESC customers in the event of a significant disruption in commercial transportation services. There are about 4,000 Army fuel trucks in the Active Army, Army Reserve, and Army National Guard throughout CONUS. DESC Americas developed a memorandum of understanding to enable the associated Army truck companies to train with DESC fuel at the unit level. If a fuel disruption occurs and commercial carriers are not available, ACES will be exercised to fill the void and meet critical emergency transportation requirements. Over the past year, ACES familiarization briefings were conducted with HQ DESC, DCSLOG, FORSCOM, USARC, and several Reserve Support Commands. We believe that in the years to follow, a number of military units will sign up to be part of the ACES program, which will greatly increase our contingency support capability. Projections indicate that at least twenty additional petroleum truck companies will be involved in the ACES program by 2002.

DESC Americas Transitions To New Organization: In January 2001, DESC announced the reorganization of DESC Americas. Under the reorganization plan, DESC St. Louis and DESC Ft. Dix will close in March 2002. Work performed by these two offices will be transferred to DESC Los Angeles and DESC Houston, which will be renamed DESC Americas West and DESC Americas East respectively. Additionally, in September 2002, HQ DESC Americas will transfer to Ft. Belvoir, VA, where the Commander, DESC Americas will be dual-hatted as the Director, DESC-B. In order to meet the March 2002 milestone and minimize disruption to customer support, the transition to the new organization is being accomplished in two phases: The DESC St. Louis mission was successfully transitioned in October 2001 and the DESC Ft. Dix mission was transferred by mid-December 2001. Once the reorganization is complete, DESC Americas East will be responsible for 37 states and several overseas locations, while DESC Americas West will support customers in 11 states.

DFSP NAS Pensacola, FL Becomes Multi-Product in 2001: In Sep 2000 long standing logistics support problems in the Florida peninsula led to an analysis that confirmed the 174,000-barrel JP5 terminal at DFSP Pensacola was being underutilized based on actual throughput. At the same time, three Florida Air Force activities using JP8 were encountering low inventories due to a variety of support factors, including shortage of available barge time. The JP8 shortfall occasionally required expensive truck deliveries from well outside the geographical area. A coordinated effort with the Navy in May and June of 2001 resulted in the conversion of two of the four main storage tanks at DFSP Pensacola to JP8, conversion of the NavAir ashore activity to JP8, and a shift in routine support for Keesler AFB, MS at a combined annual savings of \$110,000. An additional benefit of the DFSP Pensacola conversion is that it positions a sizable JP8 inventory within economic distance of the three Florida Air Force bases as alternate support when there is a disruption in barge service. The result has been better utilization of the DFSP Pensacola tanks, as well as improved barge use. Additionally, the conversion has permitted the Florida military bases and the DFSP to sustain robust inventory levels.

DESC Americas Implements WEB DPA/PORTS: Under a tasking from DESC Headquarters, DESC Americas began fielding the WEB DPA/PORTS system in CONUS in April 2000. The developer of WEB DPA/PORTS, Carroll Nelson & Associates, designed the paperless system to electronically track fuel orders by various contractors. The success of the pilot program led to the rapid deployment of paperless transactions throughout CONUS, with full implementation occurring by August 2001. WEB DPA/PORTS will eliminate the use of paper and has truly revolutionized the way we do business with Contractors/Refineries.

DESC Los Angeles Receives Transportation Award: During the 2001 Military Traffic Management Command (MTMC) training symposium, DESC Los Angeles received the Advanced Transportation Control and Movement Award for 100% accuracy and on-time input. Major General Kenneth L. Privatsky, Commander MTMC, presented the award. DESC Los Angeles is responsible for entering the Advanced Transportation Control and Movement Document into MTMC's Integrated Booking System in conjunction with their work delivering crucially needed lubricating oils via intermodal containers to Japan.

DESC Los Angeles Realigns Southern California Distribution System: In October 2000, Watson Station (DFSP Watson) replaced DFSP Norwalk. Norwalk had a combined storage for JP5 and JP8 of over 740,000 barrels. DFSP Watson has 240,000 barrels of storage in three 80,000-barrel “drain dry” tanks. DFSP Watson is a state of the art facility and is now the central gathering point for fuel deliveries to bases in southwestern CONUS. A philosophy of “just in time” for fuel receipts into Watson is now required to keep the correct fuel and volumes to meet batch sizes and delivery requirements. DFSP Watson delivers about 120,000 barrels per week and receives the same volume.

DESC Los Angeles Tackles Critical Electricity Shortage In California: In February 2001, a shortage of electricity in California severely impacted all areas, particularly large energy users. Kinder Morgan Energy Partners (KMEP), operators of the pipeline systems that supply fuel to Oregon, California, Nevada, Arizona, and New Mexico, sustained frequent and sometimes long-term mandatory energy curtailments. Usually, the maximum duration of an energy curtailment was six hours, but occasionally they lasted more than eight hours. When the power was shut down, fuel flow stopped. Measures employed by DESC Los Angeles included agreements with KMEP to run at maximum flow rates on all lines when possible to offset some of the lost time caused by power curtailments; enforcement of a “full tank” policy to ensure that customers were maintained at the highest possible inventory level; constant contact with customers to calculate consumption and ensure supply was enroute to replenish them, and use of tank trucks from gravity fed facilities to move fuel to customers during prolonged power outages.

Annual Safety And Health Worksite Inspection Of DFSP Grand Forks, ND: In April 2001, the DESC Safety Program Manager conducted the annual safety and health worksite inspection of DFSP Grand Forks, ND. The purpose of the inspection was to ensure safe and healthful working conditions and to verify compliance with applicable fire and safety standards. The documented results of the inspection stated the facility was maintained in exceptional condition. The terminal superintendent and his staff were commended for their efforts.

DESC Americas Supports POLEX/WATEREX 01: POLEX is a CONUS-wide, U. S. Army petroleum transportation exercise that utilizes Reservists and Active Duty soldiers to transport DLA-owned fuel to DESC customers by military tank trucks. The exercise is run by the 475th Quartermaster Group and, for the first time in the exercise's history, the 49th Quartermaster Group. Non-petroleum aspects of the exercise included LANES training and water purification. This year's exercise included about 5,000 soldiers and ran from 16-30 Jun 01. LTC Samuel Calderon, Commander, 475th Quartermaster Group, controlled the exercise east of the Mississippi, while COL Edwin Myers, Commander, 49th Quartermaster Group, oversaw operations west of the Mississippi. DESC Americas nominated fuel quantities and designated loading DFSPs, refineries, and delivery points. This year DESC Americas also performed “fitness to load” inspections on tank trucks at their home stations. The pre-inspections were intended to minimize the number of trucks rejected for quality reasons on the first day of the exercise. During POLEX 01, units of the 475th and 49th Quartermaster Groups delivered 7.8 million gallons of JP8 at a savings to DESC of over \$250,000.

Defense Energy Support Center-Pacific: Defense Energy Support Center-Pacific provides fuel support to PACOM forces conducting military contingencies, peacekeeping operations, humanitarian relief operations, and military exercises in more than 43 countries dispersed throughout 105 million square miles. Overall DESC Pacific received and issued over 36 million barrels of fuel during fiscal year 2001. During FY 2001 Eareckson Air Force Station, Alaska finally could say that they had on specification JP-8, after almost two years of fuel failing Jet Thermal Stability Test procedures. An MOA was signed between DESC and the U.S. Air Force that allowed tests that were previously required to be performed at only an Air Force laboratory, to be analyzed at the DESC laboratory at Fort Richardson, Alaska. This procedural change reduced the two-week sample turnaround time to two days.

Defense Energy Support Center-Alaska: DESC-Alaska was instrumental in meeting the Alaska Department of Environmental Conservation (ADEC) cleanup standards for the environmental remediation/restoration of former DFSP Anchorage and Indian Valley Pipeline Booster Pump Station spill. From June 1999 to August 2001 DESC-Alaska has accelerated the remediation/restoration efforts for these two sites. As a result of this aggressive approach with positive results, the ADEC issued a "No Further Remedial Action Required" for the Indian site, and dissolved the long standing Restoration Advisory Board for DFSP Anchorage. The conclusion of these efforts will significantly reduce the number of years for natural attenuation and allows the transfer of the DFSP Anchorage properties back to the U.S. Army in the very near future.

Defense Energy Support Center-Korea: The recent reopening of Seoul's Yongsan Garrison Transportation Motor Pool (TMP) service station was the latest milestone in a comprehensive DESC upgrade of bulk petroleum and TMP fuel facilities in Korea managed by DESC Korea. The program is a multi-year, \$160 million program that includes inspection and repair of Army and Air Force bulk fuel facilities, storage tanks, hydrant fuel system upgrades and repairs, and pipeline work. DESC capitalized the US Army bulk fuel in Korea in February 01, bringing many new challenges to the Inventory Management (IM) Division of DESC Korea. In addition to providing quality surveillance of over 450,000 barrels of throughput per month, the DESC Korea QAS teams assisted with the training of US Army laboratory technicians at the Pyongtaek GOCO Fuel Laboratory. They also assisted US Army personnel with initial certification requirements for a B1- Mobile Fuel Laboratory. During FY 01 the Transportation Division of DESC Korea was responsible for over 1,600 movements by rail and 15,000 movements by tank truck resulting in almost 60 million gallons of fuel moving around the Republic of Korea. They managed the change in the peninsula transportation network displayed this year when the US Army owned rail tank cars in Korea were largely retired forcing DESC Korea to use contract rail tank cars. This change resulted in a substantial increase in the amount of transportation funds required to move product throughout the peninsula. Tank truck contracts were modified to increase the total lift requirement and to add locations that would result in cost savings by using tank trucks instead of rail tank cars for resupply. As a result of these modifications, DESC saved approximately \$400,000.

Defense Energy Support Center–Japan: DESC-PAJ contributions to the fuel mission in Japan were exceptional. The office effectively managed the throughput of nearly 23 million barrels of fuel throughout Japan . This year saw an increase in Post Camps & Station contracts for Japan and the subsequent hiring of a new employee. This small office of six personnel has the responsibility to efficiently manage nearly 50% of PACOM's petroleum inventory. Numerous tank cleanings, the change out of Japan's T-1 tanker, exercise commitments such as RSO&I, UFL, KEEN EDGE, and supporting operations for Operation Enduring Freedom have kept this office at the forefront of customer support in Japan. In addition, the office is working closely with its customers, DESC Pacific, and DESC Ft. Belvoir to bring several automated management systems on board. Finally, DESC-PAJ will work hand in hand with USFJ/J4 on the Strategic Fuels Infrastructure Action Plan for Japan. This plan will optimize U.S. Forces Japan's fuel infrastructure throughout mainland Japan and Okinawa.

Defense Energy Support Center- Middle Pacific: DFSP Pearl Harbor's modernization efforts pays dividends. The initiative to relocate JP8 storage from the Pearl City Fuels Annex to Pearl Harbor will result in significant maintenance, repair and environmental MR&E savings upon closure of the fuels annex in Dec 01. With the closure of the fuels annex storage site, two 300Mbbl Red Hill storage tanks were converted from JP5 to JP8 usage. This conversion more than doubled the total JP8 storage capability in the AOR and will significantly improve support to Hickam AFB. This initiative also included a new JP8 pipeline from Pearl Harbor to Hickam AFB, replacing an aging underwater pipeline that has been subject to environmental concerns over the years. Additionally, Pearl Harbor will dedicate it's state-of-the-art lube oil facility in the fall. Composed of two 30,000 gallon storage tanks and loading racks, this facility replaces an antiquated lube oil facility. Pearl Harbor's extensive modernization efforts is sure to improve customer support and achieved significant cost savings to DESC.

Closure Of The Mannheim-Rheinau Coal Yard: The last remaining Department of Defense coal yard in Mannheim, Germany closed this year. As a result of the decreased use of coal by the US Military Services, DESC Europe began procedures to close the Mannheim-Rheinau Coal Yard early last year. DESC Europe transferred the required stocks to the services and depleted the excess coal to a local contractor. All excess equipment was transferred to the Defense Reutilization and Marketing Office.

Norway Fuel Drawdown: During fiscal year 2001, DESC Europe initiated the draw down of JP-8 fuel stocks in Norway in order to reduce overall stock objectives of the European Command based on a 1997 Department of Defense Inspector General directive. DESC Europe arranged fuel sales to the Norwegians in an effort to draw down the inventories without incurring transportation costs for removing the fuel stocks. Over 22 million US gallons were sold this year with the remainder to be sold in late 2001 and early 2002 with no storage costs after October 1, 2001. The draw down of stocks based on DESC sales to the Royal Norwegian Air Force will reflect an annual DESC savings of over \$1.8 million in storage costs and over \$1.2 million in transportation costs.

United Kingdom Fuel Exchanges: In cooperation with British counterparts throughout the fiscal year, DESC London provided over 9 million US gallons of Jet A-1 to the Ministry of Defense (MOD) and their fuel manager, the Oil and Pipelines Agency at several Defense Fuel Support Points (DFSP) throughout the United Kingdom. MOD and DESC mutually occupy tanks at several terminals along the Government Pipelines and Storages System (GPSS), which permits immediate support during times of need by our British allies. During Operation ALLIED FORCE, DESC relied heavily on MOD support.

Foreign Military Sales: In support of Operation JOINT FORGE, DESC Split continues to coordinate fuel deliveries to the Foreign Military Sales customers who are part of the NATO Stabilization Force (SFOR). DESC supports eight nations year round with fuel support on a continuous basis. The US serves as the Role Specialist Nation for fuels in NATO SFOR operations.

Military Interdepartmental Purchase Request Reconciliations: In a year-long effort, DESC Europe and its field offices successfully performed a bottoms up review and reconciled and closed out nine years worth of open accounts on Military Interdepartmental Purchase Requests (MIPR) covering financial arrangements in accordance with International Agreements for pipeline and depot storage with various European host nations. The total amount turned back for de-obligation amounted to over \$35 million.

Exercises: Throughout the fiscal year, DESC Europe supported numerous exercises in the European area of responsibility. These exercises were conducted in a number of locations to include the countries of Bulgaria, Denmark, Hungary, Croatia, Italy and Poland. DESC supported each of the Military Services throughout these exercises by varying methods, such as into-plane locations, rail tank cars, tank truck tenders and branches of numerous pipeline systems. The total validated fuel requirement by the European Command for the exercises using Jet-A1 and JP-8 was 1.4 and 1.7 million US gallons, respectively.

Defense Energy Support Center (DESC) SPAIN: DESC Europe re-established a DESC Spain office in Madrid at the Office of Defense Cooperation (ODC) in September 2001. The new office will enhance communications and coordination between Spain's Ministry of Defense and DESC Europe.

European Strikes And Fuel Protests: In the fall of 2000, DESC Europe persevered through strikes and multiple protests. Deliveries in Sicily were disrupted as a result of trucker protests and blockades due to high fuel prices. Deliveries through France were delayed due to ongoing railroad worker strikes. Fuel protests in London initiated contingency plans with DESC London and the British Defence Fuels Group (DFG) for local refinery supply disruptions. Contract suppliers agreed to provide loading/operational training at their refineries to military drivers in the event their own transportation failed. DFG prepared to loan DESC injectors to additize fuel as needed.

Hoof And Mouth Disease Controls: This rapidly spreading, highly contagious virus erupted throughout the United Kingdom (UK) and forced the slaughter of numerous farm animals. Exercises and training of US Forces were cancelled in various countries in Europe and pipeline maintenance was delayed on the Government Pipelines and Storages System in the UK due to the transmission of the virus from vehicles and human clothing. Border controls were strictly enforced throughout Western Europe. Defense Energy Support Center Europe closely managed fuel deliveries during the crisis.

Defense Energy Support Center (DESC) Middle East: Successfully loaded DESC's largest bulk petroleum cargo in the organization's history. The M/V Torme Helene departed DFSP Sitra, Bahrain 12 Jun 01 (noon) with approximately 510,000 barrels (21.42M US gallons) of JP-5 from existing stocks, which had stored on location since 1988. The overall quality of the product was excellent and the upload operations were conducted in a satisfactory manner.

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