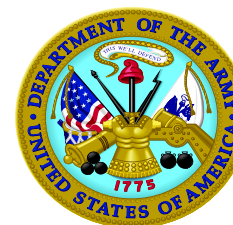




Defense Energy Support Center



Energy Support for Global Missions

*Fact Book FY 2003
Twenty-Sixth 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 2003 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.

The Fact Book can also be found on-line at www.desc.dla.mil in the Publications section of the web page.

DESC CORPORATE POSTURE

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DEFENSE ENERGY SUPPORT CENTER

HISTORY:

The origin of the Defense Energy Support Center dates 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 products 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 its 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 government agencies,
with comprehensive energy solutions
in the
most effective and economical manner
possible.**

DEFENSE ENERGY SUPPORT CENTER

DIRECTOR'S UPDATE FOR FISCAL YEAR 2003

In Fiscal Year (FY) 2003, Defense Energy Support Center continued its goal of providing the Department of Defense and other customers comprehensive energy solutions in the most effective and economic manner possible. These solutions include contracting support and management of all petroleum-based fuels, additives and other energy products and services including jet fuels, distillates, missile fuels, chemicals, gases, gasolines, diesel fuels, heating fuels, natural gas, coal and electricity. DESC also continues to manage utilities, privatization and other installation energy conservation efforts. DESC prides itself in continuing partnerships with its customers and the energy industry by fostering and maintaining business alliances around the world.

In addition, DESC continues to support the Department of Defense in the Global War on Terrorism by providing fuel to the warfighter in support of Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom in Iraq, as well as other contingency and peacetime operations around the world. Fuel usage: As of September 24, 2003, DESC has issued 1,807,497,139 gallons of fuel in support of Operation Enduring Freedom (since October 2001; war on terrorism in Afghanistan). DESC has issued 594,527,730 gallons of fuel in support of Operation Iraqi Freedom (since March 19, 2003).

In support of Defense Logistics Agency goals and objectives, DESC continues to initiate and develop new programs and business practices designed to meet the ever-changing challenges ahead, including Fuels Automated System (FAS), the Balanced Scorecard, information technology and transformation issues. DESC's continued success with meeting these fast-paced challenges is due to the cooperation, dedication and commitment of over 800 military and civilian DESC employees whose goals include exceeding expectations and meeting mission needs - wherever and whenever they occur.

DEFENSE ENERGY SUPPORT CENTER DIRECTOR'S PLAN FOR FISCAL YEAR 2004

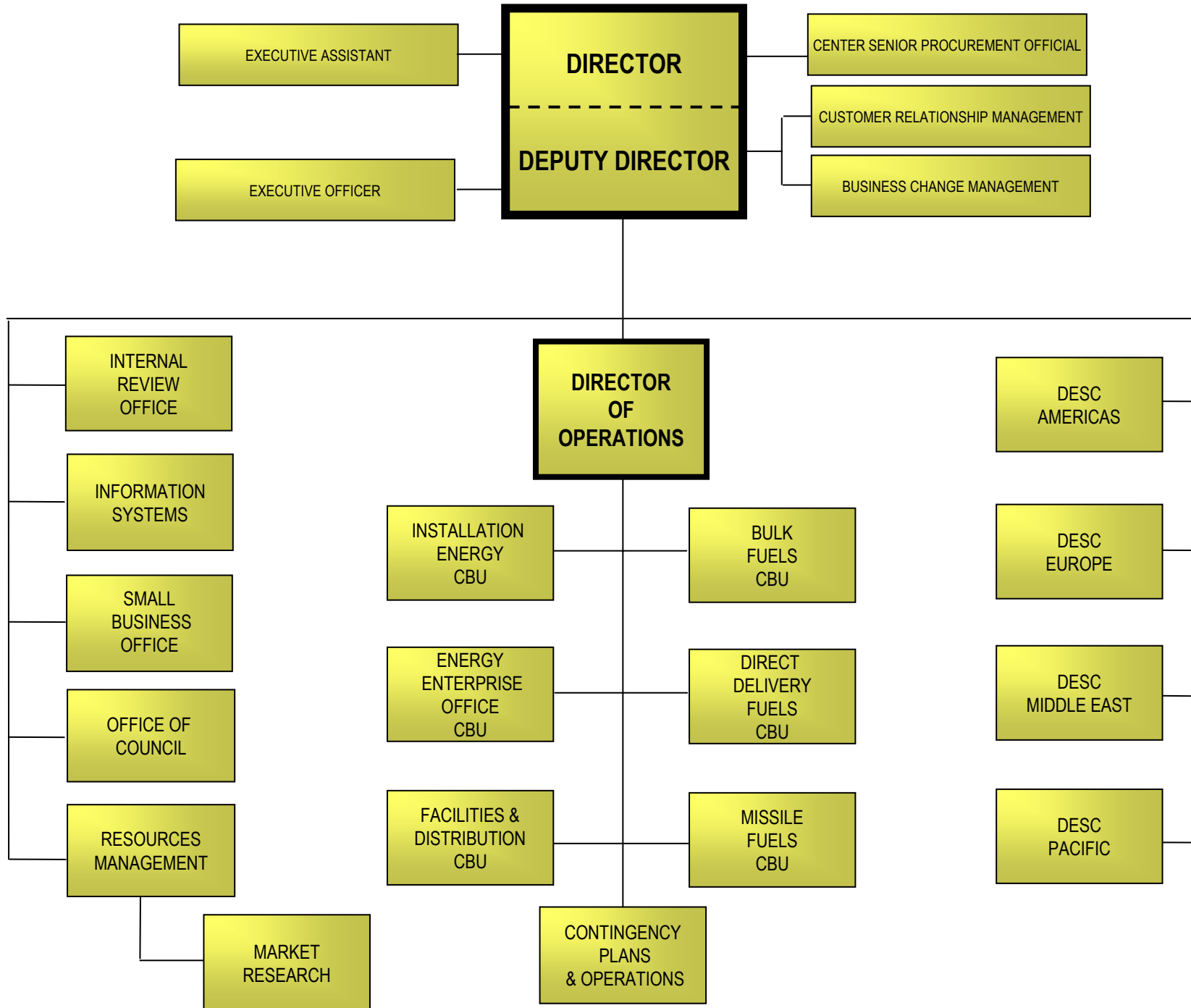
As the Defense Energy Support Center's new director, I look forward to continuing the tradition of DESC's vision that we are our customer's first choice for energy solutions. DESC remains flexible and agile, and ready to accept new missions, as we did with the recent tasking by OSD to support the Iraqi Ministry of Oil and Task Force-Restore Iraqi Oil (TF-RIO) by importing and distributing fuel to the Iraqi civilian population. DESC successfully met the challenge of supporting a new customer, the Iraqi civilian people, and importing and distributing a new product, Liquefied Petroleum Gas. DESC quickly awarded contracts under extraordinary circumstances and we continue to work closely with the Coalition Provisional Authority to insure uninterrupted fuel support to the customer.

In FY 2004, the Installation CBU Direct Supply Natural Gas Team continued to pursue reduced costs for our customers, as compared to receiving gas supplies from the local utility. Historically, the objective of the program was to "beat" the utility price, but price increases and volatility have resulted in many customers focusing on obtaining fair, reasonable and stable pricing, and, as a result, DESC provides considerable support to customers desiring price volatility risk mitigation. Given current market conditions, we anticipate increasing interest by our customers in getting risk mitigation support.

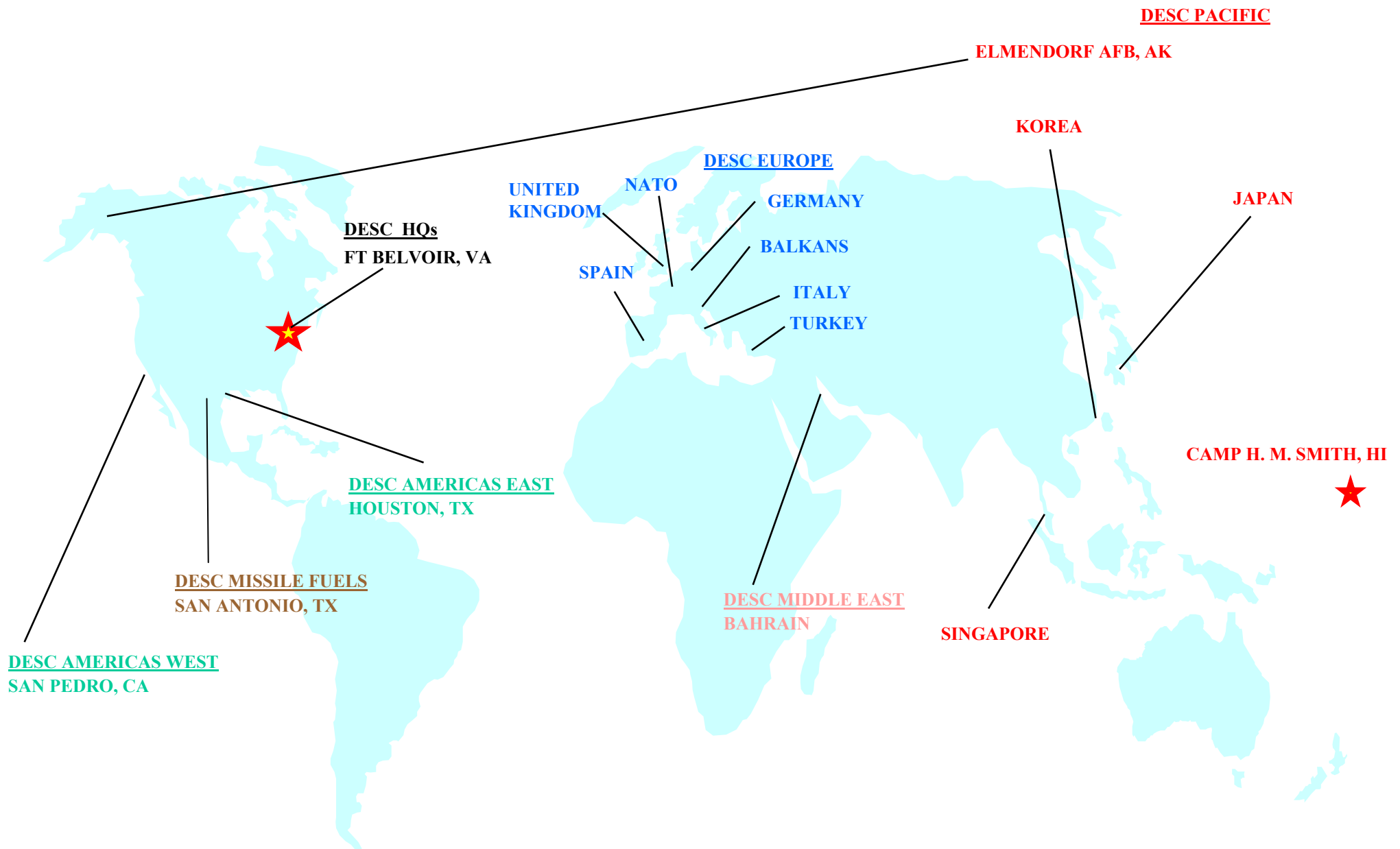
The Electricity Procurement Program is in its eighth year. The Electricity Team continues to conduct procurements and currently has electricity supply contracts in place in 6 states and Washington DC. The Team also provides contracting support to our customers for other energy related products and services including the acquisition of renewable energy to foster and develop renewable power generation; and contracting for energy load management services enabling our customers to reduce net energy costs by participating in various market-based load reduction programs.

As we look forward, I anticipate meeting any challenge that comes our way, thanks to DESC's track record and a strong and dedicated workforce stationed around the world, ready to meet the mission at hand.

DESC ORGANIZATION



DESC WORLDWIDE LOCATIONS



BIOGRAPHY

RICHARD J. CONNELLY

Director, Defense Energy Support Center

Mr. Richard J. Connelly became Director of Defense Energy Support Center (DESC) November 3, 2003. As Director of Defense Energy Support Center, Defense Logistics Agency, Fort Belvoir, Virginia, Mr. Connelly directs the Department of Defense (DoD) organization that is responsible for purchasing and managing all petroleum resources used by the United States military. In addition, Mr. Connelly 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 the Director, Mr. Connelly 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. Connelly is a career executive with a long history of service to DLA and the nation. He came to DLA in 1972 as a management intern in the budget office. In 1986, he was appointed to the Senior Executive Service and was named the chief of the budget division. He later served as DLA Comptroller, as Administrator of the Defense National Stockpile Center, and as the Director, DLA Support Services.

He graduated from Boston College in 1968 and served in the United States Army until 1971. He is a graduate of Office Candidate School at Fort Sill, Oklahoma, and served one year in Vietnam.

Mr. Connelly attended Stanford University Graduate School of Business as a Sloan Fellow and received a Master of Science degree in management in 1978.

In 2003, he was selected for the Presidential Rank Award of Meritorious Executive.

BIOGRAPHY

CAPTAIN MARVIN C. WENBERG II

United States Navy Deputy Director, Defense Energy Support Center

Captain Wenberg was born in Chicago, Illinois on 15 April 1952. He graduated from West Lafayette High School in 1970, and Purdue University, West Lafayette, Indiana, in December 1976, with a Bachelor of Science in Chemistry. He is a graduate of the Navy's Petroleum, Oil and Lubricant Intern Program and the Armed Forces Staff College. He received a Master of Science degree in Petroleum Management from the Science and Business Schools, University of Kansas, and a Master of Science in Acquisition and Contract Management from the Florida Institute of Technology. Captain Wenberg is also a graduate of the University of Michigan Winter 2000 Executive Training Program.

After graduation from Purdue, he attended the Naval Officer Candidate School, Newport, Rhode Island, and was commissioned an Ensign in May 1977. Captain Wenberg was then sent to the Navy Supply Corps School, Athens, Georgia, and after graduation, he completed Submarine School at Groton, Connecticut. He then became the Supply Officer of the USS DANIEL BOONE (SSBN 629) Blue Crew. Some of his other assignments include:

- Assistant to the Director, Fuel Director, Naval Supply Center, Pearl Harbor, Hawaii;
- Director, Fuel Department, and Director, Material Turned Into Store, Naval Supply Center, Charleston, South Carolina;
- Readiness and Services Officer, USS ENTERPRISE (CVN 65).

Originally assigned to Defense Fuel Supply Center as the Assistant Chief, Special Acquisitions Division, Captain Wenberg moved up to the position of Chief, Plans, Policy and Systems Office and then became the Executive Officer. In 1993, he became the Deputy Program Manager (Business and Operations), V-22 Program Office (NAVAIR) and in 1996 the Supply Officer, USS SAIPAN (LHA 2).

In May 1998, Captain Wenberg reported to United States Strategic Command to assume the duties of Chief, Weapon Systems Logistics and Readiness Division (J44), which included nuclear surety functions. In June 2000, Captain Wenberg assumed additional responsibilities as Chief, Combat Logistics and Readiness Division (J41), Operations and Logistics Directorate, when the Mobility Plans Division, J42, and his former J44 Division were disestablished and replaced by the J41 Division. Captain Wenberg assumed duties as Commanding Officer of the Naval Petroleum Office on 26 April 2002. In this assignment, he was responsible for providing leadership and technical direction for all petroleum programs within the Navy and Marine Corps. This integrates all Naval Petroleum duties. On 6 August 2003, Captain Wenberg assumed duties of the Deputy Director of Defense Energy Support Center.

He is authorized to wear the Naval Aviation Supply Officer and Submarine Breast Insignias. Captain Wenberg is designated a Joint Services Officer in the Department of Defense. Some of his personal awards include the Defense Superior Service Medal, Legion of Merit and the Defense Meritorious Service Medal. He is a member of the American Chemical Society, and of the Acquisition Community in the Department of the Navy.

BIOGRAPHY

COLONEL KEITH STEDMAN

**United States Army
Director, Operations Defense Energy Support Center**

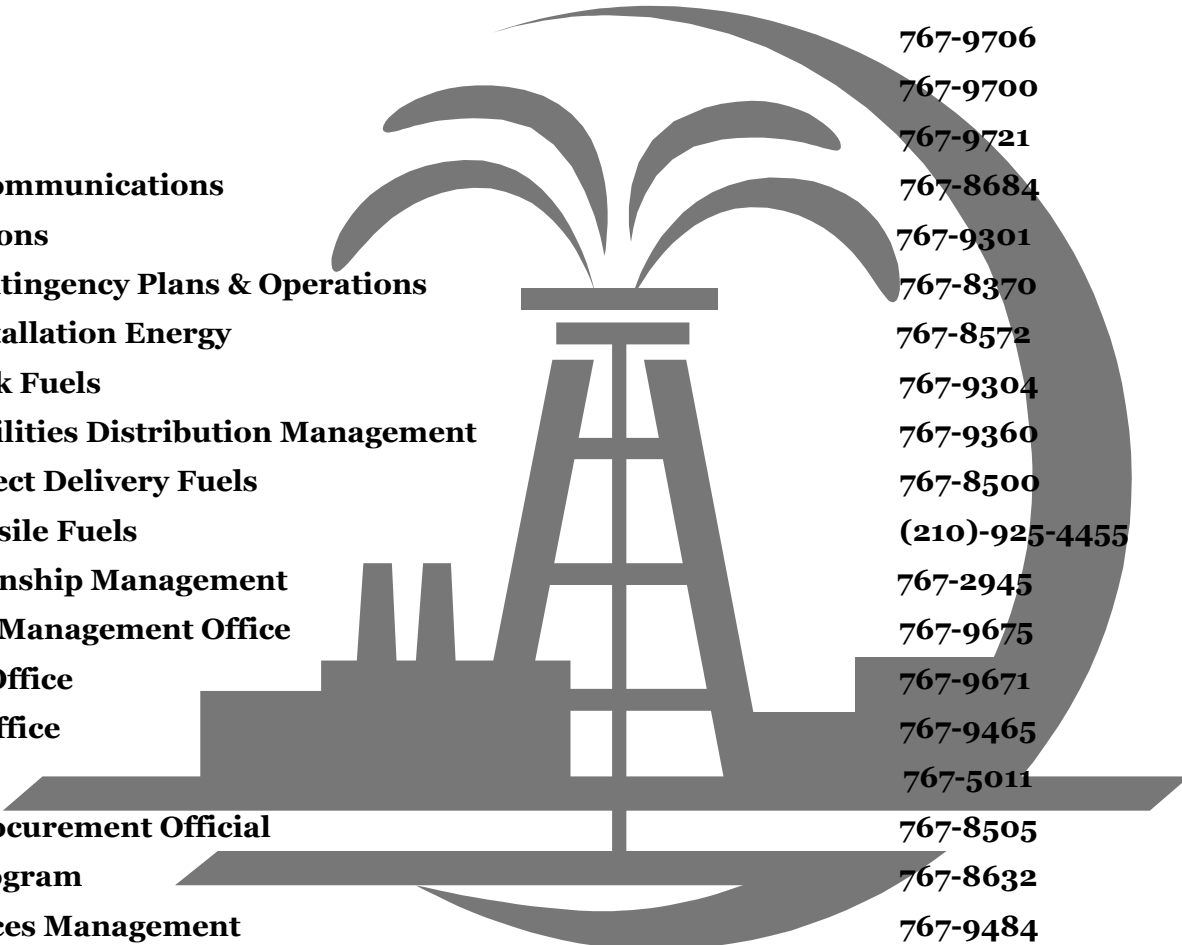
Colonel Keith Stedman is assigned as DESC's Director of Operations and the Commander of DESC-Americas. He has received a Bachelor of Science Degree in Public Administration from the University of Arizona and later received a Masters Degree in Logistics Management from the Florida Institute of Technology. His military career began in 1976 and he was commissioned as a Second Lieutenant after completing Officer's Candidate School.

Colonel Stedman's military education includes the Quartermaster Basic and Advanced Officer Courses, the Leadership Executive Development Course, Armed Forces Staff College and the Army War College.

Previous assignments include Commander, 200th Materiel Management Center, Strategic Research Analyst, Strategic Studies Institute; Commander of the 559th Quartermaster Battalion (WS); Chief of both the United States Southern Command and United States Pacific Command Joint Petroleum Offices; Battalion Executive officer and Support Operations officer, 7th Support Battalion (F), 7th Infantry Division (L); Division Chief, Sacramento Army Depot; Commander B Company, 4th Support Battalion (AVN), 9th Infantry Division (MTR), and Battalion S3, 4th Support Battalion (AVN) 9th Infantry Division (MTR). He also served as a Platoon Leader and Aide de Camp.

His awards include the Legion of Merit, Defense Meritorious Service medal (first oak leaf cluster), the Army Meritorious Service Medal (third oak leaf cluster) and the Army Commendation Medal (with oak leaf cluster).

DEFENSE ENERGY SUPPORT CENTER



A stylized graphic in the background of the table. It features a central oil rig with a derrick and a platform. To the left of the rig are two palm trees. The entire graphic is rendered in a dark gray color and is partially obscured by the table text.

Director	767-9706
Deputy Director	767-9700
Executive Officer	767-9721
Corporate Communications	767-8684
Director, Operations	767-9301
Director, Contingency Plans & Operations	767-8370
Director, Installation Energy	767-8572
Director, Bulk Fuels	767-9304
Director, Facilities Distribution Management	767-9360
Director, Direct Delivery Fuels	767-8500
Director, Missile Fuels	(210)-925-4455
Customer Relationship Management	767-2945
Business Change Management Office	767-9675
Internal Review Office	767-9671
Small Business Office	767-9465
Office of Counsel	767-5011
Center Senior Procurement Official	767-8505
Director, FAS Program	767-8632
Director, Resources Management	767-9484
Market Research	767-8353

DEFENSE ENERGY SUPPORT CENTER

Regional Offices

DESC AMERICAS

DESC Americas
DESC Americas East
DESC Americas West

(703) 767-9306
(713) 718-3770 ext. 101
(310) 241-2800 ext. 101

DESC PACIFIC

DESC Pacific
DESC Middle Pacific
DESC Korea
DESC Japan
DESC Alaska

(808) 477-3600/6692
(808) 477-5441/6692
011-82-53-470-5147/5204
011-81-311-755-2671/2673
(907) 552-3949/3941

DESC EUROPE

DESC Europe
DESC United Kingdom
DESC Mediterranean
DESC NATO
DESC Balkans

011-49-611-380-7710
011-44-208-385-5449
011-39-050-54-7085
011-32-2724-3118
011-385-1-390-8510

DESC MIDDLE EAST

DESC Middle East

011-973-72-4650



ENERGY SUMMARY

(In Millions of Dollars)

FY2003

Purchases At Cost	\$6,691.6 (1)
Net Sales	\$5,206.1 (2)
Ending Inventory	\$2,096.4 (3)

(1) Includes Expenses for Petroleum, Natural Gas, Missile Fuel, Federal Excise Tax, Transportation, Facilities, DESC Operations, Corporate.

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

(3) Includes Petroleum and Missile Fuel Inventory





MILITARY AND CIVILIAN END STRENGTHS



	MILITARY		CIVILIAN	
	AUTHORIZED	ON BOARD	AUTHORIZED	ON-BOARD
FY96	81	76	681	661
FY97	81	74	654	633
FY98	82	71	658	607
FY99	81	72	649	595
FY00	76	64	610	599
FY01	76	61	621	599
FY02	76	68	710	689
FY03	76	67	752	731

OPERATIONS PROGRAM

(\$ IN MILLIONS)

	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>
CIVILIAN PAY	\$40.3	\$42.7	\$51.3	\$61.3
MILITARY PAY	5.8	7.7	9.2	8.2
NON-LABOR	72.3*	84.7	93.5	100.5
TOTAL	\$118.4	\$135.1	\$154.0	\$170.1
<i>Average Annual Salary Rate (\$actual)</i>				
	\$67,062	\$71,960	\$76,412	\$83,301

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

PETROLEUM & NATURAL GAS

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STATEMENT OF FINANCIAL CONDITIONS

BULK FUEL CATEGORY (Millions of Dollars)

<u>ASSETS:</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>
Accounts Receivable	187.1	331.9	304.0
Claims Receivable	6.4	0.5	3.0
Inventories	1,945.1	2,043.9	2,096.4
Undistributed Collections	<384.0>	<449.8>	<300.4>
Other Assets	0.3	0	0
<u>TOTAL ASSETS</u>	\$1,768.4	\$1,926.5	\$2,103.0
<u>LIABILITIES:</u>			
Accounts Payable	473.6	550.0	616.8
Undistributed Disbursements	<369.9>	<318.1>	<443.2>
Other Liabilities	.3	.3	<.1>
TOTAL LIABILITIES	\$104.0	\$232.2	173.5
<u>CAPITAL:</u>			
Cash Allocations	<1,971.7>	<2,631.0>	<1,789.9>
Capitalized Inventories	479.1	523.7	604.7
Decapitalized Inventories	<3.7>	<3.7>	<3.7>
Other Assets Capitalized/Decapitalized	2,240.8	2,256.0	2,256.0
Other Liabilities Capitalized/Decapitalized	141.7	141.5	144.6
Accumulated Operating Results	1407.3	792.4	1671.1
TOTAL CAPITAL	\$2,293.5	\$1,078.9	\$2,882.8
TOTAL LIABILITIES AND CAPITAL	\$2,397.5	\$1,311.1	\$3,056.3

STATEMENT OF SALES

PETROLEUM, NATURAL GAS AND MISSILE FUEL

(In Millions of Dollars)

<u>PRODUCT:</u>	FY01	FY02	FY03
U.S. ARMY	296.0	341.1	372.0
U.S. NAVY	1,852.5	1,830.7	1742.2
U.S. AIR FORCE	2,692.6	3,309.4	2764.8
U.S. MARINE CORPS	33.8	25.0	22.7
OTHER DoD	21.5	32.7	14.8
TOTAL DoD	4,896.4	5,538.9	4,916.5
OTHER GOVERNMENT AGENCIES	194.8	365.3	386.2
SUBTOTAL	5,091.2	5,904.2	5,302.7
FOREIGN GOVERNMENTS	73.8	159.2	137.3
DoD CONTRACTORS	2.6	15.2	17.4
UNIDENTIFIED ISSUES	0	0	0
TOTAL GROSS SALES	5,167.6	6,078.6	5,457.4
<u>LESS:</u>			
PRICE REDUCTION ON SALES	9.7	8.5	1.2
MATERIAL RETURNS CREDITS APPLIED	232.1	300.8	248.2
NET SALES	4,925.8	5,769.3	5,206.1

NET SALES BY CATEGORY

PETROLEUM AND NATURAL GAS

PETROLEUM (<i>Thousands of Barrels</i>)			
<u>BULK CATEGORY</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>
AVGAS	18	3	4
DISTILLATES & DIESEL	20,911	21,831	24,528
GASOHOL	2	4	7
JP-4,JAB,JAA,JA1	189	2,410	2,721
JP-5	15,915	20,590	16,294
JP-8	64,663	77,499	81,022
LUBE OILS	27	29	28
MOGAS (<i>LEADED & UNLEADED</i>)	1,224	1,510	1,541
RESIDUALS	1,149	431	1,094
BULK SUBTOTAL	104,098	124,307	127,239
INTO-PLANE CATEGORY	3,757	4,078	4,780
BUNKERS CATEGORY	2,460	2,334	8,026
LOCAL PURCHASE	N/A	1,584	2,455
TOTAL PETROLEUM	110,315	132,303	142,500
NATURAL GAS (<i>Thousands of Dekatherms</i>)	24.6	24.3	18.45

* Starting in FY2003 Bulk and PC&S are merged.

PRODUCT COST

PETROLEUM AND NATURAL GAS

PETROLEUM (<i>Millions of Dollars</i>)			
<u>BULK CATEGORY</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>
AVGAS	\$0	\$0.2	\$0.7
DISTILLATES & DIESEL	744.8	613.6	901.7
GASOHOL	0	0.2	0.4
JP-4,JAB,JAA,JA1	8.5	351.1	529.6
JP-5	686.1	599.3	653.8
JP-8	2,336.4	2,147.6	2,659.4
LUBE OILS	3.2	4.1	3.5
MOGAS (<i>LEADED & UNLEADED</i>)	47.0	53.7	65.5
RESIDUALS	45.6	12.3	50.0
BULK SUBTOTAL	\$3,871.3	\$3,782.1	\$4,864.6
INTO-PLANE CATEGORY	210.7	187.9	258.1
BUNKERS CATEGORY	95.5	76.1	297.6
LOCAL PURCHASE	NA	96.4	144.0
TOTAL PETROLEUM	\$4,177.8	\$4,142.5	\$5,564.3
NATURAL GAS	\$229.6	\$102.5	\$96.6
MISSILE FUEL	N/A	\$44.1	\$36.1

* Starting in FY2003 Bulk and PC&S are merged.

PURCHASES BY CATEGORY

PETROLEUM AND NATURAL GAS

PETROLEUM (<i>Thousands of Barrels</i>)			
<u>BULK CATEGORY</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>
AVGAS	0	2	5
DISTILLATES & DIESEL	20,817	21,563	25,245
GASOHOL	2	5	8
JP-4,JAB,JAA,JA1	158	8,774	11,390
JP-5	18,568	20,578	17,918
JP-8	62,379	73,518	72,202
LUBE OILS	26	32	28
MOGAS (<i>LEADED & UNLEADED</i>)	1,185	1,592	1,493
RESIDUALS	1,638	529	1,561
BULK SUBTOTAL	104,773	126,593	129,850
INTO-PLANE CATEGORY	3,756	4,077	4,777
BUNKERS CATEGORY	2,460	2,334	8,023
LOCAL PURCHASE	N/A	1,584	2,459
TOTAL PETROLEUM	110,989	134,588	145,109
NATURAL GAS (<i>Thousands of Dekatherms</i>)	24.6	24.3	18.5

VORLDWIDE BULK FUEL ENDING INVENTORY

PETROLEUM INVENTORY (\$ IN MILLIONS)

<u>PRODUCT</u>	FY02		FY03	
	<u>BARRELS</u>	<u>DOLLARS</u>	<u>BARRELS</u>	<u>DOLLARS</u>
AVGAS	0.0	\$0.0	0.0	\$0.1
DISTILLATES & DIESEL	8.0	\$291.4	9.9	\$335.3
JP-4 (JP-4, JAB, JAA, & JA1)	1.8	\$91.1	2.6	\$127.0
JP-5	13.7	\$478.1	14.7	\$495.6
JP-8	27.0	\$937.4	27.8	\$1,003.7
LUBE OILS	0.0	\$2.6	0.0	\$2.9
MOGAS (LEADED & UNLEADED)	0.3	\$11.8	0.3	\$12.7
RESIDUALS	0.1	\$3.3	0.2	\$6.3
ADDITIVES	<u>0.0</u>	<u>\$0.0</u>	<u>0.0</u>	<u>\$0.0</u>
TOTAL ON-HAND	50.9	\$1,815.7	55.5	\$1,983.5
TOTAL IN TRANSIT	4.9	\$131.7	1.8	\$86.6

TOTAL	55.8	\$1,947.4	57.3	\$2,070.1
--------------	-------------	------------------	-------------	------------------

DIRECT SUPPLY NATURAL GAS PROGRAM SUMMARY FY03



Dekatherms (DTH) and Dollars

	<u>TOTAL DTH</u>	<u>TOTAL VALUE</u>
DWCF FUNDED	17.99M	\$93.46M
SERVICE FUNDED	33.95M	\$131.90M
TOTALS	51.94M	\$225.36M

INFRASTRUCTURE DATA

TITLE

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Maintenance, Repair & Environmental Costs	25
Number & Size of Domestic Refineries	26

NUMBER OF TERMINALS STORING GOVERNMENT-OWNED FUEL FY03

TYPE OF OPERATION	ARMY	NAVY	AIR FORCE	DLA	TOTAL
GOVERNMENT-OWNED GOVERNMENT-OPERATED (GOGO)	134	34	176	0	344
GOVERNMENT-OWNED CONTRACTOR-OPERATED (GOCO)	13	28	25	19*	85
CONTRACTOR-OWNED CONTRACTOR-OPERATED (COCO)	0	0	3	36	39
NORTH ATLANTIC TREATY ORGANIZATION (NATO)	0	1	0	6	7
COMMERCIAL PIPELINE	0	0	0	35	35
FLOATING STORAGE	0	39	0	0	39
FOREIGN GOVERNMENT (FG)	0	0	11	8	19
TOTAL	147	102	215	104	568

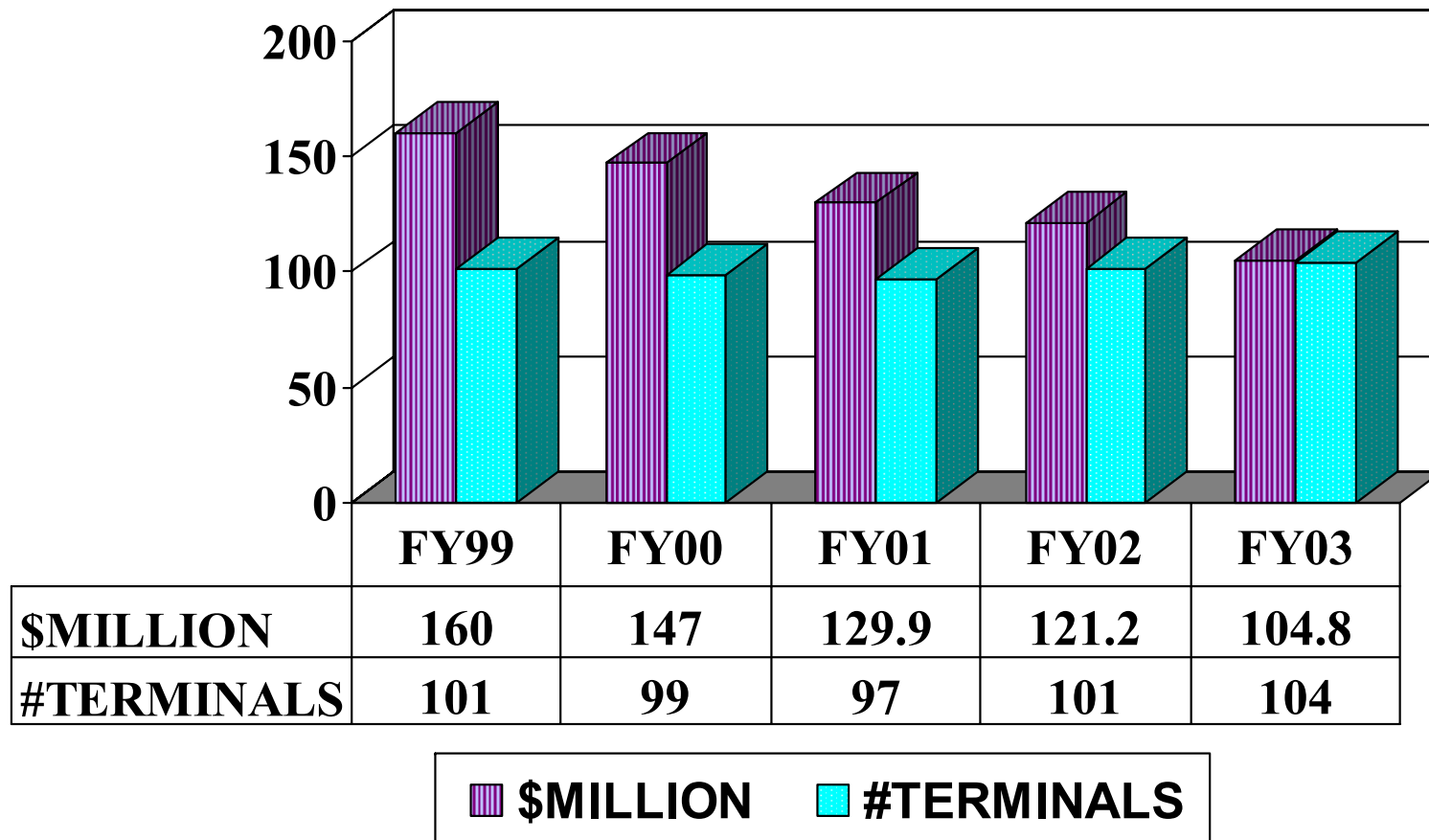
Note: Defense Fuel Support Points as of September 30, 2003

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

GOCOs in caretaker status during environmental cleanup not included in numbers

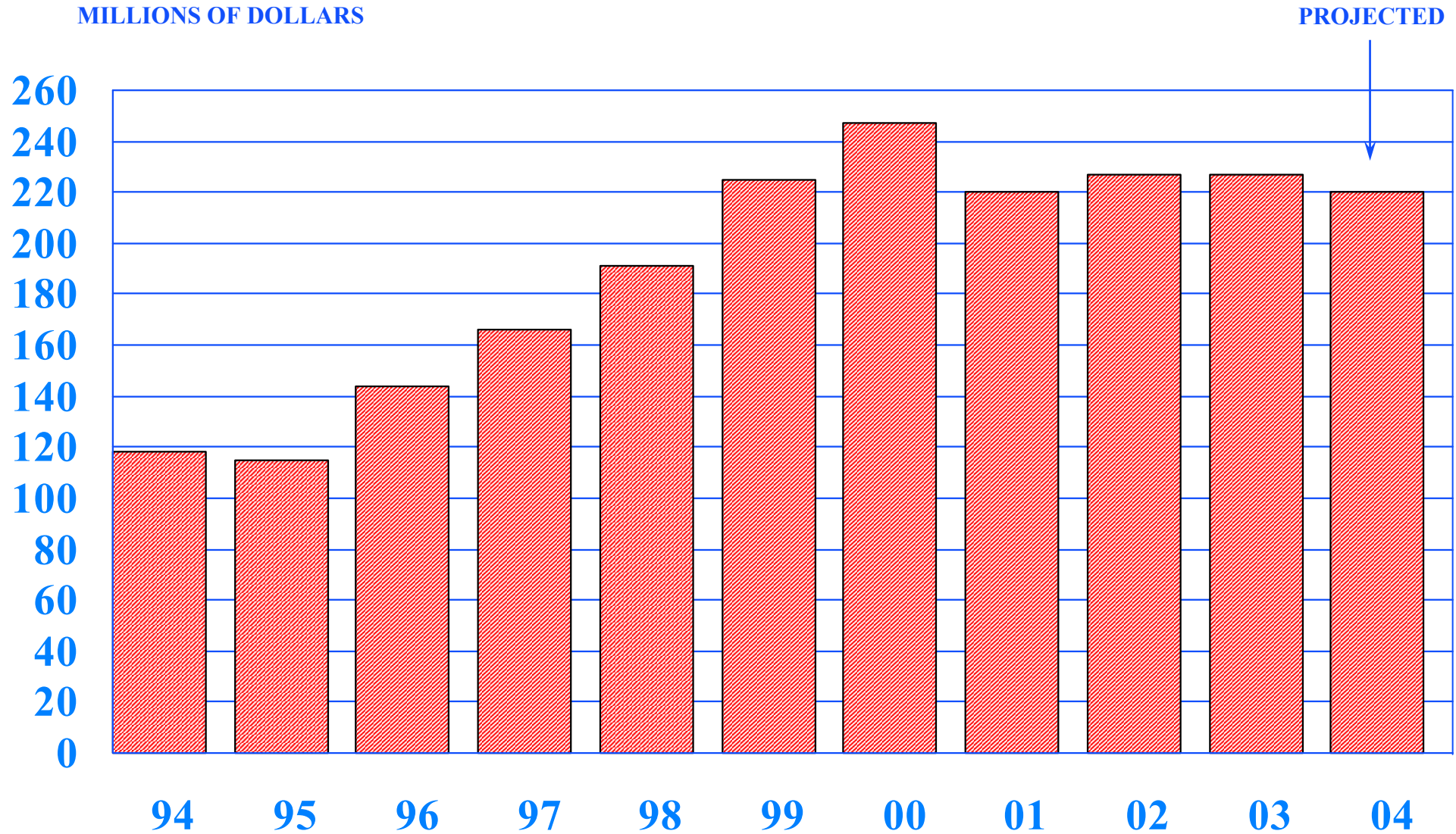
Increase in number of DFSPs is the result of Phase IIB capitalization

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

NUMBER AND SIZE OF DOMESTIC REFINERIES (BY CALENDAR YEAR)

<u>CRUDE DISTILLATION CAPACITY</u> <u>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>2002</u>	<u>2003</u>	<u>Change</u> <u>1988-2003</u>
LESS THAN 50,000	117	106	96	75	70	62	57	55	54	49	45	-72
50,000- 100,000	37	39	43	43	40	41	37	42	42	38	37	0
100,001- 175,000	29	31	30	29	24	25	26	25	24	23	22	-7
OVER 175,000	22	23	24	25	31	29	31	32	32	38	34	12
TOTAL	205	199	193	172	165	157	151	154	152	148	138	-67

Source for 1986-1994, 1997, 1999-2000: US Department of Energy

Source for 1996, 1998: Oil and Gas Journal

DESC'S BUSINESS VENTURES

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Energy Savings Performance Contract Awards	28
Utility Privatization Awards/Cost Avoidance	29
Small & Disadvantaged Business Utilization	30

DESC OPTIMIZATION PROJECTS (\$ IN MILLIONS)

LOCATION	SERVICE	TYPE	CONTRACT DATE	SAVINGS	NOTE
Ft Bragg, NC	USA	COCO	Apr-98	7.5	*
Schofield Barracks, HI	USA	COCO	Jun-98	6.7	*
Ft Jackson, GA	USA	COCO	Jun-99	1.5	*
29 Palms, CA	USMC	COCO	Jul-99	5.2	*
Ft Hood, TX	USA	GOCO	Dec-00	4.5	**
Hunter AAF, GA	USA	GOCO	Dec-00	0.7	**
Ft Stewart, GA	USA	COCO	Jun-01	3.5	*
MC Bases, Okinawa	USMC	GOCO	Apr-02	2.0	**
Ft Gordon, GA	USA	COCO	Oct-02	0.5	**
Moffett, CA	ANG/NASA	COCO	May-03	5.0	*
Ft Lewis, WA	USA	COCO	Sep-03	6.0	***
Simmons/Camp Mackall, NC	USA	GOCO	Sep-03	3.5	*
TOTAL				\$46.6	

* Costs are 20 year NPV (\$M)

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

*** Costs are 4 year NPV (\$M)

SOURCE: FACILITIES AND DISTRIBUTION MANAGEMENT COMODITY BUSINESS UNIT

ENERGY SAVINGS PERFORMANCE CONTRACT AWARDS

LOCATION	ENERGY CONSERVATION MEASURES	ENERGY SERVICE COMPANY (ESCO)	DATE	TOTAL AWARD AMOUNTS	CONTRACT TERM
Fort Hood, TX	UMCS Improvements Vending Machine Controls Cooling Tower VFDs Lighting Retrofit	Johnson Controls	Sep 03	\$13.6 M	22 years
Fort Monmouth, NJ	Lighting Upgrade HVAC Renovation UESC Implementation GHP Cogeneration System Site Preparation/Feasibility	Ameresco Solutions	Sep 03	\$56.6M	23 years
Carlisle Barracks, PA	Direct Digital Controls HVAC	EPS	Jul 02	\$16.3M	17 years
Fort Hamilton, NY	Lighting Retrofits Energy Management Control System Water Savings	ConEdison Solutions	Nov 01	\$7.3M	15 years
Fort Jackson, SC	Lighting Upgrades GSHP Retrofits Chiller Plant Upgrades Demand Limiting System	Ameresco Solutions	Sep 01	\$43.8M	22 years
Aberdeen Proving Ground, MD	GSHP	CES	Sep 01	\$15.0M	20 years
Northeast Regional Office (NERO) formerly MDW	15 ECMs	Pepco Gov't Services LLC	Jul 99	\$216.0M	18 years

UTILITY PRIVATIZATION AWARDS/COST AVOIDANCE

LOCATION	SYSTEM	CONTRACTOR	DATE	TOTAL AWARD AMOUNTS	COST AVOIDANCE Annual \$ (Estimated)	% SAVINGS (Annual % on NPV Basis) (Estimated)
Randolph AFB, Texas	Wastewater	San Antonio River Authority	Sep 03	\$11.9M 50 Years	\$22,140	11.2%
Sunny Point, North Carolina	Electric	Brunswick Electric Membership Cooperation	Sep 03	\$42.0M 50 Years	\$512,548	4.3%
Fort Leavenworth, Kansas	Water/ Wastewater	American Water Services (AWS)	Sep 03	\$47.0M 50 Years	\$349,361	13.5%
Fort Rucker, Alabama	Water/ Wastewater	American Water Services (AWS)	Sep 03	\$54.0M 50 years	\$3,295,000	45.0%
Fort Rucker, Alabama	Electric	Alabama Power Corporation	May 03	\$88.0M 20 years up to 50	\$335,000	13.3%
Fort Rucker, Alabama	Natural Gas	Southeast Alabama Gas District	Apr 03	\$8.6M 50 years	\$329,000	52.8%
Fort Bliss, Texas	Natural Gas	Texas Gas Service	Mar 03	\$9.5M 10 years up to 50	\$34,300	12.0%
Fort McNair, DC	Natural Gas – GSA	Washington Gas & Light Company	Feb 03	\$403.0K 10 years	\$167,386	89.7%
Fort Bliss, Texas	Electric	Rio Grande Electric Cooperative	Oct 02	\$98.0M 50 years	\$1,360,000	40.4%

SMALL AND DISADVANTAGED BUSINESS UTILIZATION

Small Business Preference Progs.	FY 01			FY 02			FY 03		
	<u>TARGETS</u>	<u>PERFOR.</u>	<u>DOLLARS</u>	<u>TARGETS</u>	<u>PERFOR.</u>	<u>DOLLARS</u>	<u>TARGETS</u>	<u>PERFOR.</u>	<u>DOLLARS</u>
Small Bus Awards	30.30%	29.40%	\$ 1,134,587	27.77%	28.10%	\$ 990,682	23.00%	21.20%	\$ 720,030
Small Business Set-Aside Awards	4.10%	11.40%	\$ 440,172	++	8.60%	\$ 301,028	++	10.20%	\$ 345,970
Small Disadvantaged Business Awards	4.20%	4.20%	\$ 163,407	5.07%	5.00%	\$ 174,131	5.00%	4.20%	\$ 142,154
Direct Competitive			\$ 157,038			\$163,715			\$136,617
Section 8(a)			\$ 6,369	0.50%	0.30%	\$ 10,487	0.50%	0.20%	\$ 5,537
Women-Owned Small Bus Awards	5.00%	1.10%	\$ 43,341	1.00%	3.80%	\$ 135,467	1.30%	0.50%	\$ 17,703
Hubzone Small Business Awards	2.00%**	4.4%	\$ 169,535	2.50%	2.40%	\$ 85,116	2.10%	1.80%	\$ 60,649
Svc-Disabled Vet- Owned Small Business Awards	3.00%**	0.1%	\$ 5,747	0.20%	0.02%	\$ 662	3.00%	0.00%	\$ 25
Total Domestic Awds			\$3,859,699			\$3,513,282			\$3,396,521

Note: All percentages based on total domestic dollars awarded

* This Small Business category was not tracked Prior to FY 01.

FUEL TRANSPORTATION

TITLE

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Number of Shipments

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Worldwide Transportation By Mode

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Worldwide Bulk Fuels Transportation Expenses

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Demurrage Collected

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NUMBER OF SHIPMENTS



<u>NUMBER OF SHIPMENTS</u>						
<u>DESC</u>		<u>TRUCK*</u>	<u>RAIL</u>	<u>PIPELINE**</u>	<u>BARGE*</u>	<u>TOTAL</u>
AMERICAS-EAST		66,299	2,559	4,702	2,040	75,600
AMERICAS-WEST		<u>9,975</u>	<u>21</u>	<u>1,804</u>	<u>162</u>	<u>11,962</u>
SUBTOTAL CONUS***		76,274	2,580	6,506	2,202	87,562
TOTAL OCONUS		16,289	7,473	390	56	24,208
TOTAL SHIPMENTS		92,563	10,053	6,896	2,258	111,770
* Includes truck and barge contracts						
** Alaska only. Other shipments incorporated into International Agreements (Code F)						
*** Data extrapolated as POWERTRACK system used for payment does not currently provide this information via query						

WORLDWIDE TRANSPORTATION BY MODE

FY03 WORLDWIDE TRANSPORTATION

(MILLIONS OF BARRELS)

	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>
BARGE*	11.1	12.8	17.9	27.1	17.0
PIPELINE	51.1	45.6	56.2	72.9	93.5
RAIL	4.2	4.2	4.3	7.3	2.7
TRUCK*	<u>19.5</u>	<u>12.7</u>	<u>16.6</u>	<u>24.7</u>	<u>17.2</u>
SUB TOTAL	85.9	75.3	95.0	132.0	113.4
OCEAN TANKER	48.1	39.7	45.0	51	52.2
TOTAL	134.0	115.0	140.0	183.0	165.6
* Includes truck and barge contracts					

WORLDWIDE PETROLEUM TRANSPORTATION OBLIGATIONS (\$ IN MILLIONS)

PRODUCT	FY 00	FY 01	FY02	FY03
AVGAS	0	0	0	0
DISTILLATES & DIESEL	41.2	50.1	50.4	66.8
JP-4, JAB, JAA, & JA1	0.2	0.3	22.6	35.8
JP-5	42.0	51.1	57.7	54.7
JP-8	166.0	182.4	203.9	219.4
LUBE OILS	0.1	0.1	0.1	0.1
MOGAS (LEADED & UNLEADED)	1.6	2.4	3.9	3.3
RESIDUALS	<u>0.0</u>	<u>0.3</u>	<u>0.7</u>	<u>1.4</u>
TOTAL	\$260.7	\$276.8	\$341.8	\$404.4
 MISSILE FUEL TRANSPORTATION			\$2.6	\$2.1

SOURCE: DIRECTORATE OF RESOURCES MANAGEMENT - FINANCIAL RECORDS

DEMURRAGE COLLECTED

(\$ IN MILLIONS)

(\$ IN MILLIONS)					
<u>FISCAL YEAR</u>		<u>TOTAL</u>	<u>FISCAL YEAR</u>		<u>TOTAL</u>
2003		\$1.08	1997		\$2.0
2002		\$2.4	1996		\$1.2
2001		\$1.6	1995		\$1.8
2000		\$3.1	1994		\$0.6
1999		\$1.3	1993		\$1.3
1998		\$4.2	1992		\$3.2

SOURCE: BULK FUELS COMMODITY BUSINESS UNIT

PRODUCT TECHNICAL REVIEWS

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PRODUCT TECHNOLOGY & STANDARDIZATION DIVISION
TECHNICAL REVIEWS FOR BULK PROGRAMS
FY 03

BULK PROGRAM	EXCEPTION	WAIVER	DEVIATION	TOTAL
Atlantic/Europe/Mediterranean ^{1/}	3	3	3	9
Deep Freeze (Antarctica)	2	0	0	2
Foreign Military Sales	3	0	1	4
Inland/East/Gulf Coast ^{2/}	13	1	1	15
Lubes	10	1	2	13
Rocky Mountain/West ^{3/}	33	0	0	33
Western Pacific ^{4/}	35	4	0	39
Afghanistan/Pakistan	1	0	0	1
Kuwait/Iraq	2	0	0	2
Qatar	3	0	0	3
	105	9	7	121

^{1/} **Atlantic/Europe/Mediterranean:** Spain, Azores, Central Europe, United Kingdom, Norway, Italy, Greece, Turkey, Ascension Island, and C

^{2/} **Inland/East/Gulf Coast:** Alabama, Arkansas, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Guantanamo Bay, E Zone, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri Hampshire, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Puerto Rico, Rhode Island, South Carolina Tennessee, Texas (except El Paso), Vermont, Virginia, West Virginia, Wisconsin, and Wyoming.

^{3/} **Rocky Mountain/West:** Alaska, Arizona, California, Hawaii, Idaho, Johnston Island, Kwajalein, Montana, Nevada, Oregon, New Mexico, Washington, Wake Island, and El Paso, TX.

^{4/} **Western Pacific:** Guam, Japan, Korea, Okinawa, UAE, and Saudi Arabia

FY 03

**PRODUCT TECHNOLOGY & STANDARDIZATION DIVISION
TOP FIVE TECHNICAL REVIEWS SUBMITTED BY
FUEL SUPPLIERS UNDER THE BULK PROGRAM¹**

<u>Technical Reviews</u>	<u>Percent of Total Reviews</u>
Alternate Test Methods²	34.4
Acid Number³	7.5
Specification Review	7.5
Measurement	6.5
Conductivity	<u>5.4</u>
TOTAL	61.3

1/ The above chart is all inclusive of exceptions, waivers and deviations and provides information on the type of request submitted by fuel suppliers.

2/ The majority of Alternate Test Methods were for the Hydrogen content requirement.

3/ The majority of the Acid Number requests were under the Rocky Mountain/West Bulk Purchase Program, particularly Alaska.

PRODUCT TECHNOLOGY & STANDARDIZATION DIVISION
TECHNICAL REVIEWS FOR DIRECT DELIVERY
FY 03

DIRECT DELIVERY PROGRAM	EXCEPTION	WAIVER	DEVIATION	TOTAL
Australia PC&S	0	0	2	2
Bahamas PC&S	3	1	1	5
Bosnia PC&S	2	10	1	13
Bunkers (Domestic)	4	0	0	4
Bunkers (Overseas)	8	4	0	12
Domestic PC&S	5	0	0	5
Hawaii PC&S	1	0	0	1
Japan PC&S	2	0	1	3
Korea PC&S	0	0	1	1
Operation Enduring Freedom	0	2	0	2
Operation Iraqi Freedom	7	0	0	7
	32	17	6	55

Exception: A request made by an offeror to deviate from the proposed solicitation requirements before contract award. (Example: The solicitation requires JP8 and the offeror states that he can only offer or guarantee Jet A1)

Waiver: A request made by a contractor to deviate from contract requirements after production of the product (one-time request only or for a set p (Example: The contractor tests the finished product and finds the distillation 10% recovered temperature does not meet specification requirement. The contractor requests DESC to accept the product as is.)

Deviation: A request made by contractor to deviate from contract requirements after contract award but prior to production of the product. (Example: A contractor receives a new crude oil and believes he shall deviate from a particular specification requirement using his normal production process. The contractor requests permission to deviate in anticipation of not meeting the specification.

FY 03
PRODUCT TECHNOLOGY & STANDARDIZATION DIVISION
TOP FIVE TECHNICAL REVIEWS SUBMITTED BY FUEL SUPPLIER
UNDER DIRECT DELIVERY¹

<u>Technical Reviews</u>	<u>Percent of Total Reviews</u>
Specification Review	30.9
Cloud point²	9.1
Cold Filter Plugging Point (CFPP)³	7.3
Vapor Pressure	7.3
Distillation	<u>5.5</u>
TOTAL	60.1

1/ The above chart is all inclusive of exceptions, waivers and deviations and provides information on the type of request submitted by fuel suppliers.

2/ The majority of cloud point requests were submitted under the Bunkers Program.

3/ All CFPP requests were submitted under the Bosnia PC&S Program.

INTERNATIONAL AGREEMENTS & FOREIGN MILITARY SALES

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Product Agreements

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Foreign Military Sales

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FACILITY/SERVICE AGREEMENTS

FY03 (\$ IN MILLIONS)

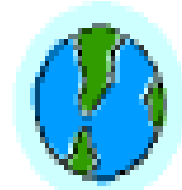


<u>REGION</u>	<u># AGREEMENTS</u>	<u>ANNUAL COST (Est)</u>
DESC-EUROPE	10	\$ 31.7
DESC-MIDDLE EAST	1	\$ 3.0
DESC-PACIFIC	2	\$ 8.5
DESC-AMERICAS	0	\$ 0
TOTAL	13	\$ 43.2

SOURCE: FACILITIES AND DISTRIBUTION MANAGEMENT COMMODITY BUSINESS UNIT

PRODUCT AGREEMENTS

FY03 (\$ IN MILLIONS)



<u>REGION</u>	<u># AGREEMENTS</u>	<u>ANNUAL COST (Estimated)</u>
DESC-EUROPE	2	\$ 0 (exchange)
DESC-MIDDLE EAST	5	\$ 174.0
DESC-PACIFIC	1	\$ 70.0 estimated
*FEA'S/RIK'S	19	\$ 71.8** **Net
		Sales to Foreign Gov = 87.5M
		Recvd from Foreign Gov =15.7M
TOTAL	27	\$ 315.8

* foreign exchange agreements/replacement in kind

SOURCE: FACILITIES AND DISTRIBUTION MANAGEMENT COMMODITY BUSINESS UNIT

FOREIGN MILITARY SALES (FMS) /MISCELLANEOUS

- FMS

 - Bosnia \$93.6M

- Port Tampa dock services \$1.9M

- Yumurtalik, Turkey mooring services
\$.12M

DESC's CONTRACT STATISTICS

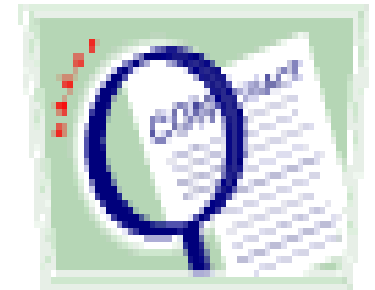
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CONTRACT INTRODUCTION

FY03

NATURE OF DESC PETROLEUM PRODUCT CONTRACTS

- ✓ **Contracts are requirements-type contracts.**
- ✓ **Minimum/maximum delivery order limitations are defined.**
- ✓ **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



	<u>DOLLARS MILLIONS</u>	<u>AWARD ACTIONS</u>
BULK FUEL DIVISION		
DOMESTIC	2,803.1	51
OVERSEAS	1,821.0	46
BULK LUBES	4.0	5
BULK FOREIGN MILITARY SALES	95.0	2
CRUDE OIL	8.4	4
GROUND FUELS DIVISION		
DOMESTIC	48.0	1,146
OVERSEAS	386.7	74
DIRECT DELIVERY FUELS		
INTO-PLANE	216.4	91
BUNKERS	72.8	63
FACILITIES PROCUREMENT DIVISION		
STORAGE	96.7	49
ALONGSIDE AIRCRAFT REFUELING	29.2	30
UTILITIES	42.7	24
TESTING/SERVICES/FMS	83.5	14
ALTERNATIVE FUELS DIVISION		
NATURAL GAS	162.4	99
COAL	18.6	22
ELECTRICITY	140.1	32
MISSILE FUELS	68.9	174
ENERGY ENTERPRISES		
PRIVATIZATION	112.5	20
ESPCs	64.2	3
TOTAL	6,274.2	1,949

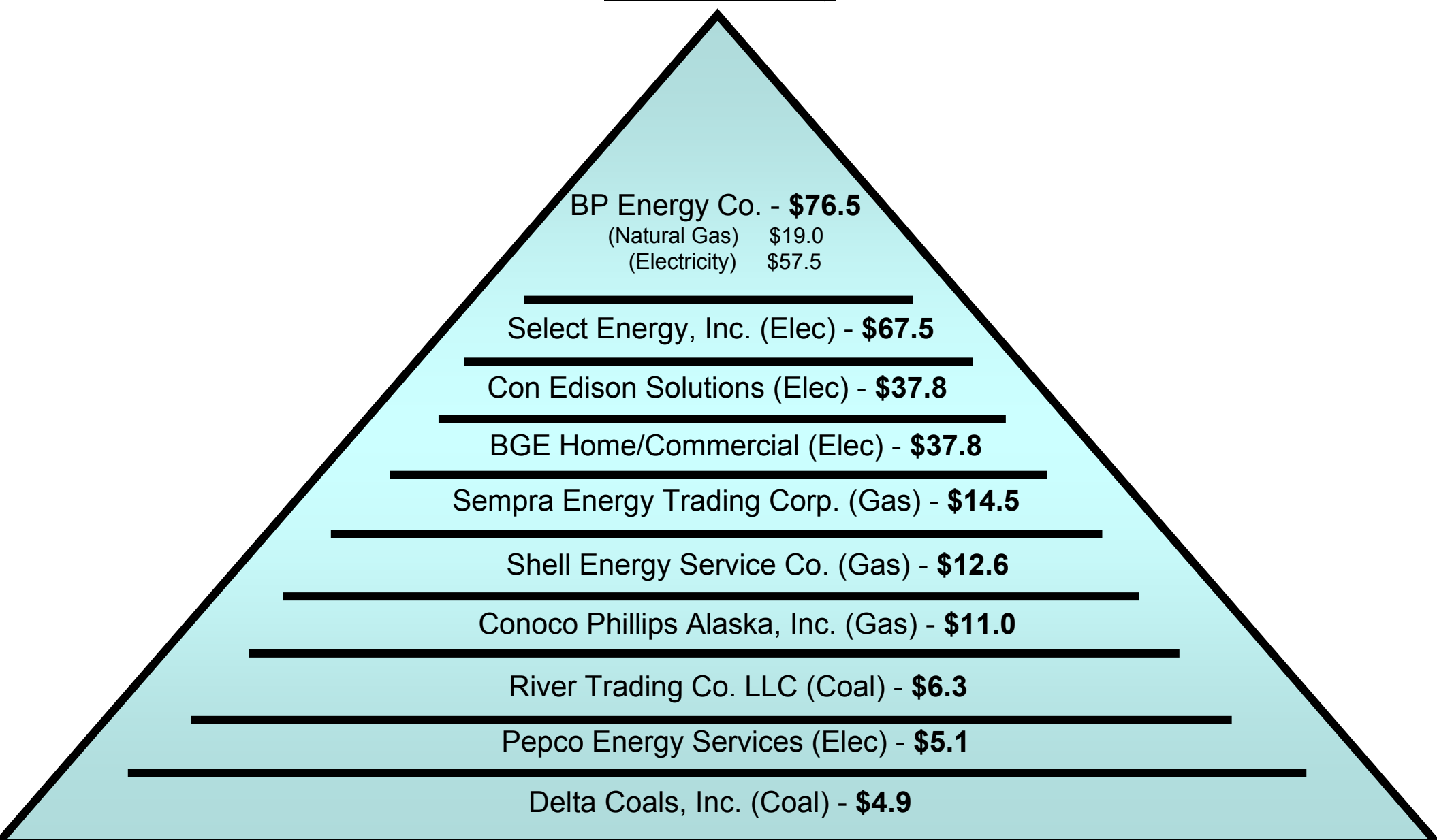
SOURCE: Procurement Planning and Support Division, Procurement Oversight Branch



FY03
TOP TEN DESC PETROLEUM CONTRACTORS
(\$ IN MILLIONS)

	<u>AWARD AMOUNT</u>	<u>PERCENT OF TOTAL CONTRACT \$</u>
EXXON MOBIL CORP	\$ 729.3	13.6
SHELL	\$ 538.0	10
BP	\$ 441.7	8.2
VALERO MARKETING & SUPPLY CO	\$ 314.3	5.8
NATIONAL OIL DISTRIBUTION CO	\$ 220.6	4.1
TESORO	\$ 204.7	3.8
MOTOR OIL (HELLAS)	\$ 197.7	3.7
SAUDI ARABIAN OIL COMPANY	\$ 190.1	3.6
SSANGYONG	\$ 187.6	3.5
PARAMOUNT PETROLEUM CORP	\$ 130.7	2.4
TOTAL	\$ 3,154.7	58.7%

FY03
TOP TEN INSTALLATION ENERGY CONTRACTORS*
(\$ IN MILLIONS)



* Delivery periods under some awarded contracts vary

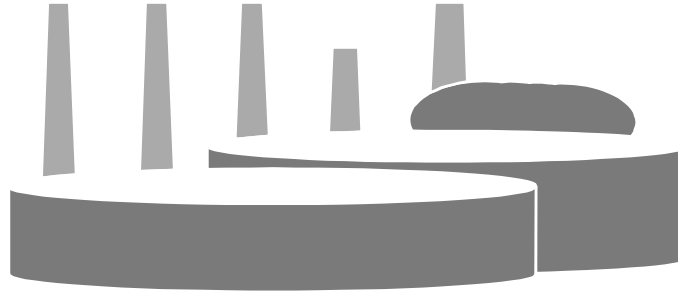
DEFENSE ENERGY SUPPORT CENTER'S TOP TEN CUSTOMERS FOR FY03

(\$ IN MILLIONS)

<u>DoDAAC</u>	<u>DODAAC DESCRIPTION</u>	<u>QUANTITY (gal.)</u>	<u>EXTENDED COST</u>
FP4427	TRAVIS AFB (CA)	250	\$201
FP4418	CHARLESTON AFB (SC)	186	\$156
FP4479	MCCHORD AFB (WA)	184	\$156
FP4484	MCGUIRE AFB (NJ)	147	\$122
FP4497	DOVER AFB (DE)	127	\$949
FP4621	MCCONNELL AFB KS	988	\$842
FP4608	BARKSDALE AFB (LA)	778	\$658
FP4809	SEYMOUR JOHNSON AFB (NC)	744	\$625
FP4620	FAIRCHILD AFB (WA)	811	\$607
FP2037	TINKER AFB (OK)	676	\$551

DESC MANAGED STORAGE CONTRACTS

FY03



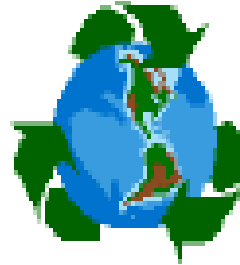
OCONUS			CONUS	
	NUMBER OF CONTRACTS	BARRELS (Storage Capacity) (in millions)	NUMBER OF CONTRACTS	BARRELS (Storage Capacity) (in millions)
COCO	12	7.4	15	4.1
GOCO	7	1.5	7	5.0

NOTE: FIGURES REPRESENT ACTUAL CONTRACTS (NOT TERMINALS)

SOURCE: FACILITIES AND DISTRIBUTION MANAGEMENT COMMODITY BUSINESS UNIT

ENVIRONMENTAL CONTRACTS

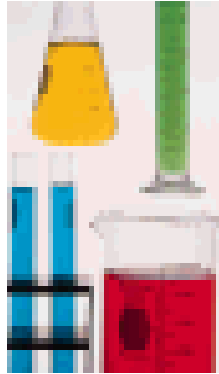
FY03



- 19 Assessment/Remediation Contracts at DLA-Managed GOCOs
 - 6 Active/13 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

FY03



- 5 Domestic contracts for 31 more locations
- 5 Overseas contracts for 20 more locations

ENERGY SAVINGS PERFORMANCE CONTRACTS (ESPC)

Utilizing Memorandum of Understanding
Partnering with DOE to Increase Customer Support

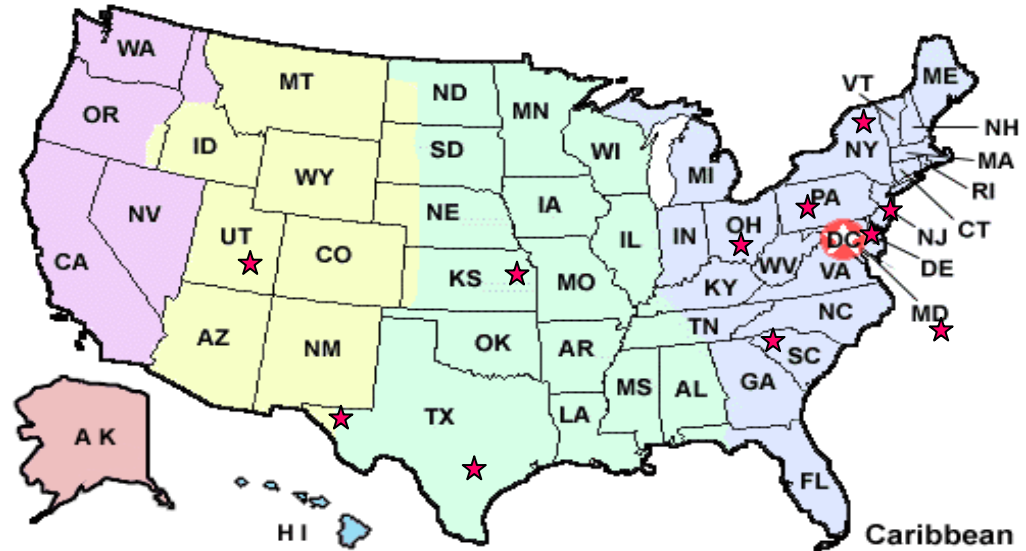
AWARDS - FY 2003 (Total Value – \$70.2M)

Fort Hood, Texas – Sep 29, 2003

- UMCS Improvements
- Vending Machine Controls
- Cooling Towers VFDs
- Lighting Retrofits

Fort Monmouth, New Jersey – Sep 30, 2003

- Geothermal Heat Pumps
- Heating and Air Conditioning Renovation
- UESC Implementation
- Lighting Upgrades
- Cogeneration System Site Preparation/Feasibility



CURRENT INTER-SERVICE EFFORTS

Fort Leavenworth, Kansas

Fort Bliss, Texas

Army Test Evaluation Command, Utah

Air Force Materiel Command, Ohio

The terms “energy savings contract” and “energy savings performance contract” mean a contract which provides for the performance of services for the design, acquisition, installation, testing, operation, and, where appropriate, maintenance and repair of identified energy conservation measure or series of measures at one or more locations. [42 USC 8287c(3)]

UTILITY PRIVATIZATION SUPPORT

Ongoing Actions

In December 1997, the Deputy Secretary of Defense directed the Military Departments to develop plans for privatizing all of their utility systems (electric, natural gas, water and waste water), except those needed for unique security reasons or where privatization is not economical. Since that time and by request from the Military Services, DESC has established a customer-centric team, segmented by Services, to support the Military Departments in their efforts to privatize on-base infrastructure and acquire safe, reliable utility services along the privatized systems.

Working 674 DoD Systems



Army 273



Air Force 349



Navy 37



DLA 15

Directed in DRID #49, Privatizing Utility Systems (December 23, 1998) and superseded by OSD Guidance (October 9, 2002)

Contracts Awarded

FY 2003 – (Total Value - \$359.4M)

Randolph AFB, TX - Wastewater

Sunny Point, NC - Electric

Fort Leavenworth, KS – Water/Wastewater

Fort Rucker, AL – Water/Wastewater/Electric/Gas

Fort Bliss – Gas/Electric

Fort McNair, DC – Gas (GSA)

FY 2002 – (Total Value - \$43M)

Picatinny Arsenal, NJ - Electric

FY 2001 – (Total Value - \$971K)

Fort Detrick – Gas (GSA)

Bolling AFB – Gas (GSA)

Minneapolis-St Paul – Gas (GSA)

AIRCRAFT INTO-PLANE CONTRACT AWARDS FY03

DOMESTIC (CONUS)

- 334 LOCATIONS SUPPORTED
- \$374 MILLION AWARDED
- 5.8 MILLION BARRELS



OVERSEAS (OCONUS)

- 184 LOCATIONS (104 Countries) SUPPORTED
- \$236.2 MILLION AWARDED
- 5.1 MILLION BARRELS

REPRESENTS ACTIVE CONTRACT DATA AS OF 30 SEP 2003

SOURCE: DIRECT DELIVERY FUELS COMMODITY BUSINESS UNIT

CONTRACTS AWARDED FOR SHIPS' BUNKERS PROGRAM FY03



DOMESTIC (CONUS)

- **86 PORTS UNDER CONTRACT**
- **\$60 MILLION AWARDED**
- **1.8 MILLION BARRELS**

OVERSEAS (OCONUS)

- **116 PORTS in 74 COUNTRIES**
- **\$241 MILLION AWARDED**
- **5.7 MILLION BARRELS**

REPRESENTS ACTIVE CONTRACT DATA AS OF 15 October 2003

SOURCE: DIRECT DELIVERY FUELS COMMODITY BUSINESS UNIT

AUTOMATED FUEL DISPENSING FACILITIES CONTRACT COSTS FY03 (\$ 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: \$4.8

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

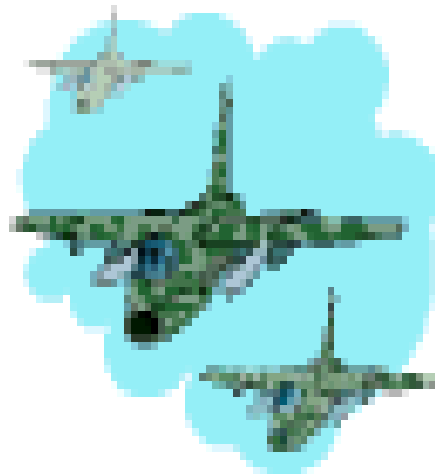
FORT GORDON, GA - DIESEL & MOGAS – INITIAL 5-YR PERIOD: \$2.5

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

ALONGSIDE AIRCRAFT REFUELING FY03

CONUS

- **26 LOCATIONS**
- **\$105.0 MILLION IN CONTRACTS**



OCONUS

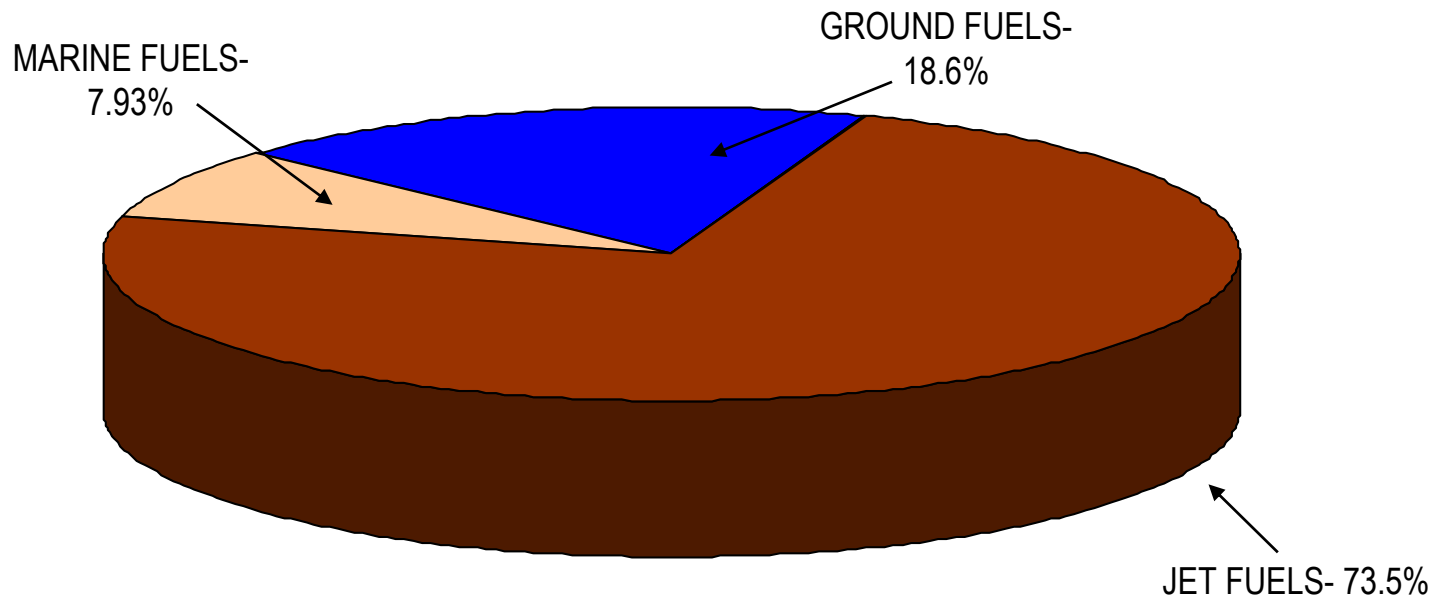
- OKINAWA, JAPAN**
- ROOSEVELT ROADS, PR**
- SOUDA BAY, CRETE**
- **\$4.7 MILLION IN CONTRACTS**

FUEL PROCUREMENT

TITLE	PAGE
DESC Petroleum Procurement (Barrels)	56
DESC Petroleum Procurement (Bulk Fuels)	57
DESC Procurement FY 1992-2003	58
Customer Organized Groups Map	59
CONUS & OCONUS Posts, Camps and Stations	60
Coal	61

PETROLEUM PROCUREMENT-BARRELS

184 MILLION



****MARINE FUELS- 7.93%**

F76	6.53%
MGO	.10%
RESIDUALS	1.30%

****GROUND FUELS- 18.6%**

DIESEL (AUTO)	.70%
GASOLINE	14.40%
<u>**HEATING OIL -</u>	<u>3.5%</u>
DISTILLATE	3.0%
RESIDUAL	.5%

****JET FUELS- 73.5%**

JP5	8.2%
JP8	10.1%
OTHER JET	55.2%

FIGURES REPRESENT CONTRACT AWARD DATA FOR FY03 (NOT ACTUAL PURCHASES)

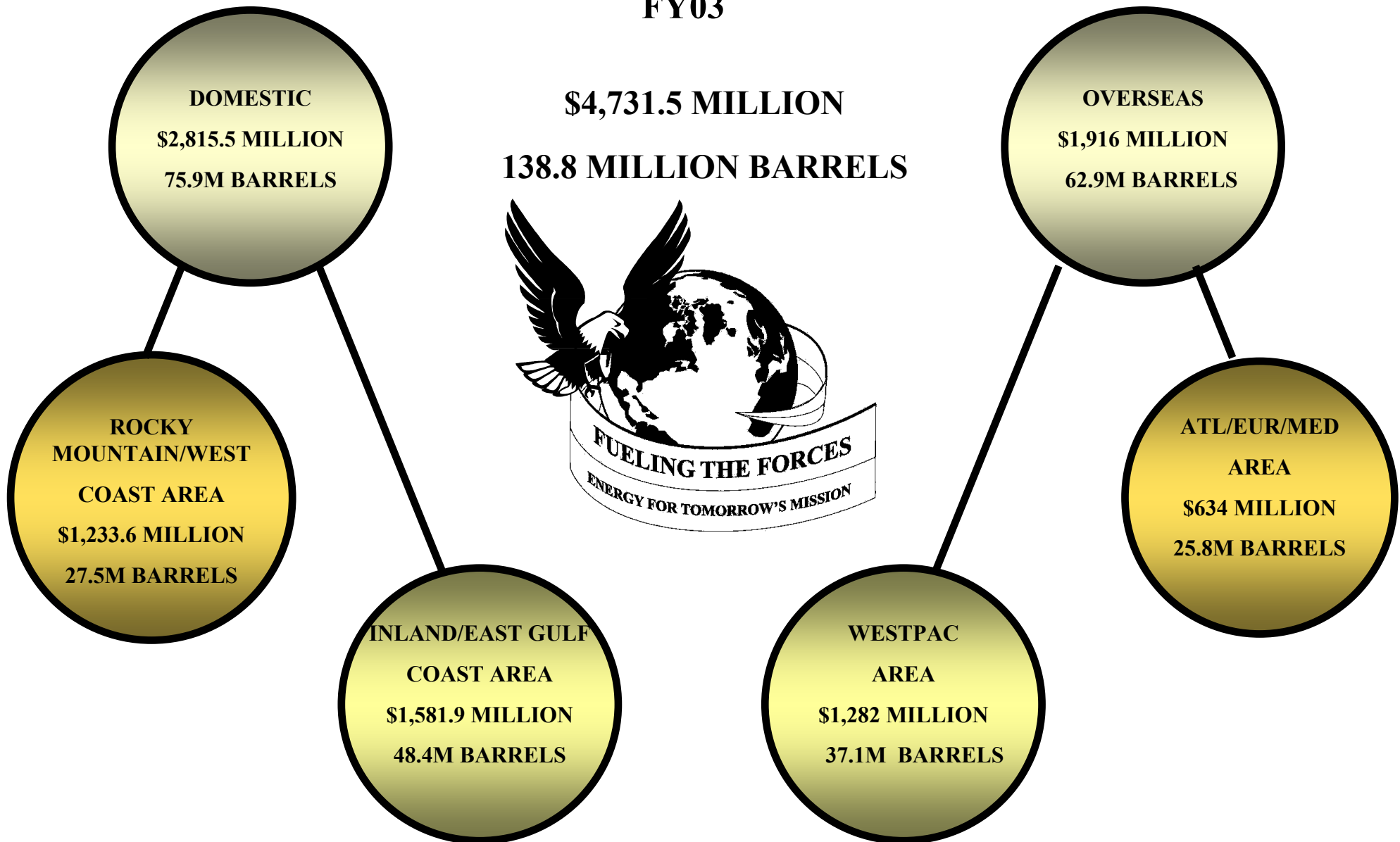
SOURCE: Procurement Planning and Support Division, Procurement Oversight Branch

PETROLEUM PROCUREMENT

BULK FUELS

(Estimated Amounts)

FY03



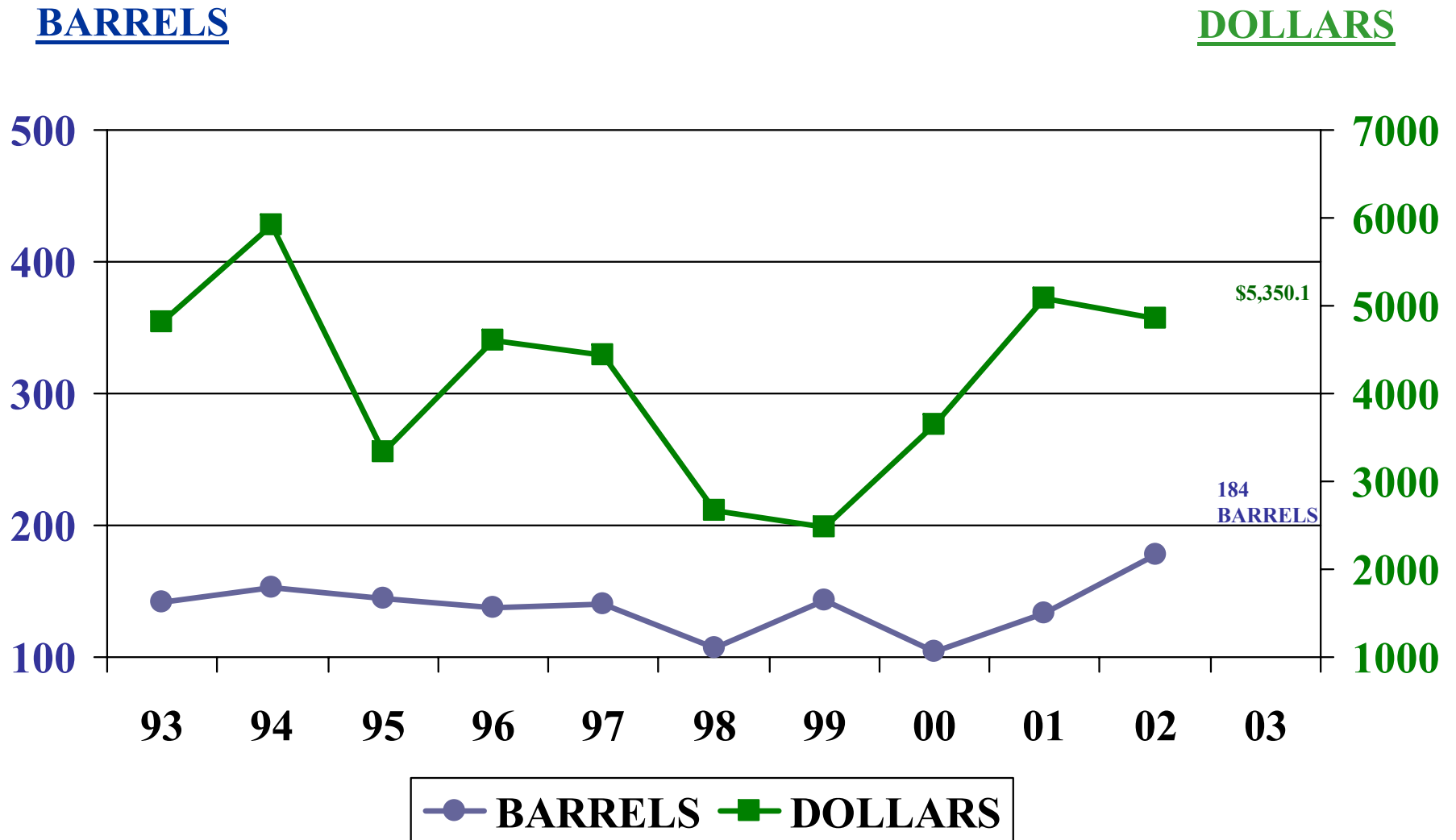
FIGURES REPRESENT CONTRACT AWARDS IN FY03 (NOT ACTUAL PURCHASES)

SOURCE: Procurement Planning and Support Division, Procurement Oversight Branch

PROCUREMENT HISTORY FY93 – FY03

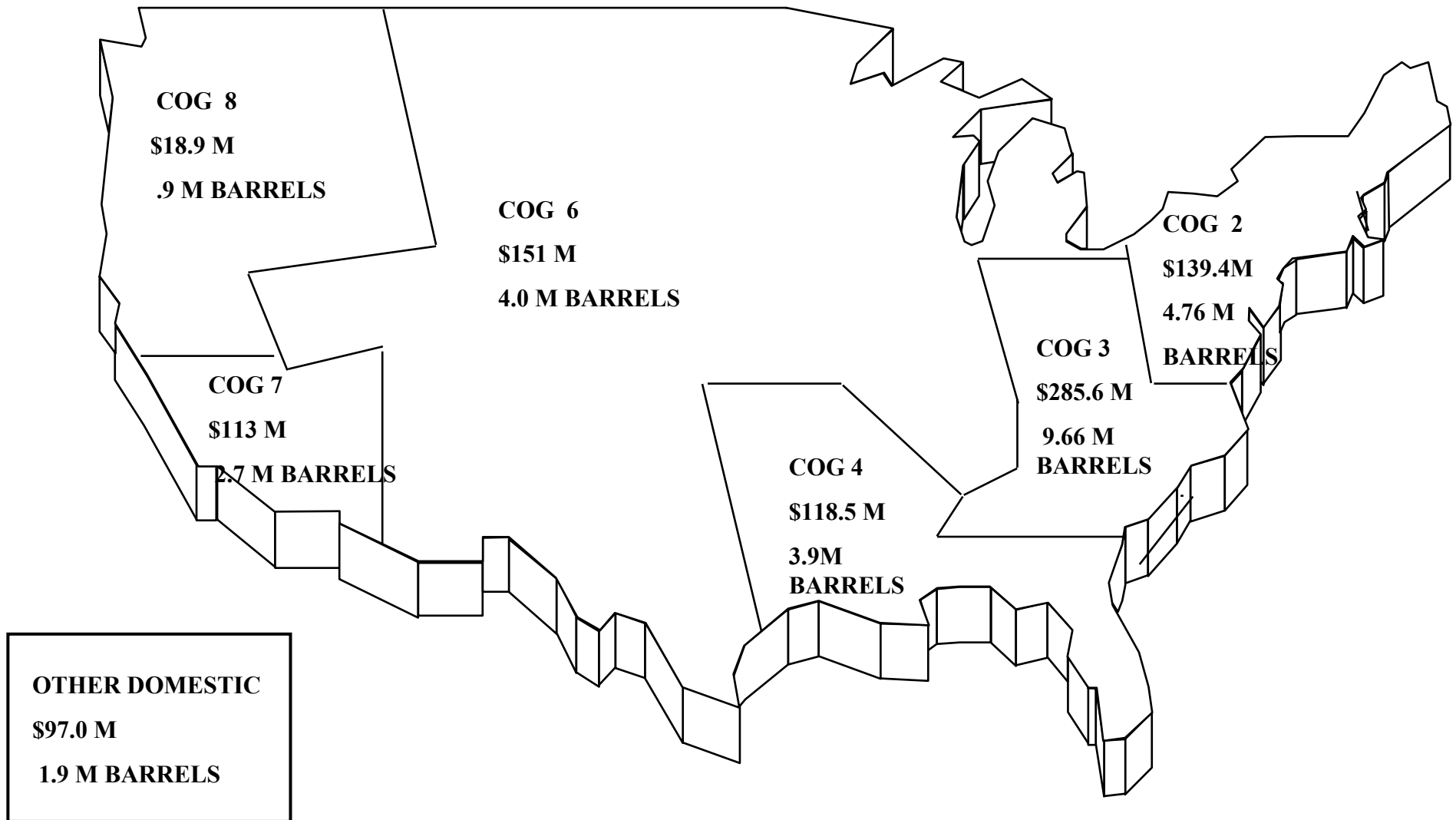
PETROLEUM PURCHASES

QUANTITY AND COST IN MILLIONS



REPRESENTS CONTRACT AWARD DATA FOR FY03

CUSTOMER ORGANIZED GROUPS (COGs) CONUS POSTS, CAMPS AND STATIONS FY03



Represents active multiyear contract data awarded as of 30 Sep 03

CONUS AND OCONUS POSTS, CAMPS, AND STATIONS FY03



Domestic (CONUS)

- 232 CONTRACTS
- 1952 ACTIVITIES
- \$923 MILLION
- 27.9 MILLION BARRELS

Overseas (OCONUS)

- 51 CONTRACTS, 28 COUNTRIES
- 550 LINE ITEMS
- \$395 MILLION
- 9.3 MILLION BARRELS

REPRESENTS ACTIVE CONTRACT DATA AS OF SEP 30, 2003

SOURCE: DIRECT DELIVERY FUELS COMMODITY BUSINESS UNIT

COAL

FY03

SUMMARY OF PROCUREMENT

**SHORT
TONS**

**REQUIREMENT
DOLLARS**

ARMY

244,400

\$13.5 Million

AIRFORCE

313,970

\$16.1 Million

NAVY

140,000

\$ 8.0 Million

OTHER

41,500

\$ 2.7 Million

TOTAL

739,870

\$40.3 Million

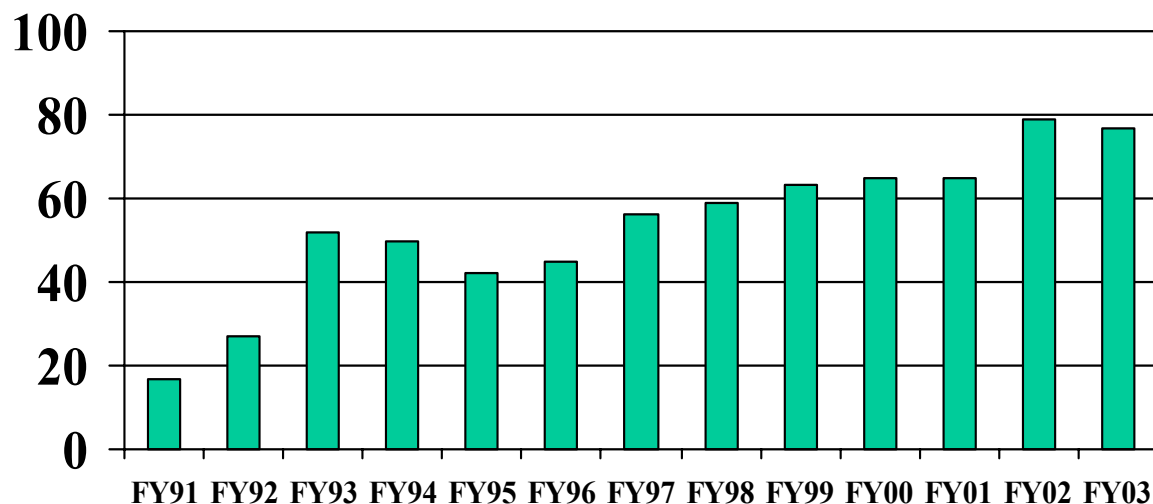
COST AVOIDANCE/SAVINGS

TITLE	PAGE
Federal Agencies	62
Department of Defense	63
DESC's Competitive Electricity Program	64-65
Reported Credit Card Savings	66

FEDERAL CIVILIAN AGENCIES

NATURAL GAS PARTICIPATION & COST AVOIDANCE

HISTORICAL PARTICIPATION



FEDERAL CIVILIAN AGENCY

COST AVOIDANCE

FY 91 – FY03 = \$91.84

FY03 Federal Civilian Agency Participants

DOE	18
Veterans Administration	19
Department of Justice	11
NASA	5
Others	24

Total	77
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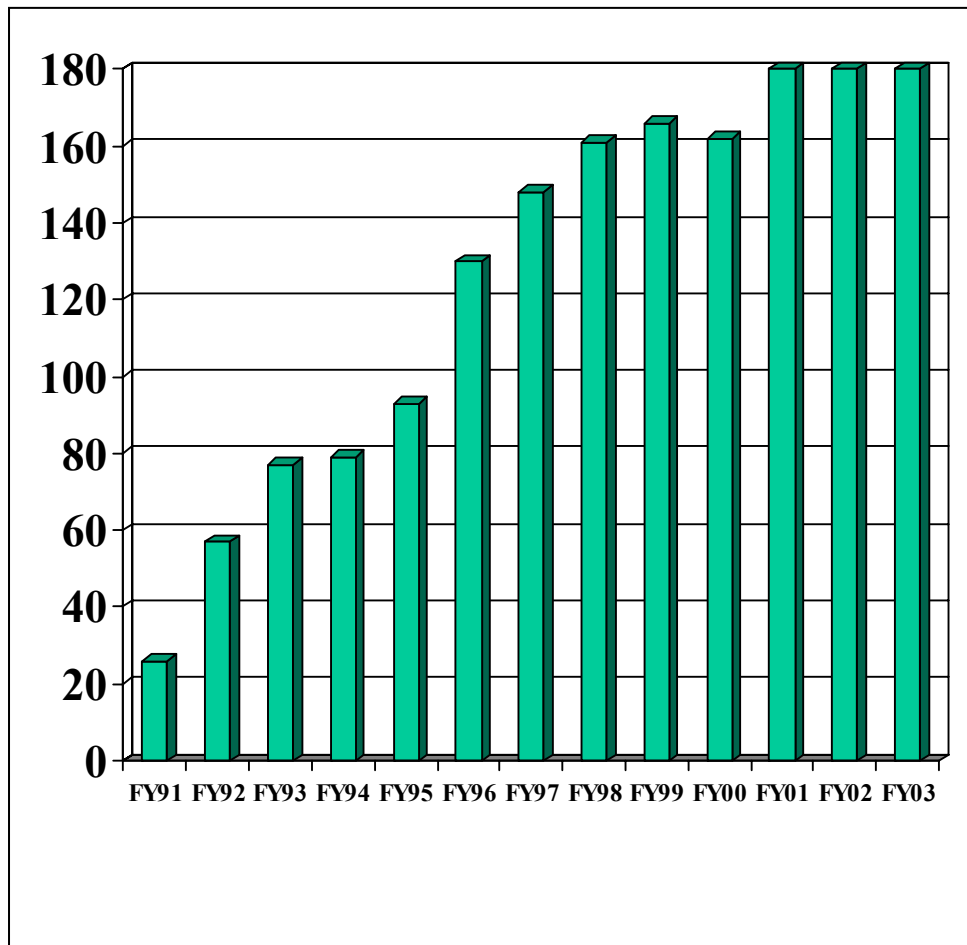
By partnering with DESC to procure direct supply natural gas, civilian agencies saved over \$6.34 million in FY03.



DEPARTMENT OF DEFENSE

NATURAL GAS PARTICIPATION & COST AVOIDANCE

DoD Participation



DoD Natural Gas Cost Avoidance for FY03

	FY91-02	FY03	Total
Army	\$106.1	\$5.47	\$111.57
Navy	\$ 83.0	\$.45	\$ 83.45
Air Force	\$ 65.1	\$2.38	\$ 67.48
Other DoD	\$ 10.4	\$1.13	\$ 11.53
Total	\$264.60	\$9.43	\$274.03

(Dollars are in Millions)

FY03 DoD Participants

Army	72
Navy	51
Air Force	46
DoD	11

Total	180
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DESC's COMPETITIVE ELECTRICITY PROGRAM

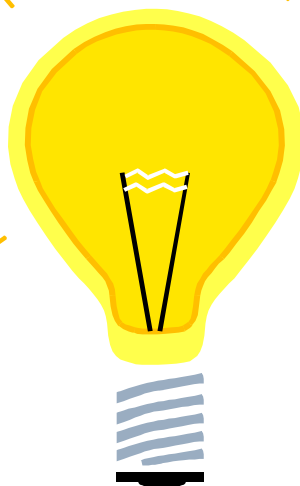
Cost Avoidance

	FY 99-01	FY02	FY03	TOTAL
CA	\$4,937K	\$724K		\$5,661K
PJM*	\$4,166K	\$505K	\$224K	\$4,895K
ME	\$171K		\$65K	\$236K
TX		\$27,000K		\$27,000K
TOTAL	\$9,274K	\$28,229K	\$289K	\$37,792K

*PJM –Region of in PA, NJ, MD, DE, DC

Additionally, RFP's were issued for NY, DE, IL, RI, CT, OH and MI. Due to "best value determinations" the incumbent utility remained the supplier.

Due to the 15 minute moving Market Clearing Price in the State of Texas, exact cost avoidance figures are unknown



Experience in all states in which deregulation/restructuring has occurred and in which requirements have been received.

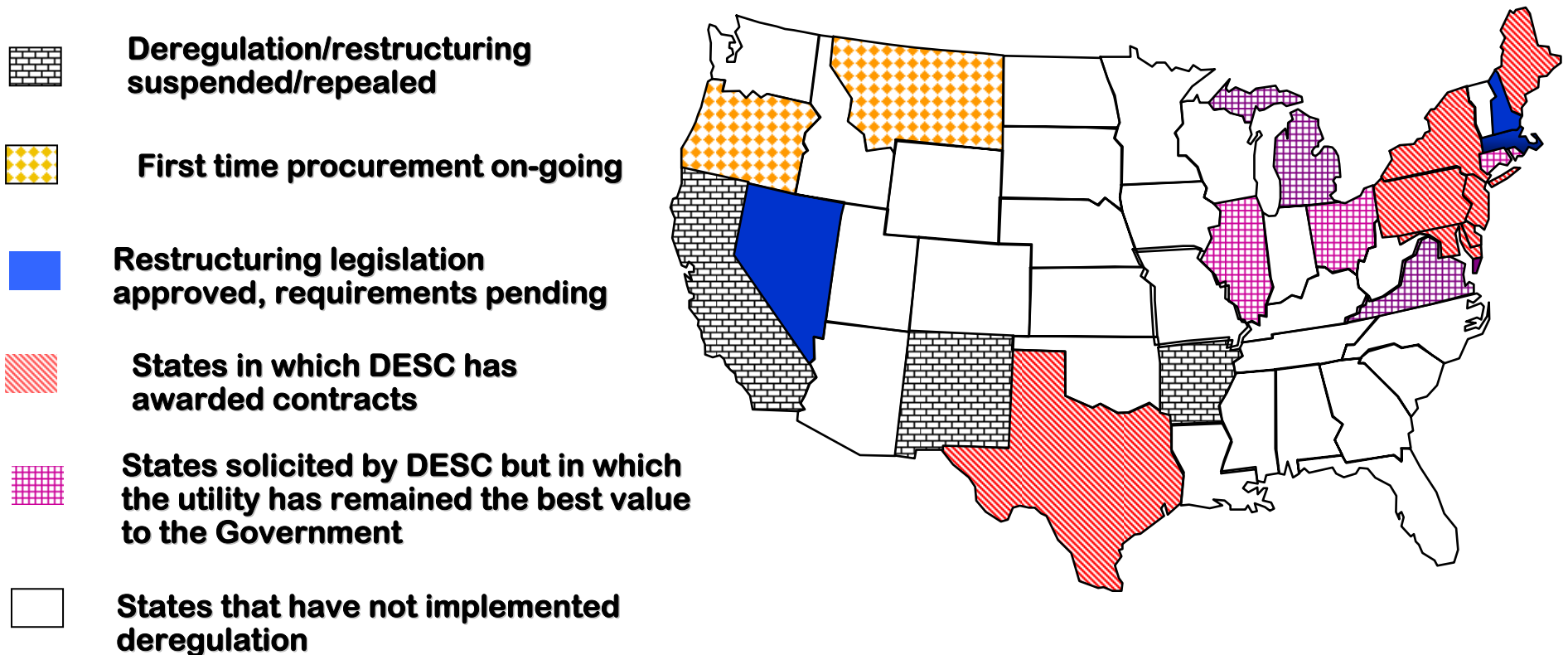
Customers

Army	27
Navy/	
Marine Corp	121
Air Force	13
Army Res.	261
ANG	3
Other DoD	6
Fed Civ.	26
Coast Guard	11
TOTAL	468

DESC'S COMPETITIVE ELECTRICITY PROGRAM (CONT)

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

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



REPORTED FUEL CARD SAVINGS FY03



AIR Cards:

Cards Issued:	21,720
Gross Sales:	\$78.4
Net Sales:	<u>\$71.1</u>
Savings:	\$7.3

AIR Card savings attributed to negotiated discounts off posted prices.



Fleet Cards:

Cards Issued:	61,160
Gross Sales:	\$32.8
Net Sales:	<u>\$30.4</u>
Savings:	\$2.4

Voyager savings from quantity discounts and direct tax rebates.

MISSILE FUELS

TITLE	PAGE
Missile Fuels Business Profile	67
Missile Fuels Product Line Overview	68
Missile Fuels New Emerging Products	69
Missile Fuels Customer Profile	70
Missile Fuels Major Program Support	71
Missile Fuels Largest DoD Customer	72
Missile Fuels Largest Fed Civ Customer	73
Missile Fuels Number of Shipments	74
Missile Fuels Top Ten Contractors	75

MISSILE FUELS BUSINESS PROFILE

❑ 92 total NSNs – 64 Active Products

- ❖ All support DoD programs, weapons systems and/or space programs
- ❖ Designated DoD IMM
- ❖ Also sell to commercial contractors under Space Launch Act authority

❑ 19 Controlled Storage Points (CSP)

❑ \$53.4 Million in Contract Obligations*

❑ 75 contracts

- ❖ 70 for product
- ❖ 5 for services, including transportation

*Down from projected sales due to delays of scheduled launches

CBU SNAPSHOT – PRODUCT LINE OVERVIEW

□ Three categories of products

❖ Propellants – 3 types

➤ Hypergols

- ✓ Hydrazine – 7 grades
- ✓ N_2O_4 – Oxidizer

➤ Liquids

- ✓ Priming Fluid (PF-1)
- ✓ RP-1
- ✓ Isopropyl Alcohol (IPA)
- ✓ Hydrogen Peroxide (H_2O_2)
- ✓ Inhibited Red Fuming Nitric Acid (IRFNA)
- ✓ JP-10

➤ Cryogenic

- ✓ Liquid Oxygen (LOX)
- ✓ Liquid Hydrogen (LH_2)

❖ Non-Propellant Cryogenics

- Liquid Nitrogen (LN)
- Liquid Air
- Liquid Argon
- Liquid Helium

❖ Gases

- ✓ Nitrogen
- ✓ Argon
- ✓ Helium
- ✓ Hydrogen
- ✓ Gaseous Deuterium (D_2)
- ✓ Nitrogen Trifluoride (NF_3)
- ✓ Fluorine
- ✓ Xenon
- ✓ Krypton
- ✓ Neon



DESC MISSILE FUELS

NEW EMERGING PRODUCTS

- ❑ Hydrogen Peroxide (H_2O_2) – Air Force, Army, Navy, NASA
- ❑ Dimethylaminoethylazide (DMAZ) (hydrazine replacement) – Navy, Air Force
- ❑ Pyrollidinyethylazide (PYAZ) (hydrazine replacement) – Navy, Air Force
- ❑ Hydroxyl ammonium nitrate (HAN) – Air Force
- ❑ JP-7 novel use for scramjet – Air Force, NASA
- ❑ RP-1/RG-1 upgrade – Air Force
- ❑ Gels for RP-1, IRFNA, MMH, JP-10, HAP – Air Force, Navy, NASA, Army
- ❑ Phase change material solid to liquid (JP-10 baseline) - Navy

MISSILE FUELS' CUSTOMER PROFILE

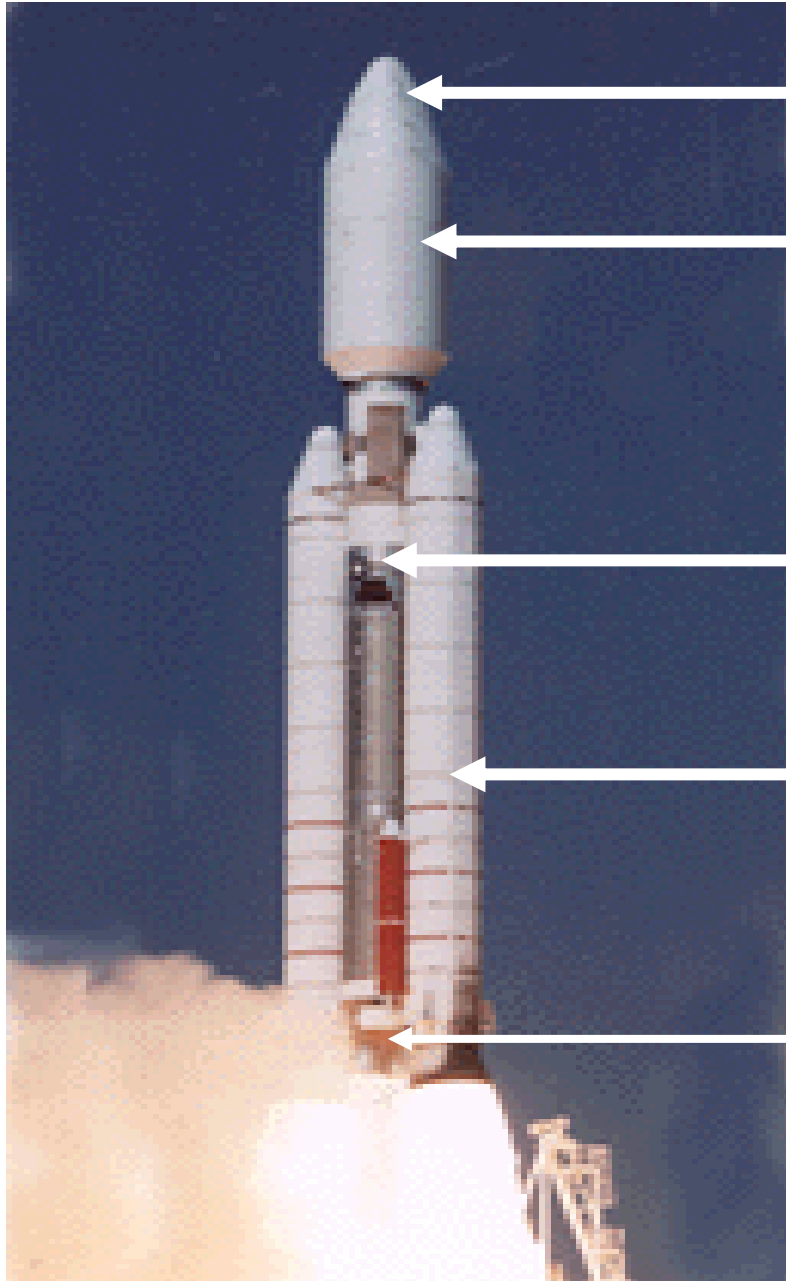
☐ DoD	<u>#</u>	<u>%</u>
Air Force	109	41%
Army	44	16%
Navy	10	4%
USMC	2	1%
Subtotal DoD	165	62%
☐ Federal Civilian		
NASA	16	5%
DOE	1	1%
Subtotal Federal Civilian	17	6%
☐ Commercial	84	32%
Total	266	100%

MAJOR PROGRAMS SUPPORTED BY THE MISSILE FUELS CBU

- ☐ USAF Titan, Delta and Atlas - and commercial follow-on – the “EELV” (Evolved Expendable Launch Vehicle)
- ☐ F-16 Emergency Power Unit
- ☐ F-15/F-16 Air Intercept Missile, Avenger, Sidewinder
- ☐ All Cruise Missiles – Navy Tomahawk, Harpoon, & USAF’s ALCM/ACM
- ☐ AIM9 and Stinger Missiles
- ☐ US Army 37C Drone and Lance Missiles
- ☐ Fiber Optics Guided Missile (R&D)
- ☐ All Wind Tunnels
- ☐ All DoD Laser Programs
- ☐ All Space-Based Weapons (R&D)
- ☐ NASA Space Shuttle
- ☐ International Space Station

LARGEST DOD CUSTOMER - USAF

TITAN IVB



PAYLOAD

CENTAUR UPPER STAGE
PROPULSION: TWO P&W RL 10A-3-3A
PROPELLANT: LH2
LO2
THRUST: 33,000 LBS

CORE VEHICLE
PROPELLANT MASS 1,700,00 LBS

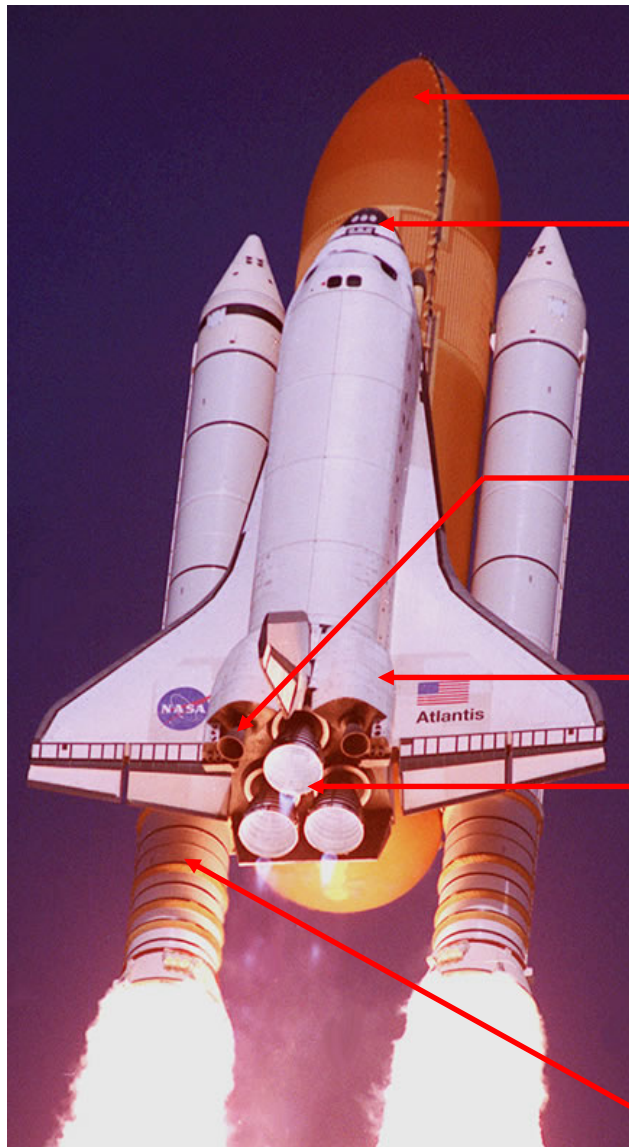
SOLID ROCKET MOTOR
THRUST: 1,6000,000 LBS
PROPELLANT: 84% PBAN
TVC: N2O4 (SF)

LIQUID ROCKET ENGINE (LRE)
STAGE I- THRUST: 548,000 LBS
PROPELLANT: N2O4
AH 50

STAGE II- THRUST: 105,000 LBS
PROPELLANT: N2O4
AH 50

LARGEST FEDERAL CIVILIAN CUSTOMER - NASA

SPACE SHUTTLE



EXTERNAL TANK

LO2 – 1332,000 LBS (NASA)
LH2 – 279,697 LBS (NASA)

FORWARD REACTION CONTROL SUBSYSTEM

N2O4 – 1488 LBS
MMH – 930 LBS

ORBITAL MANEUVER SYSTEM

N2O4 – 14,866 LBS
MMH – 9,010 LBS

AFT REACTION CONTROL SUBSYSTEM

N2O4 – 2,976 LBS
MMH – 1,860 LBS

SOLID ROCKET BOOSTERS

16% POWDERED ALUMINUM
70 % AMMONIUM PERCHLORATE
0.17% IRON-OXIDE POWDER
12% POLYBUTABINE-ACRYLIC ACID-
ACRYLONITRILE TERPOLYMER
(PBAN)
2% LIQUID EPOXY RESIN

THRUST

MAIN ENGINES
470,000 LBS VACUUM

SOLID ROCKET BOOSTER (2)
2,900,000 LBS

ORBITAL MANEUVERING SYSTEM
6,000 LBS VACUUM (2)

REACTION CONTROL SYSTEM
870 LBS VACUUM
(38) THRUSTERS
25 LBS VACUUM
(6 VERNIERS)

FY03 TRANSPORTATION NUMBER OF SHIPMENTS

Product	Bulk Trailer	Bulk Rail	Bulk Fuel Container	Vessel	Truckload Drum/Cylinder
Argon					168
Deuterium	1				2
Helium	384				20
Hydrazines	24	2			94
JP10	20				16
NF ₃	2				
N ₂ O ₄	21	5			66
PF1	1				3
RP1	29				5
Xenon					1
TOTALS	482	7			375

MISSILE FUELS' CBU TOP TEN CONTRACTORS

(\$ IN MILLIONS)

1. Arch Chemicals	\$ 21.8
2. Praxair	\$ 7.3
3. Mississippi Chemicals	\$ 5.1
4. Air Liquide	\$ 4.4
5. BOC Gases	\$ 3.5
6. Air Products	\$ 2.0
7. MG Industries	\$ 1.7
8. Matheson Tri-Gas	\$ 1.6
9. Golden Spread	\$ 1.3
10. Superior	\$ 1.1



DESC's "THE BEST OF"

TITLE

PAGE

Highlights of FY 2003

76-87

DEFENSE ENERGY SUPPORT CENTER

HIGHLIGHTS FOR FY03

Desc Assumes Petroleum Quality Assurance Mission - On January 26 2003, the transfer of the Petroleum quality assurance mission was completed. Command and control of the Quality Assurance workforce was handed over from DCMA to DESC. The transfer occurred “as is where is” and by September 30, 2003 all transition issues were finalized. A total of 55 billets were transferred with 48 persons making the move. This accomplishment unifies the quality mission under a single manager for petroleum as part of DESC’s supply chain management umbrella.

Desc Korea South-north Pipeline Agreement - In November 2002, DESC-BQ was requested to provide a quality representative to the Joint Working Group that was negotiating an Agreed Recommendation (AR) providing follow on bulk petroleum support on the Korean Peninsula. During various trips involving three months of TDY in Korea, the DESC-BQ quality representative expedited negotiations transitioning bulk fuel support from the Trans Korea Pipeline (TKP) to the commercial South North Pipeline (SNP), and in the process negotiated changes to the Agreement’s quality provisions that will result in over \$12,000,000 per year in savings and will ensure on specification fuel is available to all allied warfighters on the Korean Peninsula.

Into-plane Quality Assurance Course (J07) - DESC-BQ made a complete revision to the DCMA J07 course. The first DESC J07 course was taught at San Pedro CA September 16 -18, 2003 with thirteen students in attendance. The majority of the students were quality surveillance representatives learning into-plane quality assurance for the first time. The revised course incorporated contract, military standard and commercial standards into the curriculum. It also provided insight in how to use the DESC Risk Assessment guide as a tool in quality management.

Desc-bp/Pe Wins White House Closing The Circle Award - On April 22, 2003, Earth Day, the Office of the Federal Environmental Executive announced that Defense Energy Support Center (DESC) won the 2003 White House Closing the Circle Award for promoting the use of Bio-based Fuels in the Federal Government. As a winner in the Bio-based products category, DESC answered the President's call for the Federal Government to lead by example, be a good neighbor, and be a good steward of resources. Pam Serino, Chief of DESC's Product Technology and Standardization Division (DESC-BP), and George Atwood, Chief of DESC's Ground Fuels Division (PEA) won the award by promoting the use of Bio-based Fuels by developing a specification for the procurement process that protects equipment while meeting the requirements of Executive Orders. Also, precedence is established for a cleaner environment with less dependency on foreign oil. DESC accepted the Award for its commitment to environmental stewardship along with other winners from across the country on June 10, 2003, during a ceremony at the Presidential Hall of the Eisenhower Executive Office building in Washington, DC.

Product Technology & Standardization Division Supports Operation Enduring Freedom - Product Technology & Standardization Team (DESC-BP) personnel were significant contributors in ensuring the essential technical requirements were met in support of Operation Enduring Freedom. Specifications for many products such as gasoline, diesel fuel, and jet fuel were reviewed to ensure that military operations received on specification product in order to complete their mission. Specification reviews were done for many locations where contracts were established such as Afghanistan, Krygystan, Pakistan, Tajikistan, Uzbekistan and Turkmenistan. DESC-BP personnel were also actively engaged in obtaining the correct specification, test methods, additive lists and use limits associated with Russian-grade jet fuel.

Product Technology & Standardization Division Conversion Of Arctic Diesel Fuel (DFA) To JP8 In Alaska - The requirements of the Commercial Item Description for Diesel Fuel required that Arctic Diesel Fuel in Alaska be converted to JP8. Product Technology & Standardization (DESC-BP) personnel started a coordinated effort with the Air Force Petroleum Office and Army Petroleum Office to begin the process to convert Arctic Diesel Fuel to JP8 for Alaska locations. With the help of Direct Delivery Ground Fuels, through a long process of coordinating with the suppliers as well as the military activities in Alaska, agreement to the conversion of Arctic Diesel Fuel to JP8 has been finalized.

Product Technology & Standardization Division Support For Operation Iraqi Freedom - Product Technology & Standardization Division (DESC-BP) personnel were key contributors in ensuring the essential technical requirements were met in support of Operation Iraqi Freedom. Specification reviews were done for products such as automotive gasoline, diesel fuel, aviation gasoline, and jet fuel for the various locations such as Jordan, Kuwait, Oman and Qatar. DESC-BP personnel also reviewed requirements for aviation gasoline in support of the Predator Program, and through coordinated efforts with the Air Force Petroleum Office and Direct Delivery, on specification product was delivered.

Low Sulfur Automotive Diesel Standardization/Savings: More than 3.6 million gallons of standard commercial diesel (10,000 USG/day) were successfully supplied to Army sites in the 15 Mid-Western states comprising DESC Customer Organized Group 6 during CY 2003. The Army has completed 31 months of a 36-month trial evaluation of standard commercial diesel as a replacement for Federal specification diesel in the U.S. The Navy and Federal Civilian activities have used standard commercial diesel grades for a number of years. Based on the successful use of commercial product across a host of Military Service locations, the Air Force and Army agreed to make additional future purchases of standard commercial diesel. Service-wide acceptance of standard commercial diesel for Mid-Western (Customer Organized Group 6) locations will result in future solicitation of fewer unique automotive diesel grades. During CY 03, the Army and Navy spent at least \$0.01/USG less for standard commercial diesel than they would have spent if Federal Specification diesel purchases were continued. Beginning in CY 04, the Air Force will join in the savings.

DDF Five-Year Contracting Period: Direct Delivery Fuels has begun the transformation of its contracting programs from two- and three-year contract periods to five-year periods. Surveys of Direct Delivery's suppliers showed favorable responses to the proposed change. The longer contract period will result in administrative savings, manpower efficiencies, and leveling of the contracting workload.

PC&S Alternative Fuels Survey: To support Post, Camps and Stations (PC&S) customers in meeting the goals required by Executive Order 13149 of the Energy Policy Act, Direct Delivery's Ground Fuels Division II surveyed PC&S contractors for availability of Biodiesel (B20) and Ethanol (E85). Responses to the surveys were received from 95% of contractors surveyed, of which 97 and 62 stated capability to provide B20 and E85, respectively. A database was subsequently created to provide PC&S contract specialists with easy access to a listing of contractors in their assigned states who can provide these alternative fuels.

Japan PC&S Program: In January 2003, Direct Delivery's Ground Fuel Division II in concert with DESC-Japan, DESC-Pacific, and Direct Delivery's Technology Team fully deployed the Paperless Order and Transactions Screens (PORTS) system in Japan. A major change to PORTS was initiated to allow necessary signatures on orders and receipts to facilitate reimbursement under the \$22 million Japan Utility Cost Sharing Program.

Direct Delivery OEF/OIF Support: In January 2003, Ground Fuels Div I (DESC-PE) was contacted by the U.S. Air Force to obtain aviation gasoline (AvGas) to Seeb Air Base, Oman in support of Operations Enduring Freedom and Iraqi Freedom. The Air Force established Seeb as the hub for distributing AvGas to various locations in support of the Predator mission. In conjunction with the Air Force Petroleum Office, PE identified a supplier capable of producing Milspec AvGas. During the period January thru April 2003, PE supported the Air Force with 1,119 drums of AvGas (59,307 gallons) using five separate open market purchases. DESC continues to support the Air Force's Predator mission in support of post-OIF operations.

Ships' Bunkers OIF Support: The Military Sealift Command (MSC) contacted DESC-PEB to support a large bunkers requirement in the Mediterranean. Due to force protection issues, MSC wanted to refuel at Souda Bay, Crete because it is a relatively safe harbor. The Greek government would not allow the current MSC contract to continue because they required Greek-flagged vessels with Greek crews. As a result, PEB quickly awarded a contract for transportation (Greek-flagged ships crewed by Greeks) from the Souda Terminal to the MSC vessels. It soon became apparent that the terminal could not keep up with the demand for product, so an additional 128,000 metric tons of marine gas oil were added to the contract. Yet another line item for 11,000 metric tons of IFO 180 per week was added due to heavy volume of traffic through Souda. PEB also supported a short-fused requirement for marine gas oil at Sokhna, Egypt.

Paperless Ordering and Receipt Transaction Screens (PORTS) Training: From April 2002 to September 2003, members of Direct Delivery's Tech Team traveled a combined 212 days to 37 states and 14 countries (137,000 air miles and 23,000 car miles), using 27 airlines thru 50 different airports, to provide PORTS training to approximately 660 personnel for 300 Army and Navy military activities and 85 employees of 35 fuel vendors. PC&S now has 99% of all military activities using PORTS. Over 100,000 order, receipt and invoice transactions are anticipated each year using FES PORTS and PC&S PORTS versus the old paper methods.

Into-Plane OIF Support: Direct Delivery's Into-Plane Division was busy awarding essential requirements for OIF. Short-fused contracts were established at airports in Greece, Romania, Saudi Arabia, Turkey and Iraq. In addition to Intoplane support at airports, DESC-PHA awarded Contract SP0600-03-M-1002 to ENOC International for delivery of 200 drums of FSII to Al Dhafra Air Base, UAE. The Into-Plane Division maintained post-OEF and OIF support with contracts in Bulgaria, Romania, Kyrgyzstan, and Turkmenistan. Special contracting attention is required in the Consolidated Independents States (the "Stans"), demonstrating the dedicated and flexible contracting skills of Into-Plane personnel.

Optimization: This year's Optimization Studies have had a multi-service focus with COCO conversion projects completed to reduce cost and improve service for Army and Air National Guard units. Additional studies are underway for Army, Air Force and Marine Corps activities. Memorandum of Understanding (MOA) documents were completed and the funding responsibility for the operation of the six Navy deep water terminals at Pearl Harbor, San Diego, Puget Sound, Norfolk, Jacksonville and Yokosuka was transferred to DESC. DESC-FL Optimization Division comprises a small core of systems analysts who function as project managers for petroleum storage and distribution optimization studies. Study teams take their shape from the study content, and consist of site and Service representatives, and the wide scope of DESC technical expertise. The teams encourage a "partnership" with our Service customers, and they use a broad, integrated study approach, crossing into many of DESC and Service petroleum business functions.

Spill Prevention, Control and Counter Measures (SPCC) Plan Review and Update: The Environmental Protection Agency Amendments to 40 CFR Part 122 requiring review and update of SPCC Plans caused a dramatic increase in the use of the DESC-F contract for Environmental Document Revisions at facilities storing DLA/DESC-owned petroleum products. The amendments were published in July 2002, and became effective on August 16, with reviews and updates due prior to February 16, 2003. As of the end of calendar year 2002, fifty Army, Navy, Marine, and Air Force installations need revised plans. The Document Revisions Contract is managed jointly with DESC-FQ performing technical review of work proposals and DESC-FP performing contracting review and management. Our objective is to update the plans needing revision before February 16, 2003.

DESC Americas Implements FAS: DESC Americas finalized its implementation of the Fuels Automated System (FAS) with the launch of the Bulk East portion that occurred in April 2003 alongside new contract awards. There were 37 states affected with this action and with the previous implementation of Bulk West (11 states), all of CONUS has now officially migrated to FAS, which ultimately included Oil Enterprise Downstream (OED). The primary products include JP-8, JP-5, F-76, and SIH (limited). Lube oils will remain as part of the Defense Fuels Automated Management System (DFAMS) until portions of the FAS are able to handle that commodity.

DESC Americas Assumes Quality Assurance Procurement Responsibilities: On 26 January 2003, DESC Americas assumed procurement responsibilities from DCMA for all DESC contracts for petroleum products and coal, cryogenics, and missile fuels. In addition, DESC Americas assumed inspection responsibilities for (277 AME + 105 AMW) Into-Plane contracts in CONUS and 57 Into-Plane sites in South America and the Caribbean. Thirty DCMA positions transferred to DESC Americas along with the new mission. The mission transfer included the transfer of leased office space and/or required the acquisition of new offices, as well as the responsibility to equip the new DESC Americas employees with computers and GSA vehicles. In all, by September 2003, all new QARs were settled in DESC office space and the transition was complete.

DESC Americas Supports Operation Iraqi Freedom: As a result of Operation Iraqi Freedom, fuel requirements spiked at Air Force bases in the northeastern seaboard. Critical bases in Maine, Massachusetts, Delaware, and New Hampshire, along with Charleston AFB, SC, experienced higher than normal consumption, taxing the fuel distribution systems established to support these bases. Despite the challenges, fuel support continued uninterrupted to all locations. Due to the complexity of the distribution system, involving multiple modes of transportation to support even one customer, close coordination was required to ensure all storage terminals had adequate inventory to meet critical movements. For example, fuel from the Texas Gulf Coast was delivered by the Colonial Pipeline into storage at DFSP Carteret NJ, which in turn delivered the fuel by barge to storage in DFSP Portland, ME, for ultimate delivery by tank truck to military customers. Through all the challenges during this crucial time, DESC Americas strengthened established partnerships with DESC customers, contractors, and transportation carriers, while meeting the fuel needs of the warfighters.

Post Hurricane Isabel Fuel Support: Hurricane Isabel came ashore on North Carolina's Outer Banks on 18 September 2003 as a category 2 storm, with winds about 100 mph. The hurricane moved across Virginia the following day causing damage to facilities, knocking out electrical power to millions, and swamping tidal communities as it weakened and moved up the eastern seaboard. Before the hurricane made landfall, DESC Americas developed contingency plans to support customers from alternate sources and by alternate modes of transportation, in the event the storm affected normal distribution systems. On 19 September, with the passage of the storm, most terminals and customers, with few exceptions, reported their status as fully operational. The terminals severely affected were: DFSP Port Mahon, DE; DFSP Craney Island, VA; DFSP Yorktown, VA; and DFSP North Landing, VA. All experienced either structural damage and/or electrical power outages. DFSP Port Mahon reported extensive damage to the terminal's 525-foot barge pier, however, the terminal could still receive barges. The terminal's bulk storage experienced no physical damage and the pipeline to Dover AFB was fully operational. DFSP Craney Island, VA reported a power outage at the terminal, fender damage at "D" Pier, and potential damage to piping at "C" Pier. DFSP Craney Island and DFSP Yorktown, although temporarily without all their primary electrical power, were both fully supporting their fuel distribution missions. DFSP North Landing, Virginia Beach, VA (support for NAS Oceana) had initially lost electricity, but had it restored late 25 September. Delayed barge deliveries to DFSP North Landing in the aftermath of Isabel and an increase in consumption at NAS Oceana resulted in the JP-5 inventory at DFSP North Landing being temporarily depleted as of 30 September. A 14M-BBL barge discharged at North Landing on 2 October, thereby restoring inventories and pipeline support for NAS Oceana. The 309th Petroleum Transportation Company was standing by to assist with emergency military tank truck transportation, but was not required.

DESC Americas Assists Deployments of the 4th Infantry Division through Beaumont, TX and Corpus Christi, TX Seaports of Embarkation

(SPOE): With the military buildup in Iraq, the 4th Infantry Division (4th ID) was tasked to deploy its personnel and equipment from Fort Hood, TX to Iraq. When the Division requested assistance to fill its tank trucks half full with JP-8 at the port of Beaumont, TX, DESC Americas responded with deliveries of commercial tank trucks directly to the port and supervised the transfer of JP-8 to the U.S. Army tank trucks. To complicate this endeavor, Ft Hood had already sent a majority of its trained fuel personnel with the Division forward element to Iraq. With on-site assistance from the DESC Americas team, the mission was accomplished at both Beaumont and Corpus Christi without incident.

DFSP Tampa, FL Construction Project: Construction and renovation at DFSP Tampa upgraded major fuel systems in the terminal, including fuel storage tanks, tank dikes, drainage systems, fire suppression systems, fuel distribution piping, commercial truck loading racks, transfer pumps, meters, and filter separators. The prime contractor mobilized on 30 September 2003 with a 364-day estimated construction time. However, the construction projects suffered numerous delays due to contract modifications and severe weather and the completion dated slipped to March 2004. These projects will provide facility-wide upgrades oriented toward long-term continued use of the facility. The upgrades will provide DFSP Tampa the capability to support the majority of the direct truck delivery requirements for central Florida. Also, the filter separator installation and upgraded transfer pumps will ensure quality fuel to DFSP Tampa's primary customer, MacDill AFB, FL, at a substantially higher flow rate. The aboveground storage tank upgrades were based on API 653 Out-of-Service Inspections and will provide longterm (30+ years) use of all three 55,000-barrel storage tanks in active service.

ACES (Americas Contingency Energy Solutions) to the Rescue: A stuck "smart pig" in the pipeline from the sole-source supplier for NAS Oceana, VA and a shortage of commercial truck carriers to meet the Naval Air Station's fuel requirements created a supply problem that DESC Americas was prepared to address. ACES, an emergency fuel transportation plan that uses military tank trucks, was developed for just such a situation. A call to the 309th Transportation Company, which had been activated and was stationed at Fort Dix, NJ, produced 16 military tankers, along with 39 soldiers. Within 48 hours, the 309th had moved from Ft. Dix to the loading area at Norfolk, VA. Over the next four and a half days, the 309th Transportation Company delivered 148 truckloads, containing over 1.3 million gallons of JP-5 from two locations, Chambers Field and the Craney Island Fuel Terminal. During this period, the stuck pig had been removed and the pipeline resupply system was returned to service. Through the cooperative efforts of the Navy, DESC, commercial carriers, and above all, the 309th Transportation Company, the fuel requirements of NAS Oceana were met and the flying mission was accomplished without interruption.

Polex/Waterex-03: POLEX is an annual petroleum and water exercise that operates CONUS-wide, using a mix of U S military reserve component forces to transport Class III bulk petroleum and water to U.S. Forces in the CONUS Theater of Operations. The 475th Quartermaster Group (Petroleum and Water), USAR, successfully completed POLEX 03 on 20 June 2003. Historically, the largest joint petroleum transportation exercise in the Army, POLEX-03 was dramatically reduced in size because of real-world deployments. Though POLEX-03 was scaled back, soldiers still received valuable, real-world training. Fifteen battalions and 41 units, totaling 1,415 soldiers, made POLEX 03 another success story. These units operated out of four locations (Fort Dix, NJ; Fort Bragg, NC; Camp Shelby, MS; and 29 Palms, CA) and conducted line-haul missions to four Fuel System Supply Points (FSSPs). Total fuel delivered to 12 customers was 433,000 gallons of JP-8 and 84,000 gallons of JP-5. POLEX-03 provided soldiers an opportunity to train as they would fight in a real world environment. Following the conclusion of POLEX-03, the exercise was renamed QLLEX, Quartermaster Liquid Logistics Exercise, in recognition of the water and petroleum aspects of the exercise. The 475th Quartermaster Group (USAR) plans for an expanded QLLEX-04, with several more terminals being involved in both petroleum and water exercises.

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Port Security / Force Protection: Port of Long Beach - Port of Los Angeles:

MSC Tanker Force Protection. Following the terrorist attack on the *USS Cole*, MSC Pacific significantly expanded force protection security for MSC vessels. Force protection includes use of professional armed guard service and vehicle inspection points. During port calls, multiple armed guards provide 24-hour security on shore and on the vessel. Vehicle inspections are conducted a safe distance from the vessel for weapons and explosives. Additionally, security procedures and force protection efforts are continuously reviewed and improved.

Port Integrated Vulnerability Assessment (PIVA). Commodore, 3rd Fleet, US Navy, Coronado, CA conducts PIVAs to protect Naval combatants, MSC vessels, and shore infrastructure. In March 2003, 3rd Fleet PIVA met with DESC-AMW staff for discussions on policies and procedures used by DFSP San Pedro at the Port of Long Beach fuel pier focusing on operations during MSC tanker port calls. Assessment included orientation to mission operations, site surveys and threat analysis. PIVA results are used by COMTHIRDFLEET to develop adequate countermeasures and anti-terrorist defenses resulting in enhanced security for personnel, fuel pier, and tanker protection.

USCG Port of Los Angeles / Long Beach Security Task Force. The USCG Captain of the Port has responsibility for Port of Los Angeles (POLA) / Port of Long Beach (POLB) port security. Following the events of 9/11, the USCG Port Security Committee created the Port Security Task Force (PSTF). PSTF participants include FBI, Naval Criminal Investigation Service, Long Beach Police and Fire personnel. DFSP San Pedro fuel pier (Port of Long Beach) was a PSTF priority. Analysis focused on product storage, vulnerability points, existing security and response plans. USCG Port Security used the data and analysis in the development of the POLA / POLB Emergency Response Plan enhancing DoD personnel protection and facility security.

Los Angeles Police Department (LAPD): Homeland Security Task Force (HSTF). LAPD provides local law enforcement support for DFSP San Pedro terminal and DESC-AMW offices. LAPD Homeland Security Task Force expanded due to increased security levels and threat analysis. LAPD operated at a modified Tactical Alert status following multiple increased threat levels during 2003. LAPD security priorities include: Los Angeles International Airport, critical bridges, chemical plants, and port operations. In March 2003, LAPD Homeland Security Task Force met with DFSP San Pedro and DESC-AMW personnel for familiarity and coordination. Maps, diagrams, and orientations provided to LAPD task force personnel. Increased LAPD presence and visibility served as deterrence to future threats increasing security and protection of DESC personnel and property.

DFSP Point Loma - FSII Injection System: A DESC-funded MRE project at DFSP Point Loma replaced an obsolete Kinder Morgan Energy Partners (KMEP) pipeline company FSII additive injection system with a new, environmentally safe, additive injection system. San Diego County environmental officials citing the KMEP-owned injector for environmental issues generated the MRE project. The KMEP system was replaced with a new DESC-owned Hammonds FSII injection system.

DLA High-Speed Hub Site Established At DESC-AMW: DESC-AMW, San Pedro, CA, is the operating site for the new DLA high-speed "Communications Hub" for the West Coast. San Diego was originally planned to be site of the hub, however, operational issues resulted in the selection of San Pedro. The DLA hub operates with T-1 and T-3 communication lines connected to IT and high speed switching apparatus located in the AMW computer facility. The San Pedro site services DLA's Southwestern US AOR.

Direct Supply Natural Gas: In FY03, the Installation Energy CBU Direct Supply Natural Gas Program (DSNG) saved more than \$15M for customers receiving gas supplies from DESC contractors versus their local utility. Customer savings were down in FY03 as compared to previous years as price increases and volatility experienced during FY03 have been higher than normal. A colder than normal winter left inventories drawn down considerably. Low storage levels resulted in higher prices due to concerns that inventory levels would be depleted by winter's end. Due to the volatility of the market, the CBU focused efforts to inform installations and agencies of the risk mitigation tools available to them to help stabilize utility budgets for FY03 and into FY04. Late in FY03, DESC teamed with the Army's Installation Management Agency to serve as the execution arm for their risk management plan.

Defense Energy Support Center-Pacific: Defense Energy Support Center-Pacific continued to provide top quality and cost effective supply chain management of bulk fuel to the warfighter in the Pacific AOR to include operations in more than 44 countries dispersed throughout 105 million square miles. DESC-Pacific has been vital in supporting OPERATION ENDURING FREEDOM (OEF) over the past year from en route and staging locations such as Diego Garcia, Guam and Hawaii. During the past year, DESC delivered over 138 million gallons of petroleum products to Diego Garcia in 17 tanker-loads. Ten of those tankers carried 84 million gallons of JP-5 which supported more than 7,000 sorties. In addition, DESC-Pacific maintained support for the U.S. Forces participating in OEF-Philippines through coordination with the U.S. Embassy in Manila which provided approximately 500,000 gallons of bulk petroleum via into-plane and ground fuel support in Zamboanga. DESC-Pacific also assisted with arranging the required petroleum products necessary for the Central Identification Lab Hawaii's (CILHI) search and recovery missions within the Pacific theater. DESC Pacific conducted a Pacific retreat and WESTPAC Node-Arc Review in Apr 03 at Ft. Shafter. Attendees included DESC-DD, staff from DESC-B/F/P/R, the PACOM Joint Petroleum Office, Pacific Service representatives, CSO-Columbus, and the DESC Pacific Region/Office staffs. The Region also participated in a 3-day PACOM POL planning session at MCAS Kaneohe. Participants included PACOM JPO staff, PACOM SAPO's, Pacific service representatives, DESC Pacific staff and office commanders. Focus of the lockdown was POL support for future contingency operations and an intra-Pacific MILCON board that reviewed and prioritized submissions for the FY-08 MILCON cycle.

Defense Energy Support Center-Korea: DESC-Korea continued to make strides in completing Maintenance, Repair and Environmental (MR&E) projects on the South Korean peninsula. DESC-Korea has completed 90% of the MR&E projects presently under DESC Korea management. All of the Army's 14 Transportation Motor Pools (TMPs) service stations have been upgraded as well as the 5 gas stations located at Osan, Kunsan, Suwon, Taegu and Kwang Ju Air base. The Army gas stations are maintained under a Maintenance and Repair (M&R) contract. The DESC-Korea MR&E program is in the last phase of 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. In 2003 all Army gas stations were upgraded to the new Automated Fuels Service Station (AFSS) in South Korea. DESC-Korea's Quality Division mission was combined with the Quality Assurance mission from the Defense Contract Management Agency (DCMA) to provide procurement quality assurance and surveillance both on and off the South Korean peninsula in support of DESC's world-wide mission. During FY03, the Transportation Division of DESC-Korea supported U.S. Forces in Korea by directing movement of over 57 million gallons of bulk fuel with 1,562 movements by rail and 9,287 movements by tank truck. In addition, over 80 million gallons of product was moved via pipeline. DESC-Korea negotiated the Korea Follow-On Bulk Petroleum Support Agreement on behalf of United States Forces Korea (USFK). The Agreement transitions support from the former Trans Korea Pipeline (TKP) to the Commercial South North Pipeline (SNP) and commercial terminals located at Ulsan and Songnam.

Defense Energy Support Center–Japan: 2003 was a growth year for DESC-Japan with the addition of a deputy and a facility manager to the staff. We welcomed aboard DESC veteran and former Sub Area Petroleum Officer for Japan, Mr. Reggie McCaw as our Deputy and Mr. Jeff Connell, a recent USAF graduate with extensive experience in Japan, serving at Yokota AB, Misawa AB, and on the 5th Air Force Staff, as our facility manager. We also upgraded our capabilities with the integration of the quality mission, welcoming Mr. Quin Bragasin and Mr. Rick Fiorey to the team. During FY03, our staff of 10 exceptionally managed a throughput of over 13 million barrels of bulk fuel and over 60% of PACOM's petroleum inventory. This was also a very big year for our Posts, Camps & Stations customers as we added products and went through the implementation of two new PC&S contracts that delivered over 31 million gallons throughout Japan. Other key accomplishments include: developing a closure plan for DFSP Koshiba and the award of a 2.3 million dollar contract to defuel and clean the terminal; overseeing 5 MILCON projects worth \$106.8 Million dollars and 338 MR&E projects worth 132 Million dollars; implementation of PORTs in Japan; the smooth End of Japanese Fiscal Year close out of the 22 million dollar per year Utility Cost Sharing Program; and restructuring Common User Land Transportation (CULT) contracts as the result of switching agreements with the Japan Freight Railway Corporation, that contributed to reducing our CULT budget from 3 million dollars to 2.0 million dollars annually.

Defense Energy Support Center- Middle Pacific: Maintaining warfighter support to the largest theater of operations, DESC-Middle Pacific stepped forward with infrastructure maintenance, repair and environmental projects to include the repair of the Kwajalein refueling pier and the closure and cleaning of a World War II era, 1.4M-gallon lube oil storage facility at Pearl Harbor. In addition, MidPac saw the beginning of the end for DFSP-Johnston Island, as the closure of this key island facility picked up steam. The MidPac inventory team enjoyed another successful end of year closeout to cap off a challenging fiscal year 2003. The team set a new standard for support when Guam received the brunt of a catastrophic typhoon that impacted fuel operations across the island. DESC-Middle Pacific's quick response ensured fuel solutions were realized to maintain operations at Guam's two key DFSPs.

Defense Energy Support Center-Alaska: In 2002, DESC-Alaska initiated the largest steam-air sparge/vapor extraction environmental remediation system located at the former Defense Fuel Support Point in Whittier, Alaska on Prince William Sound. As a result of significant improvement by the remediation system in 2003, and in partnership with the Alaska Department of Environmental Conservation, the system was shut down for one year to evaluate the contamination rebound of product on site and ensure no migration of product off site. Pending favorable evaluation DESC Alaska will request the site move into long term monitoring. The other DESC-Alaska remediation efforts, Indian Booster Pumphouse and the former DFSP Anchorage, are both utilizing Natural Attenuation remediation and are already in long term monitoring status. During FY2003, DESC-Alaska successfully delivered 131 MBBLs of on-specification JP8 and diesel to the remote sites of Galena AFS, Attu Coast Guard Station and Eareckson AFS during Operation Closed Port and Cool Barge. In Feb 2003, DESC-Alaska assumed the additional duties of quality assurance for coal and fuel procurement from DCMA. To accomplish this mission, two very experienced and knowledgeable QARs were transferred to DESC Alaska. The seamless melding of people and mission was transparent to Alaska customers, as DESC-Alaska continued to provide optimal arctic energy support throughout the Alaska AOR.

1,400 KM GLOC: DESC-Europe played an integral role in supplying fuel to US forces in Northern Iraq during the post-hostilities and stabilization phase of Operation IRAQI FREEDOM, by successfully establishing and managing the longest bulk fuel ground line of communication in recent history stretching over 1,400 kilometers. At the height of operations, US forces in Northern Iraq were supplied with an aggregate total of 420,000 gallons of fuel per day. DESC-Europe supplied this requirement by using as many as 423 Turkish commercial contract tank trucks lifting fuel from the USAF Yumurtalik Sea Terminal, a previously-abandoned commercial facility operated by the Turkish Ministry of Defense POL Division, and the Diyarbakir-NATO terminal. To secure bulk fuel supplies, DESC-Europe negotiated with the Turkish Ministry of Defense POL Division to utilize over 23.9 million gallons of US-owned stocks already stocked in the Turkish NATO Pipeline System (TNPS) countrywide. The cumulative totals to date exceed 2,700 tank trucks loads and 16.3 million gallons delivered.

Air Force 1 Support: "DESC Europe Quality Assurance personnel were recognized by the Joseph H. Vehrle, Jr., Lieutenant General, USAF, Assistant Vice Chief of Staff, Department of the Air Force for their significant contributions as Quality Assurance Specialists during the president's recent trips to Europe and Africa. He indicated that these individuals overcame numerous scheduling and travel impediments and provided timely service ensuring the fuel for Air Force One met the stringent standards required for the safe movement of the President. He further stated that the imitative, flexibility, and can-do attitude of these men speak highly of their organization and finished by saying thank you for your continued support of this critical mission. Personnel recognized were Curtis Britten for St. Petersburg, Russia; William M. Cochran for Krakow, Poland/Pretoria, South Africa/Entebbe, Uganda; Thomas S. Dipaola for Geneva, Switzerland and Tenerife, Spain; Lanny J. Collums for Dakar, Senegal and Abuja, Nigeria; and John E. Rohan for Belfast, United Kingdom."

Bourgas & Constanta Modifications: In support of Operation IRAQI FREEDOM, DESC-Europe expeditiously directed the modification of an into-plane contract at a commercial airport near Bourgas, Bulgaria to service United States Air Force KC-10s supporting two United States Navy aircraft carrier battle group executing missions from the eastern Mediterranean to strike targets in Iraq. DESC-Europe sponsored two construction projects that effectively more than tripled the capacity of the airfield to dispense fuel from 170,000 gallons per day to 600,000 gallons per day. DESC-Europe also established a short-notice into-plane contract at Constanta, Romania to support the Joint Special Operations Task Force North, when negotiations to use Turkish bases and airspace collapsed just prior to commencement of hostilities. This action ultimately supported one of the largest paratroop drops since World War II, when more than 1,000 members of the 173rd Airborne Brigade landed in Kurdish-held northern Iraq to open a long-delayed northern front in the war against Saddam Hussein.

GPSS Agreement: DESC United Kingdom made significant progress in drafting a new fixed-price military-to-military agreement with the United Kingdom Defence Fuels Group for U.S. use of the Government Pipeline and Storage System (GPSS). This new agreement will use a simplified fixed-price model for costs of storage and transportation. Whereas, the current cost-share model is management intensive. Additionally, this new agreement will significantly simplify operations by introducing a credit system whereby DESC fuel introduced into the system will be immediately available at customer locations. Furthermore, the new agreement will eliminate DESC liability for maintenance, repairs, spills, leaks and/or environmental contamination during storage and transportation in the GPSS. Staffing of the draft agreement should commence by 1 October with an anticipated implementation date of 1 April 2004.

DFSP Augusta Bay, Sicily: The Italian Army Engineering Group approved a phased approach to the Defense Fuel Support Point (DFSP) Augusta Bay (San Cusumano) depot renovation. Persistence on the part of the DESC-Mediterranean office was instrumental in overcoming strong initial resistance and convincing the Italians of the feasibility of the phased approach. A phased approach to the project precludes closing the depot for a projected 3 to 5 years. It will allow for uninterrupted fuel support to the fleet at Augusta Bay and NAS Sigonella.

Direct Supply Natural Gas: In FY03, the Installation Energy CBU Direct Supply Natural Gas Program (DSNG) saved more than \$15M for customers receiving gas supplies from DESC contractors versus their local utility. Customer savings were down in FY03 as compared to previous years as price increases and volatility experienced during FY03 have been higher than normal. A colder than normal winter left inventories drawn down considerably. Low storage levels resulted in higher prices due to concerns that inventory levels would be depleted by winter's end. Due to the volatility of the market, the CBU focused efforts to inform installations and agencies of the risk mitigation tools available to them to help stabilize utility budgets for FY03 and into FY04. Late in FY03, DESC teamed with the Army's Installation Management Agency to serve as the execution arm for their risk management plan.

Customer Relationship Management: In an effort to improve customer satisfaction and meet ever changing customer demands, the DESC Customer Support Office has been working with its counterparts in the DLA enterprise to develop a Customer Relationship Management (CRM) program. CRM is a commercial approach for developing and maintaining positive relationships with customers. CRM is a combination of strategies that focus an organization around its customers. A CRM program will improve communications between DESC employees, Service partners and customers. A customer-focused strategy will enable us to share and leverage information across the enterprise so we can collaborate and develop refined customer solutions to provide further value to our customers. Sharing customer data will allow us to create a unified picture of the customer and provide consistent information and a "single face" to the customer, thus, enhancing trust and improving customer satisfaction.

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 FY03, DESC issued solicitations for New York, Illinois, Maine, Oregon, Montana, Texas, Pennsylvania, Ohio, Michigan, New Jersey, Delaware, Maryland and the District of Columbia. The Electricity Team currently has contracts in place for competitive power in NJ, NY, DC, MD, TX and ME.

Electricity Procurement Initiative (Continues): In the past year, the DESC Electricity team has expanded their reach and redefined what it means to provide comprehensive energy solutions to its customers through their successful procurement and award of renewable power; by reducing customers energy bills through participation in demand response and economic load reduction programs; and incorporating unique pricing mechanisms, such as Locational Marginal Pricing, into their contracts to offer solutions to customers with sporadic load profiles. With respect to renewable energy, the team successfully negotiated a contract for Dyess AFB for 100% wind generated power. This acquisition, valued at \$3,141,293, represented the largest single Federal procurement of wind power to date and resulted in an entire Air Force Major Command reaching their renewable power goals years ahead of schedule. In addition to the Dyess renewable power award, the team also awarded multiple contracts in Texas that provided 10% renewable energy to the majority of installations under contract. This equated to approximately 88,867,796 kWh of renewable energy over the two-year delivery period. In July 2003, the team in conjunction with the Navy, awarded its first Locational Marginal Pricing (LMP) contract for an account at Naval Weapons Station (NWS) Earle, New Jersey. Due to the nature of the account, consumption is unpredictable (ranging, randomly, from "0" to over 4 megawatts, approximately the same amount to power 4,000 homes) and prices can be highly volatile. The account provides energy to naval vessels on an "as needed basis", when ships are not drawing on their own power. Under the new contract, the actual energy price (LMP) will change on an hourly basis for the entire 29-month term. The contract also includes a price stabilizing mechanism in the way of a firm price for capacity and an ancillary service/supply service fee. As demonstrated in the examples cited above, 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.

Utility Privatization: In FY 2003, the Energy Enterprise Directorate awarded nine utility privatization contracts ranging from 10 – 50 years, in order to privatize electric, natural gas, water, and wastewater utility systems. Electric contracts were awarded to Rio Grande Electric Cooperative at Fort Bliss, Texas; Alabama Power Corporation at Fort Rucker, Alabama; and Brunswick Electric Membership Cooperative at Sunny Point, North Carolina. Natural Gas contracts were awarded to Washington Gas and Light Company at Fort McNair, DC; Texas Gas Service at Fort Bliss, Texas; and Southeast Alabama Gas District at Fort Rucker, Alabama. Water and Wastewater contracts were awarded to American Water Services at Fort Rucker, Alabama and Fort Leavenworth, Kansas; and a wastewater contract was awarded to San Antonio River Authority at Randolph AFB, Texas. Nine of the thirteen contracts were awarded competitively for the utility privatization effort at DESC and are major accomplishments for the Department of the Army and the Department of the Air Force. Utility Privatization is mandated by the Office of the Under Secretary of Defense to divest all utility systems at military installations when it is deemed economically feasible to the government. For these nine contracts, the total contract value of \$359.4 million resulted in an average annual cost avoidance of \$6.4 million or \$320 million over the contract term.

Energy Savings Performance Contracts: In FY 2003, the Energy Enterprise Directorate awarded two Energy Savings Performance Contract Delivery Order (DO) awards to Johnson Controls for Fort Hood, Texas and Ameresco Solutions, Inc. for Fort Monmouth, New Jersey, respectively. A DO was issued against a Department of Energy Indefinite Delivery-Indefinite Quantity (IDIQ) contract for Fort Hood, Texas, for a total of four energy conservation measures: UMCS improvements, vending machine controls, cooling Tower VFDs, and light retrofits for a total contractor payment value of \$13.6M for a performance period of 22 years. Another DO was issued against a Department of Energy IDIQ contract for Fort Monmouth, New Jersey for a total of five energy conservation measures: lighting upgrades, HVAC renovation, UESC implementation, geothermal heat pumps, and cogeneration system site preparation/ feasibility for a total contractor payment value of \$56.6M for a performance period of 23 years.

Bulk Liquid Helium: DESC Missile Fuels CBU played a crucial part in the historic last launch of a Centaur upper stage on a USAF Titan IV Rocket. After three decades of service, the USAF launched the last Centaur this year. The Missile Fuels CBU Inventory Manager coordinated deliveries of 28,000 liters of bulk liquid helium to Cape Canaveral's Space Launch Complex (SLC) 40 during June through September 03 in preparation for this last Centaur launch. The Titan IV (B-36) rocket heaved the Centaur, which carried a classified National Reconnaissance Office payload, into space at 0030 hours on 9 Sep 03.

Rocket Propellant for DELTA , ATLAS, AND EELV LAUNCHES: DESC Missile Fuels CBU awarded a \$2.9 million 5-year requirements contract for four grades of Rocket Propellant (RP-1) to Johann Haltermann, a subsidiary of DOW Chemical, Channelview, Texas. The contract was formalized on 28 August 2003, as a result of a competitive source selection solicitation. RP-1 is used as a fuel for launching DELTA and ATLAS Rockets, and the new Lockheed Martin Evolved Expendable Launch Vehicle (EELV) in support of USAF and NASA payloads. The Missile Fuels CBU Item Manager proactively collected additional last minute customer requirements for creation of new low-sulfur grade RP-1 in support of emerging technology research in the development of a new multi-cycle launch engine. The Missile Fuels RP-1 Team worked with on site representatives of DESC-BP/BQ to revise technical requirements, as well as to evaluate the technical proposals received in response to the RFP. The DESC team responded quickly to the last minute increase in quantity, which resulted from the award of additional EELV production units to Lockheed Martin, and the final award included all known RP-1 requirements.

Coal: FY03 was a stable year for the stoker coal market. Contract award prices were equal to or slightly lower than FY02 prices. Also, as a first for any DoD military installation, the Naval Surface Warfare Center, Indian Head, Maryland submitted a coal requirement for DESC to purchase utility grade coal for testing. When this quality of coal was tested in their boilers, results were very successful. As a result, their coal requirement for FY04 will include a requirement for this grade of coal. This installation should benefit a substantial cost savings for future years as a result of this change.

Emergency Buys in support of Tactical High Energy Laser (THEL):

In October, 2003, DESC Missile Fuels CBU awarded two emergency buys in support of the THEL Program at White Sands Missile Range (WSMR).

NITROGEN TRIFLUORIDE (NF3): Based on an urgent requirement for NF3, we awarded an emergency contract to Advanced Specialty Gas, Dayton, NV, for 1000 lbs of NF3 on 28 Oct 02. Delivery to WSMR was required NLT 04 Nov 02. Arrangements for filling the Gov't provided trailer coming from Amarillo, TX, at the Contractor's plant in NV, then transporting it to WSMR, NM, were all accelerated in order to ensure delivery to the customer by their required delivery date. WSMR received the 1,000 lbs of NF3 on 03 Nov 02. The contract was awarded utilizing both the Commercial Item and Simplified Acquisition Threshold contracting procedures.

HYDROGEN PEROXIDE: An emergency contract was issued on 22 Oct 02 to Solvay Interlox, Inc to satisfy THEL emergency requirement for 80,000 lbs. of Type 70 Grade Hydrogen Peroxide. The total contract value was \$59,000. Deliveries began the very next day, 23 Oct. The procurement was conducted at warp speed as a commercial item under the Simplified Acquisition Threshold.

These shipments supported the US Army's successful Mobile Tactical High Energy Laser (MTHHEL) test at WSMR whereby the TRW-developed laser shot down an in-flight artillery shell for the first time.

Hydrazine: In preparation for the issuance of an RFP for a long term, high dollar contract for production of hydrazine products, the DESC Missile Fuels CBU hosted a successful Hydrazine Industry Forum in December 02. A draft RFP was issued in May 03, followed by a formal RFP in June. The Missile Fuels CBU also hosted a Pre-proposal Conference in June. The RFP contains production requirements for 7 grades of hydrazine, as well as ancillary services associated with the blending, handling, storage and distribution of product. We anticipate contract award in FY04.

JP-10/PF-1 Contract: On February 20, 2003, DESC Missile Fuels CBU awarded a five-year, \$8.8 million firm fixed price requirements-type contract for the production and storage of JP-10 and PF-1 to Dixie Chemical Company, Inc., the small business company determined to be the "best value" to the Government. JP-10 is a high density, synthetic liquid hydrocarbon that is the propellant for all Cruise Missile Programs, as well as Non-Line of Sight and Fiber Optics Guided Missiles. PF-1 is a starting fluid used in the Air Launch Cruise Missile.

Dinitrogen Tetroxide (N2O4): After being awarded a five year requirements contract in Aug 02, and producing a successful first article sample in January 03, Mississippi Chemicals Inc. filed for Chapter 11 Bankruptcy protection in May. DESC Missile Fuels CBU immediately developed and executed a plan to place orders for all known requirements for the duration of the five year contract, and arranged for storage and distribution support to shield customers from the impact should MissChem not be able to meet the full five year term of their contract. Approximately 1 million pounds of N2O4 (\$1.2M) was ordered from MissChem. MissChem remains operational, and their N2O4 plant continues to produce against the DESC orders.