

Defense Energy Support Center



Providing Energy Solutions

Fact Book FY08

Thirty-First Edition



Available online at
www.desc.dla.mil

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Foreword



The Defense Energy Support Center Fact Book contains information regarding the Center's business operations. The Fact Book reflects the Center's operational status at the end of fiscal 2008 (FY08) unless otherwise indicated. The intent is for the use of this publication as a source for general information purposes only. The Fact Book can also be found online on the DESC Web site 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 (DESC) 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 logistics mission as the Integrated Material Manager (IMM) for the Department of Defense (DOD) 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 capitalized ground fuels. As a result of Phase II Capitalization, DLA owns all bulk petroleum products from the point of purchase until its final point of issue to 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 of natural gas to customers when determined more economical than using gas from a local distribution company.

Feb. 11, 1998, marked the beginning of a new chapter in the Center's history with a name change to DESC. With it came a new mission to build an energy program aimed at moving the DOD out of the

management of energy infrastructure and into the management of energy products. The energy enterprise mission was added to assist the Military Services with the privatization of utility related infrastructure and energy savings performance contracts to decrease energy usage and energy demand.

The initiative to deregulate electricity in Continental United States (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.

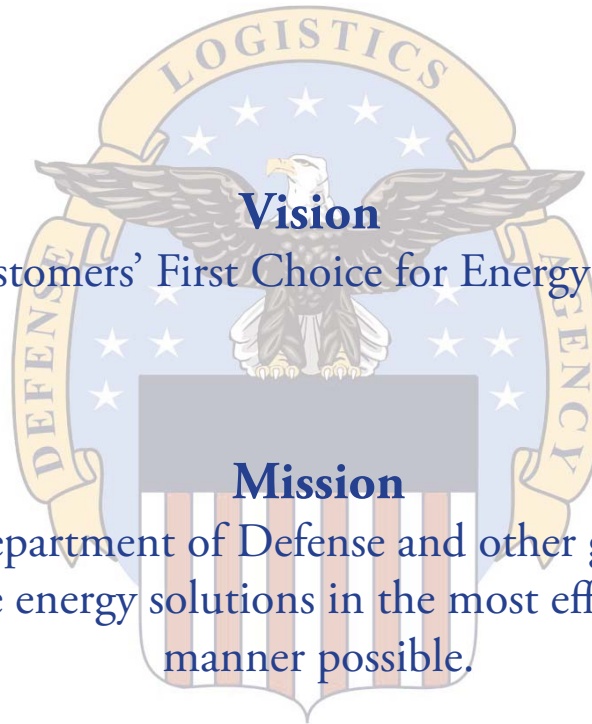
On Oct. 1, 2001, DESC assumed a new mission from the US Air Force and now serves as the DOD's IMM for space and space related products and services and provides world-class support and business solutions to not only DOD, but other Federal Agencies, Government contractors, and academia. The new mission encompasses 92 national stock numbers with each product supporting at least one DOD Major Weapon System. The addition of this mission makes DESC a full service provider of all energy and energy-related products.

On Aug. 11, 2004, the Secretary of Defense designated DLA as the Executive Agent for Bulk Petroleum. This authority was delegated to DESC on Nov. 1, 2004 with the responsibility to execute Supply Chain Management for all DOD Bulk Petroleum, with an emphasis on improving efficiency and minimizing duplication or redundancy within the supply chain.

On Oct. 1, 2006, DESC became the DOD IMM for both bulk Aviator's Breathing Oxygen (specification MIL-PRF-27210) and Liquid Nitrogen (specification A-A-59503). Both were previously managed by Defense Supply Center Richmond (DSCR).

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.

Vision & Mission



Vision

Our Customers' First Choice for Energy Solutions

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 FY08

In Fiscal Year (FY) 2008, the Defense Energy Support Center (DESC) continued its commitment to support the warfighter as the Department of Defense remained steadfast in the Global War on Terrorism, Operation Enduring Freedom, Operation Iraqi Freedom and other contingency operations worldwide, to include natural disasters and humanitarian missions. Our customer base continued to grow around the world to include not only the warfighter but also foreign governments, federal civilian organizations and authorized commercial entities.

In FY08, DESC continued to actively manage petroleum and aerospace energy supply chains as well as electricity, coal and natural gas commodities to support our customers' fuel and energy requirements. Additionally, in response to the increasing research and interest, DESC began to further expand its energy solutions to include alternative fuels, renewable energy, utilities privatization and other installation energy conservation efforts. These areas represent steps toward energy security, environmental stewardship and efficient energy use – common goals shared worldwide.

FY08 also saw success in programs and initiatives designed and developed to support fuel requirements worldwide. One such program was the DOD-SEA Card Order Management System (DoD-SCOMS®), which continued its successful expansion in revolutionizing the ships' bunkers fuel ordering process. In FY08, 1,115 orders were successfully

processed, with fuel purchases of \$281.7M fulfilled. Over 475 vessels are now enrolled in DoD-SCOMS®, and since its pilot program commencement, over 2,400 orders valued at \$689M have seamlessly and successfully been processed by warfighter ordering officers. The success of the program led to an August 2008 initiation of a DoD-SCOMS® Open Market (OM) pilot. The pilot will test the system's potential at non-contracted ports by offering a select group of vessels an opportunity to compete their non-contract open market purchase bunker orders. Already this FY, the pilot has led to DESC successfully awarding 3 orders valued at \$588,969 and shows great potential.

As a field activity of the Defense Logistics Agency (DLA), our goals and objectives are integrated and aligned with DLA's. DESC initiated and developed new programs and business practices designed to meet the ever-changing challenges ahead. These objectives and programs, which are detailed throughout this book, include our Business Systems Modernization-Energy (BSM-E), information technology and transformation initiatives. DESC also successfully embarked upon a major program to converge with the DLA Enterprise Resource Planning application – Enterprise Business Systems (EBS). This Energy Convergence Program will reach full operational capability in FY12 and result in the termination of BSM-E.

Director's Update for FY08 (cont.)

Throughout FY08, DESC prided itself in continuing partnerships with its customers and the energy industry by fostering and maintaining business alliances around the world. To better serve those customers, as well as to improve internal business practices, DESC engaged in numerous successful Lean Six Sigma (LSS) initiatives. LSS allows us to infuse a culture of continuous process improvement throughout DESC, enhancing efficiency and effectiveness.

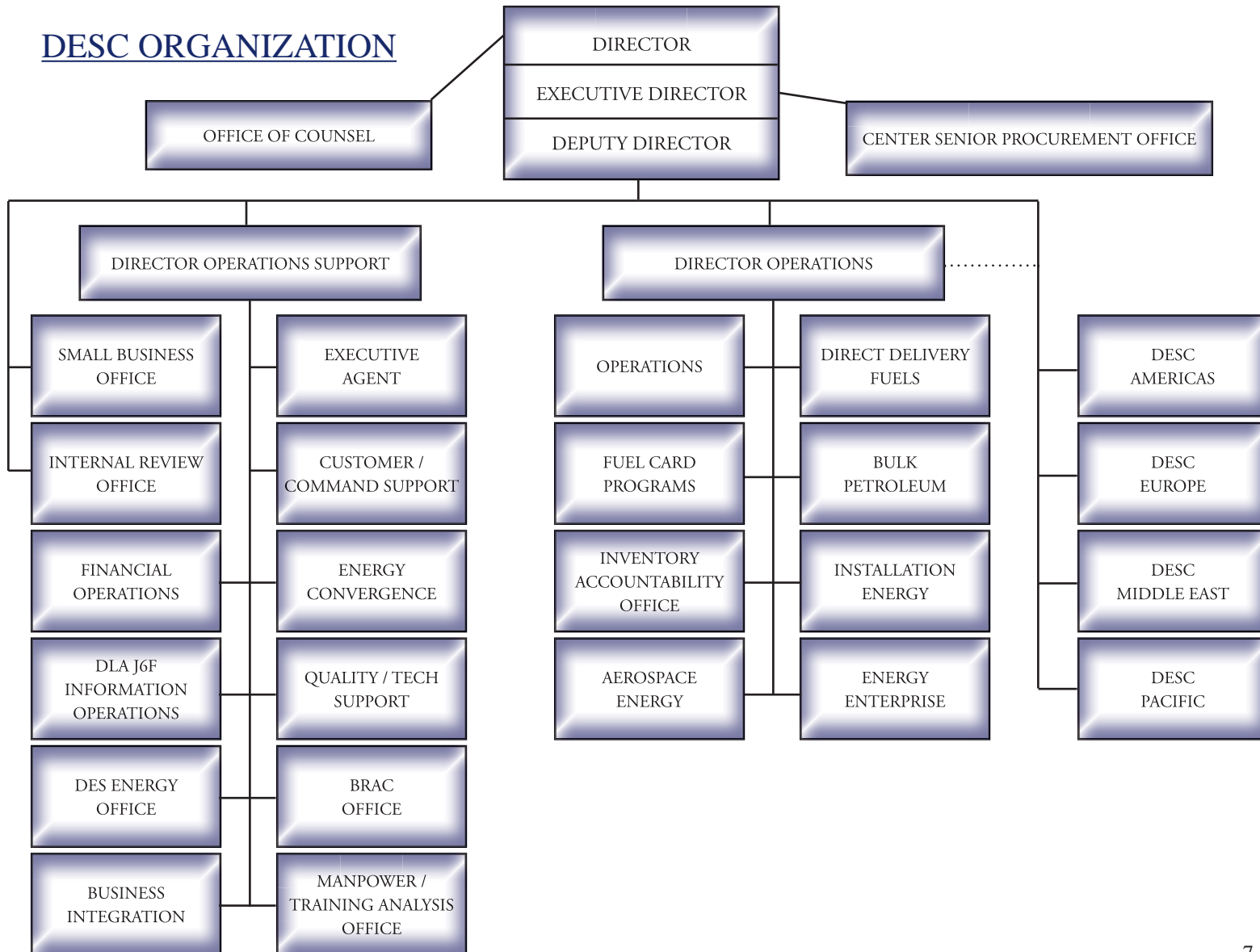
DESC's mission to provide comprehensive energy solutions in the most effective and efficient manner possible has been filled with challenges ranging from logistical transportation challenges and increased operations to new energy initiatives and expanding world support. Through all these challenges, the DESC workforce has remained committed to the execution of our mission and meeting the demands of our customers.

Director's Plan for FY09

DESC is dedicated to providing continuous energy support to the warfighter and will strive to fulfill its mission in every way possible. Along with current Commodity Business Unit's (CBU) mission requirements, DESC will support and play an integral part in DLA strategies and initiatives. DESC's continued support consists of the following:

- Engaging in direct support of the warfighter through planning, participating and partnering with Soldiers, Sailors, Airmen, Marines, and Coast Guard to increase readiness through numerous exercises.
- Partnering with the Federal Emergency Management Agency (FEMA) to provide emergency supplies of gasoline and diesel to National Logistics Staging Areas (NLSAs) in the event of natural disaster.
- Aggressively supporting the Energy Security Integrated Product Team and DOD's basic goal to find ways to achieve energy security through assured energy supply and efficiency.
- Partnering with the services to explore the viability or advantages of using synthetic fuel in weapons platforms.
- Maintaining ongoing efforts supported by research and development funding to include: studying hydrogen as a defense fuel; developing a Class III Bulk Automatic Identification Technology (AIT) system to support a logistics common operating picture; modernizing the petroleum secondary sales process; and studying JP-8 +100 additive.
- Maintaining the DESC's Balanced Scorecard to ensure DESC is making appropriate progress on strategies and initiatives identified in the DLA Strategic Plan for FY07-FY13. <http://www.dla.mil/library/StratPlanFeb2007.pdf>
- Ensuring DESC's financial statements are measured internally to commercial audit standards and procedures and reflect a true picture of DESC's financial operations.
- Seeking out and continuing to implement strategic supplier/vendor alliances whenever possible.
- Supporting the Office of the Secretary of Defense (OSD) to achieve its goal of privatizing on-base utility infrastructure and continue providing support, through the use of energy savings performance contracts and utility energy services contracts, the efforts of the Military to meet mandated energy reduction and renewable energy usage goals.
- Working diligently on the DLA Energy Convergence program with the systems integrator, DLA, and all of DESC to accomplish business process reengineering as needed to take full advantage of the SAP industry solutions while ensuring continual mission support.
- Organizing for success by decentralizing and shifting responsibilities of the Inventory Accountability (IA) mission from Headquarters to the Regions.
- Exploring emerging DESC Alternative Energy opportunities.
- Continuing to improve the efficiencies of DESC's business processes through Lean Six Sigma (LSS), various Rapid Improvement Events (RIE), Customer Support Management (CSM), Voluntary Protection Program (VPP), Plant, Property and Equipment (PP&E) Program, and Automatic Identification Technology (AIT).

DESC ORGANIZATION



DESC WORLDWIDE LOCATIONS





Biography Mr. Kim J Huntley Director, Defense Energy Support Center



Kim J Huntley is Director of the Defense Energy Support Center located at the Defense Logistics Agency Headquarters, Fort Belvoir, VA. As Director, he is responsible for providing the Department of Defense and other government agencies with comprehensive energy solutions and ensuring continuous energy support to America's warfighters worldwide. DESC's mission specializes in contracting support and management of all petroleum-based fuels, additives and other energy products and services including jet fuels, distillates, missile fuels, chemicals, gases, gasoline, diesel fuels, heating fuels, natural gas, coal and electricity. DESC also manages utilities privatization and other installation energy conservation efforts.

A native of Clinton, Iowa, Mr. Huntley enlisted in the U.S. Navy August 1972 where he was assigned to the USS Niagara Falls operating in the Tonkin Gulf and Da Nang Depot, Republic of Vietnam. After completing three western Pacific cruises aboard the USS Niagara Falls, he was honorably discharged as a 2nd Class Petty Officer in August 1976.

Shortly thereafter, Mr. Huntley began his civil service career as an accounting technician with the Defense Subsistence Region Pacific, Alameda, CA. His career steadily progressed through assignments as lead supply clerk, inventory management specialist, supply systems analyst and accountable officer. In 1985, he was selected as Supply Branch Chief and transferred to the Defense Subsistence Region Europe. In May 1992, Mr. Huntley became the Assistant Chief, Supply Division, and promoted to Chief a year later.

He was reassigned as the Director of Logistics, Plans and Operations for DLA-Europe in 1995. In 1997, he became the Deputy Commander of DLA-Europe. Returning to DLA headquarters in January 2001, he assumed the duties as Chief, Director's Staff Group. In November 2003, Mr. Huntley transferred to J-4 to be the Staff Director, Customer Support Office, where he was responsible for the J-4 Service Teams, National and Customer Account Managers, Customer Support Representatives, International Programs, and Homeland Security/Non-DOD Programs.

Following his appointment to the Senior Executive Service in 2006, Mr. Huntley accepted the position as Executive Director, Customer Operations and Readiness (J-31) for the DLA. In this position, he oversaw the mission to engage customers around the world, maximizing readiness and logistics combat power by leveraging an enterprise solution through customer operations, performance monitoring and program support.

Prior to his current assignment, Mr. Huntley was the Deputy Commander for the Defense Supply Center Richmond, VA, a field activity of the DLA and the primary source of supply for nearly 1.2 million repair parts and operating supply items including military-unique items supporting over 13,000 major weapons systems.

Mr. Huntley received his Bachelor of Arts in business economics from Golden Gate University in San Francisco, CA, and completed graduate studies in economics at California State University in Hayward, CA.

His personal awards and achievements include the Vietnam Service and Campaign medals, DOD Meritorious Unit Commendation, DLA Meritorious Civilian Service award for Desert Storm, DOD's Exceptional Civilian Service Award for Operation Joint Endeavor/Guard, NATO Award, Meritorious Service Award for Kosovo, and community awards for Youth Sports Coach and Volunteer.





Biography **Mr. Patrick J. Dulin** Executive Director, Defense Energy Support Center



Mr. Patrick J. Dulin, a native of New York City, was inducted into the Senior Executive Service June 12, 2006. Mr. Dulin comes to the Defense Energy Support Center from his previous duties as the Director for DLA Enterprise Support. Mr. Dulin graduated from the U.S. Air Force Academy, Colorado Springs, CO, June 1973. Upon graduation, he entered the Marine Corps.

His initial assignment was with the 2d Marine Division, Camp Lejeune, N.C., where he served in a variety of infantry billets. Following his transfer from Camp Lejeune in Oct. 1976, 1st Lt. Dulin reported to the 3d Marine Division on Okinawa as an Operations Officer and as Executive Officer of Headquarters and Service Company 3d Battalion, 4th Marines. In January 1978, Lt. Dulin reported to Hawaii at Headquarters, Fleet Marine Forces Pacific, where he served as officer in charge of the Command Center and as the Force Readiness Officer.

In December 1980, Capt Dulin transferred to 1st Marine Brigade, at Kaneohe, Hawaii serving as a Rifle Company Commander and later as the Asst Operations Officer (S-3A) in 3d Battalion, 3d Marines. In January 1981, Capt. Dulin reported to the Naval Postgraduate School in Monterey, CA as a student in Electrical Engineering. Upon graduation, he reported to the Marine Corps Development Center in Quantico, VA, as an Acquisition Officer in the Command, Control and Communications Division.

In May 1987, Major Dulin was transferred to the 1st Marine Division in Camp Pendleton, CA, where he served as the Asst Division Training Officer and as the Executive Officer. Promoted to Lieutenant Colonel in July 1990, he assumed command of the Marine Corps Security Force Company, Kings Bay, GA.

In May 1993, Lt. Col. Dulin was transferred to the Combined Forces Command, Korea, and served in the C/J-3 Operations Section. In June 1995, he reported to the Naval War College, Newport, R.I., as a Colonel

(Sel). Following graduation in June 1996, Col. Dulin reported to Camp Pendleton, CA, as the Commanding Officer Headquarters and Support Battalion. In June 1998, he reported for duty as Operations Officer (G-3) of the 1st Marine Expeditionary Force, Camp Pendleton, CA.

In July 1999, Col. Dulin transferred to the Marine Forces Reserve, New Orleans, LA, for duty as the Chief of Staff. In August 2001, he transferred to Marine Corps Systems Command, serving as a Program Manager. In December 2001, he assumed the duties of the Chief of Staff at the Marine Corps Systems Command.

Col. Dulin retired in July 2003 after serving 30 years in the Marine Corps. He then continued his career in the federal government as a civilian employee initially for the Marine Corps and then with the Defense Logistics Agency.





Biography
Captain Dianne A. Archer
Deputy Director, Defense Energy Support Center
Director of Operation Support



Captain Dianne A. Archer, a native of Evansville, IN, became Deputy Director, Defense Energy Support Center in April 2007.

Capt. Archer graduated from the U.S. Naval Academy at Annapolis, MD, and was commissioned in 1984. She earned a Masters of Business Administration degree from the Ohio State University at Columbus, OH, in 1996.

Capt. Archer's sea duty tours include Food Service, Sales and Disbursing Officer onboard USS Cape Cod (AD 43), making two deployments. She was Principal Assistant for Services, Logistics and Assistant Supply Officer of USS Kitty Hawk (CV 63), where she deployed to the Arabian Gulf and was forward deployed to Yokosuka, Japan. She was later the Officer in Charge, Military Department, USNS Niagara Falls (T-AFS 3), forward deployed to the Western Pacific. Capt. Archer is a qualified Surface Warfare Supply Corps Officer and Naval Aviation Supply Officer.

Shore duty tours include her most recent assignment as Commander, Defense Energy Support Center-Pacific. Other assignments include Fuel Officer, Navy Support Facility Diego Garcia; Midshipmen Disbursing Officer, U.S. Naval Academy; Joint Petroleum Plans Officer and Executive Assistant to the Director of Logistics and Security Assistance, U.S. Pacific Command; Director, Customer Operations Department and Industrial Support Division, Naval Inventory Control Point, Philadelphia; and Executive Officer, Fleet and Industrial Supply Center Pearl Harbor.

Her awards include the Defense Meritorious Service Medal, Navy

Meritorious Service Medal, Navy Commendation Medal, Joint Service Achievement Medal, Navy Achievement Medal, and other command awards.





Biography **Colonel Mark A. Olinger**

Director of Operations, Defense Energy Support Center



Colonel Mark A. Olinger, U.S. Army, is the Director of Operations, Security Strategy from the National Defense University in 2006. Defense Energy Support Center, Defense Logistics Agency. He has served in a number of command and staff positions in the United States, Panama, Republic of Korea, the Middle East and Germany.

His combat service includes Company Commander in the 528th Support Battalion (Airborne) during Operation Earnest Well/Prime Chance in the Arabian Gulf, Deputy Director of Logistics (J4), U.S. Special Operations Command – South/Joint Special Operations Task Force during Operation Just Cause in Panama, as a Support Operations Officer in the 528th Support Battalion (Airborne) during Operations Desert Shield and Desert Storm, during Operation Iraqi Freedom he served as the Commander 142d Corps Support Battalion, and later the Assistant Chief of Staff for Logistics (G-4) for the 1st Armored Division. His previous assignment was as Commander, Defense Energy Support Center-Middle East, and was responsible for providing comprehensive integrated joint bulk fuel support to USCENTCOM within a 27-country area of responsibility.

Colonel Olinger's military education includes the U.S. Army's Infantry Officer Basic Course, U.S. Army's Quartermaster Officer Advanced Course, U.S. Marine Corps Amphibious Warfare Course (non-resident), Operations Research Systems Analysis Military Applications Course, and the U.S. Army Command and General Staff College. His degrees include a Bachelor of Science in Business Administration from California State Polytechnic University at Pomona, CA, in 1983 and a Master of Science in National



Defense Energy Support Center

Organization Point of Contacts

Director	(703) 767-9706
Executive Director	(703) 767-9700
Deputy Director	(703) 767-9700
Executive Assistant	(703) 767-9676
Director, Operations	(703) 767-9301
Office of Counsel	(703) 767-5011
Internal Review Office	(703) 767-7736
Director, Aerospace Energy	(210) 925-4455
Director, Bulk Petroleum	(703) 767-9360
Director, Business Integration Office	(703) 767-9675
Director, Center Senior Procurement Office.....	(703) 767-8505
Director, Customer/Command Support	(703) 767-2945
Director, DES Energy	(703) 767-9284
Director, Direct Delivery Fuels	(703) 767-8504
Director, Energy Convergence Office	(703) 767-2946
Director, Energy Enterprise	(703) 767-5168
Director, Executive Agent Office.....	(703) 767-8662
Director, Financial Operations	(703) 767-9484
Director, Fuel Card Program Management Office	(703) 767-8606
Director, Installation Energy	(703) 767-8572
Director, Manpower/Training Analysis Office	(703) 767-9474
Director, Quality/Technical Support	(703) 767-8363
Command Security Officer	(703) 767-6717
Market Research	(703) 767-8376
Public Affairs	(703) 767-5042
Small Business Office	(703) 767-9465



Defense Energy Support Center

Regional Offices

AMERICAS

DESC Americas(713) 718-3883 ext.101
DESC Americas East(713) 718-3883 ext.102
DESC Americas West (310) 241-2801

PACIFIC

DESC Pacific(808) 473-4312/4292
DESC Middle Pacific(808) 473-4291/4311
DESC Korea011-82-505-764-5147
DESC Japan011-81-311-755-2671
DESC Alaska(907) 552-3949/5777

EUROPE

DESC Europe011-49-631-411-5350
DESC Mediterranean011-39-050-54-7085
DESC United Kingdom011-44-1895-61-6011
DESC NATO011-32-2724-3118
DESC EUCOM011-49-711-680-8263
DESC AFRICOM011-49-711-729-2536
DESC USAREUR011-49-6221-57-6588
DESC USAFE011-49-6371-405-7962
DESC NAVEUR011-39-335-101-2931

MIDDLE EAST

DESC Bahrain011-973-1785-4650
DESC Germany011-49-631-3406-4280
DESC Kuwait011-965-2-389-5648
DESC Pakistan011-92-345-851-8022
DESC Afghanistan011-93-799-021990



Energy Summary FY08

(U.S. Dollars in Millions)



Energy Expenses	\$19,362.7 (1)
Net Sales	\$17,762.5 (2)
Ending Inventory	\$8,694.3 (3)

(1) Includes expenses for petroleum, natural gas, aerospace energy, federal excise tax, transportation, facilities, DESC operations and Headquarters.

(2) Includes net sales for petroleum, natural gas and aerospace energy.

(3) Includes petroleum and aerospace energy inventory.

Civilian & Military End Strengths

	CIVILIAN	MILITARY
	ONBOARD	ONBOARD
FY08	920	59
FY07	880	60
FY06	760	69
FY05	722	62
FY04	743	61
FY03	731	67
FY02	689	68
FY01	599	61

Source: Manpower/Training Analysis Office, DESC

PETROLEUM & NATURAL GAS

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Statement of Financial Conditions

Petroleum, Natural Gas & Aerospace Energy (U.S. Dollars in Millions)

<u>ASSETS:</u>	<u>FY2008</u>	
Accounts Receivable	\$842.9	
Inventories	\$8,694.3	
Fund Balance with Treasury	\$425.3	
Other Assets	<u>\$124.9</u>	
TOTAL ASSETS		\$10,087.4
<u>LIABILITIES:</u>		
Accounts Payable	\$2,170.9	
Advances from Others	\$15.6	
Other Liabilities	\$0.0	
Estimated Cleanup Co	<u>\$91.5</u>	
TOTAL LIABILITIES		\$2,278.0
<u>NET POSITION:</u>		
Accumulated Operating Results	<u>\$7,809.4</u>	
TOTAL CAPITAL		<u>\$7,809.4</u>
TOTAL LIABILITIES & CAPITAL		10,087.4

Source: Financial Operations, DESC

Statement of Sales

Petroleum, Natural Gas & Aerospace Energy (U.S. Dollars in Millions)

<u>CUSTOMER:</u>	<u>FY2008</u>	
U.S. Army	\$3,110.7	
U.S. Navy	\$4,751.8	
U.S. Air Force	\$8,500.3	
U.S. Marine Corps	\$220.5	
Other DOD	<u>\$73.8</u>	
TOTAL DOD		\$16,657.0
Other Government Agencies	<u>\$478.5</u>	<u>\$478.5</u>
SUBTOTAL		\$17,135.5
Foreign Government	\$750.2	
State Government	\$1.4	
Local Government	\$3.7	
Commercial	\$766.3	
MWR Activity	<u>\$13.3</u>	<u>\$1,534.9</u>
TOTAL GROSS SALES		\$18,670.5
<u>LESS:</u>		
Price Reduction on Sales	\$0.0	
Material Returns Credits Applied	\$907.9	
Allowance for Retail Stock Loss	<u>\$0.0</u>	<u>(\$907.9)</u>
TOTAL NET SALES		\$17,762.5

Source: Financial Operations, DESC

Net Sales by Category

Petroleum, Natural Gas & Aerospace Energy (Quantity)

	FY2006	FY2007	FY2008
PETROLEUM (Thousands of Barrels)			
BULK and PC&S:			
Aviation Gasoline (AVGAS)	17	24	29
Distillates & Diesel	22,195	23,226	24,350
Gasohol	44	51	42
JP-4, JAB, JAA, & JA1	2,270	3,557	4,094
JP-5	12,603	11,469	10,906
JP-8, JPTS	81,016	82,055	80,452
Lube Oils	26	25	24
Mobility Gasoline, Leaded & Unleaded (MOGAS)	2,017	1,863	1,955
Residuals	785	592	577
SUBTOTAL	120,973	122,862	122,428
Into-Plane	3,818	4,296	4,504
Bunkers	4,149	3,783	3,352
Local Purchase	1,715	1,543	2,244
TOTAL PETROLEUM	130,655	132,484	132,527
Natural Gas (Millions of Dekatherms)	15.5	19.7	19.8
Aerospace Energy (Millions of Dollars)	\$31.2	\$42.9	\$54.0

Source: Financial Operations, DESC

Product Cost

Petroleum, Natural Gas & Aerospace Energy

	FY2006	FY2007	FY2008
PETROLEUM (U.S. Dollars in Millions)			
BULK and PC&S:			
AVGAS	\$2.6	\$5.1	\$7.1
Distillates & Diesel	\$1,821.9	\$1,916.5	\$3,267.6
Gasohol	\$4.4	\$4.8	\$5.6
JP-4, JAB, JAA, & JA1	\$1,122.5	\$1,322.1	\$2,514.3
JP-5	\$1,240.1	\$1,146.3	\$1,595.7
JP-8, JPTS	\$6,162.3	\$5,869.8	\$8,741.3
Lube Oils	\$5.0	\$4.7	\$5.6
MOGAS (Leaded & Unleaded)	\$176.1	\$181.7	\$253.4
Residuals	\$40.8	\$22.5	\$54.6
SUBTOTAL	\$10,575.7	\$10,473.5	\$16,445.3
Into-Plane	\$396.1	\$462.0	\$710.1
Bunkers	\$330.8	\$334.5	\$427.2
Local Purchase	\$201.5	\$194.8	\$361.1
TOTAL PETROLEUM	\$11,504.1	\$11,464.8	\$17,943.8
Natural Gas	\$130.2	\$153.2	\$164.2
Aerospace Energy	\$27.2	\$24.9	\$21.3

Source: Financial Operations, DESC

Purchases by Category

Petroleum & Natural Gas

	FY2006	FY2007	FY2008
PETROLEUM (Thousands of Barrels)			
BULK AND PC&S:			
AVGAS	16	26	28
Distillates & Diesel	22,079	22,786	24,533
Gasohol	45	51	41
JP-4, JAB, JAA, & JA1	15,598	19,380	23,105
JP-5	14,424	13,625	12,121
JP-8, JPTS	71,318	68,239	62,469
Lube Oils	28	26	23
MOGAS (Leaded & Unleaded)	1,971	1,904	1,962
Residuals	733	411	615
SUBTOTAL	126,212	126,448	124,896
Into-Plane	3,818	4,296	4,548
Bunkers	4,149	3,773	3,352
Local Purchase	1,715	1,543	2,080
TOTAL PETROLEUM	135,894	136,060	134,876
Natural Gas (Millions Of Dekatherms)	15.5	19.7	19.8

Source: Financial Operations, DESC

Worldwide Bulk Fuel Ending Inventory

(Millions of Barrels & U.S. Dollars)

PRODUCT	BARRELS	DOLLARS
AVGAS	0.003	\$0.636
Distillates & Diesel	10.387	\$1,506.653
JP-4 (JP-4, JAB, JAA, & JA1)	7.840	\$1,041.459
JP-5	13.010	\$1,659.078
JP-8, JPTS	27.680	\$4,417.901
Lube Oils	0.019	\$2.588
MOGAS & Gasohol(Leaded & Unleaded)	0.211	\$30.174
Residuals	0.298	\$8.412
Additives	0.026	\$7.699
Total On Hand & In transit	59.475	\$8,674.600
Aerospace Energy		\$19.7

Source: Financial Operations, DESC

DISTRIBUTION DATA

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Number of Defense Fuel Support Points

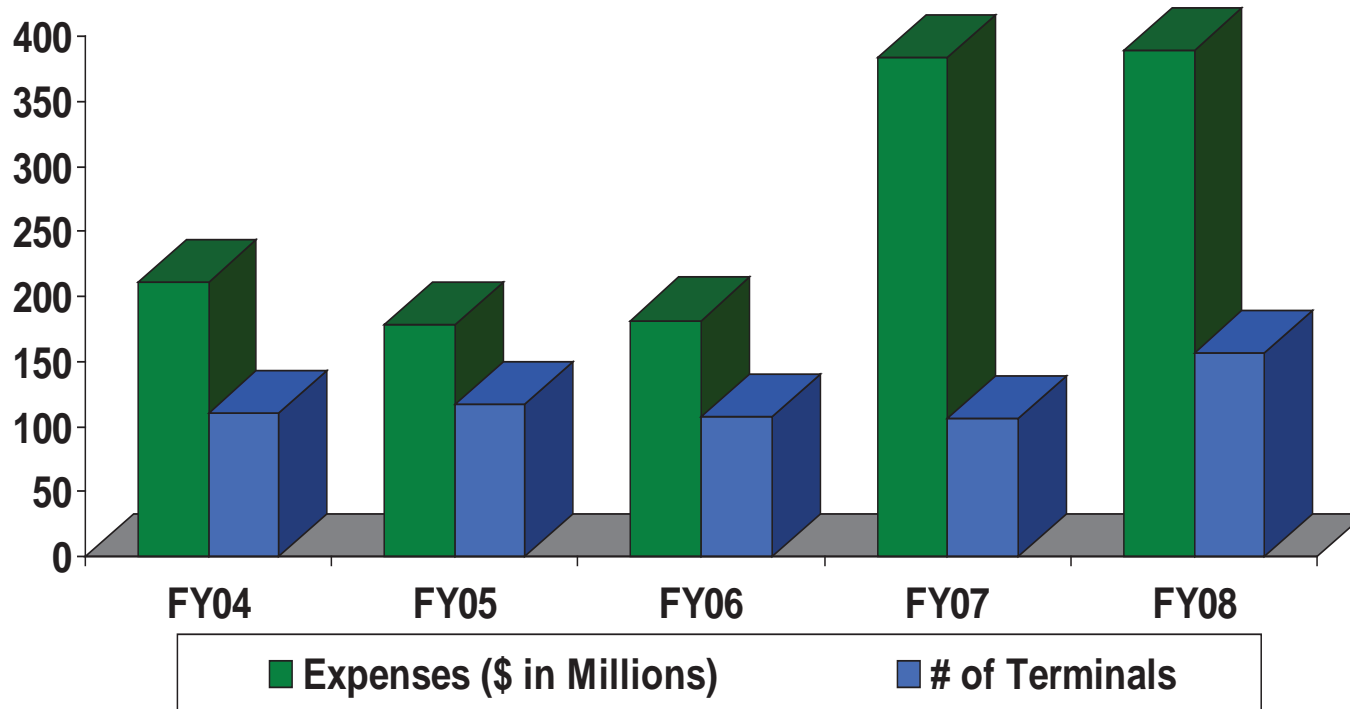
Storing Government-Owned Fuel

TYPE OF OPERATION	ARMY	NAVY	AIR FORCE	DLA	TOTAL
Government - Owned Government - Operated (GOGO)	158	43	116	2	319
Government - Owned Contractor - Operated (GOCO)	24	32	40	61	157
Contractor - Owned Contractor - Operated (COCO)	0	0	0	39	39
North Atlantic Treaty Organization (NATO)	0	0	0	6	6
Commercial Pipeline	0	0	0	37	37
Floating Storage	0	62	0	0	62
Foreign Government	0	0	4	8	12
TOTAL	182	137	160	153	632

NOTE: Defense Fuel Support Points (DFSPs) as of Sept. 30, 2008

Obligations for Storage/Distribution Services

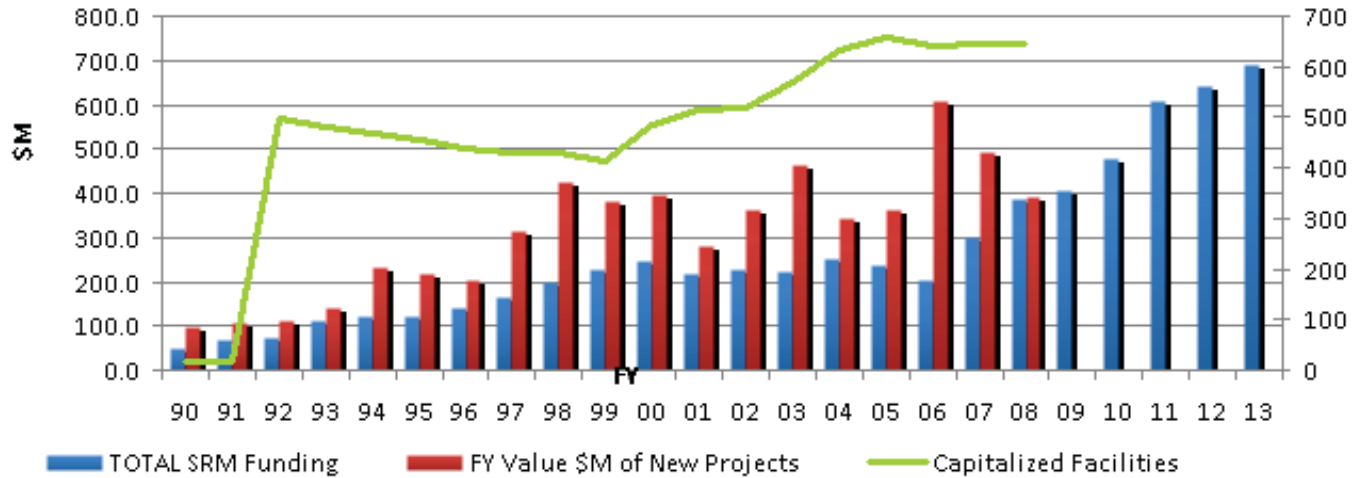
GOGO/GOCO/COCO/FG/NATO



NOTE: FY07 and FY08 increase was the result of a change to obligating entire five-year contract amount in first year.
FY08 terminal increase was the result of adding 46 Air Force locations (contract for bulk storage only).

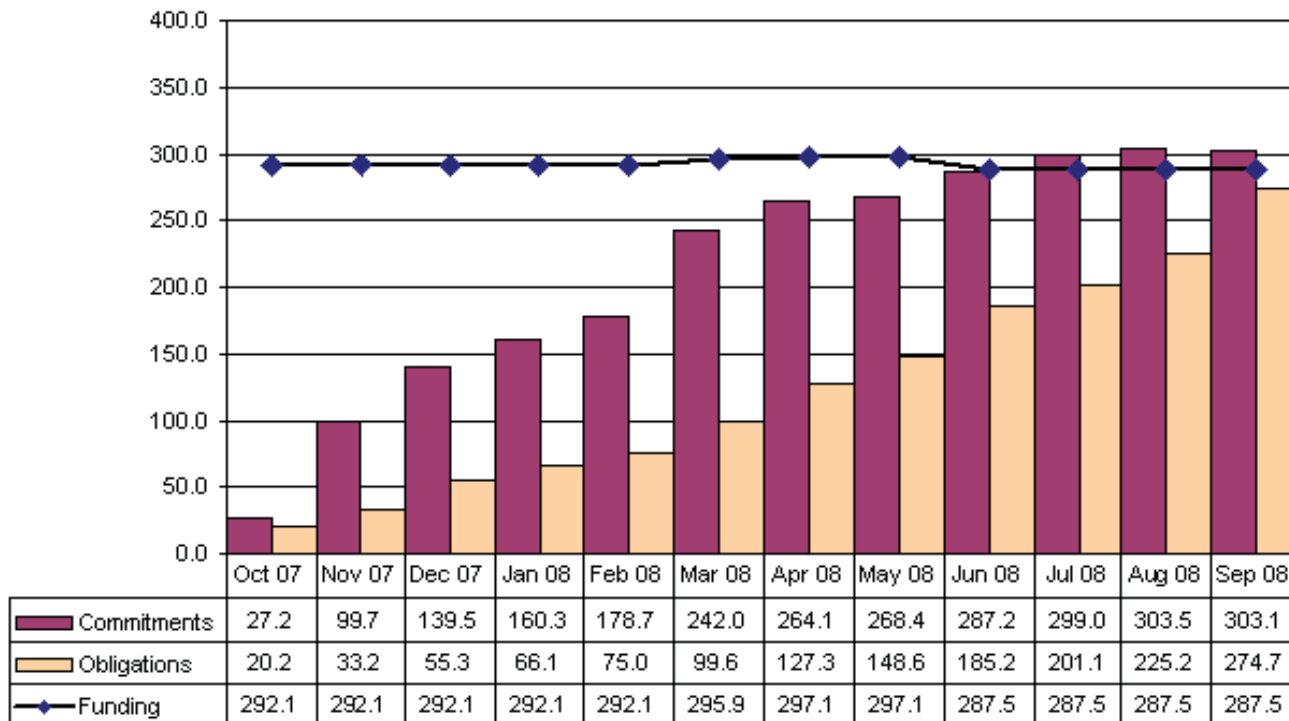
Sustainment, Restoration & Modernization Program

DESC SRM Funding FY92 - FY13 vs Capitalization



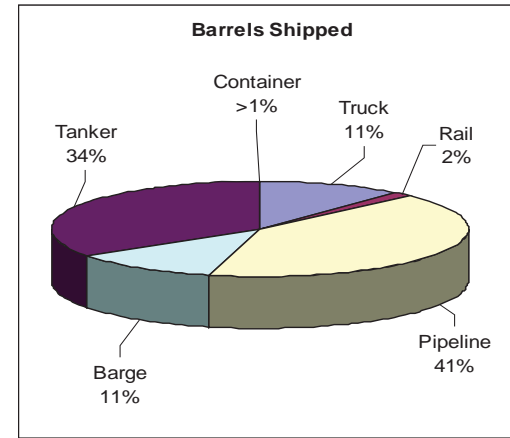
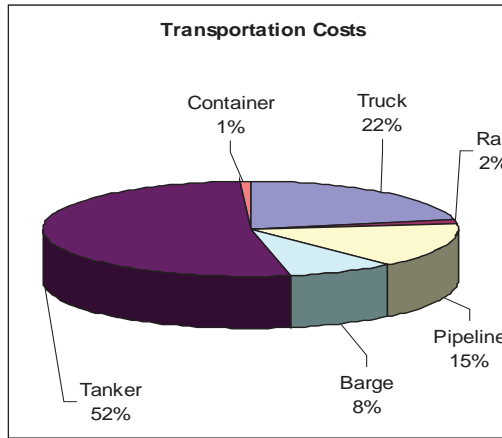
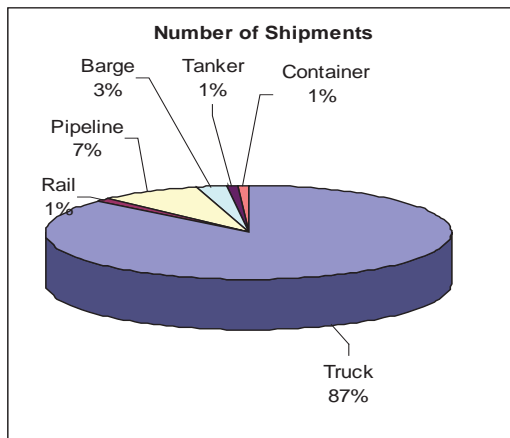
Funding FY08 Commitments & Obligations

\$M Budget vs Execution: SRM & MCO



FY08 Worldwide Bulk Product Transportation

(Frequency - Cost - Volume)



		TRUCK	RAIL	*PIPELINE	BARGE	**TANKER	SEAVAN	TOTAL
CONUS	Shipments	18,180	414	2,171	844	88	-	21,697
	Cost (\$ Millions)	49.6	4.2	60.0	30.8	62.5	-	207.1
	Barrels (Millions)	12.2	1.8	46.2	14.5	12.8	-	87.5
OCONUS	Shipments	16,679	133	989	240	259	287	18,587
	Cost (\$ Millions)	34.1	2.1	-	1.3	140.8	2.8	181.1
	Barrels (Millions)	2.9	0.5	9.1	1.3	33.8	0.1	47.7
TOTAL	Shipments	34,859	547	3,160	1,084	347	287	40,284
	Cost (\$ Millions)	83.7	6.3	60.0	32.1	203.3	2.8	388.2
	Barrels (Millions)	15.1	2.3	55.3	15.8	46.6	0.1	135.2

* Costs associated with OCONUS pipeline shipments are funded under International Agreement (DESC-BG) and have been excluded to avoid duplication information.

** Costs associated with OCONUS Tankers include funding provided to MSC for support of OPDS.

Transportation Expense

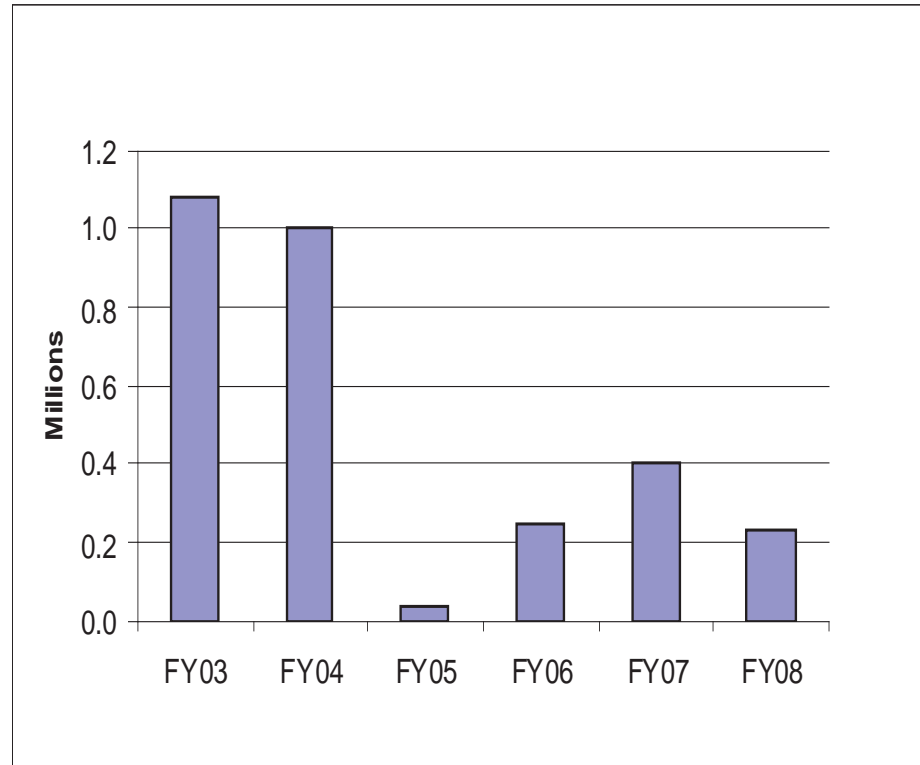
(U.S. Dollars in Millions)

WORLDWIDE PETROLEUM FUEL:	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>
AVGAS	\$0.1	\$0.1	\$0.1
Distillates & Diesel	\$77.0	\$79.5	\$111.5
JP-4, JAB, JAA, & JA1	\$54.4	\$67.6	\$105.0
JP-5	\$50.3	\$47.5	\$55.1
JP-8, JPTS	\$248.7	\$238.1	\$283.8
Lube Oils	\$0.1	\$0.1	\$0.1
MOGAS (Leaded & Unleaded)	\$6.9	\$6.8	\$8.9
Residuals	\$2.6	\$1.4	\$2.8
TOTAL	\$440.1	\$441.1	\$567.4
WORLDWIDE AEROSPACE ENERGY	\$3.3	\$5.6	\$6.3

Demurrage Collected

(U.S. Dollars in Millions)

<u>FISCAL YEAR</u>	<u>TOTAL</u>
2008	\$0.23
2007	\$0.40
2006	\$0.25
2005	\$0.04
2004	\$1.00
2003	\$1.08



Note: Demurrage is a charge assessed for holding a conveyance beyond the “free time” or “allowable laytime.” Demurrage collected is from ocean tanker and barge modes of supply.

DESC BUSINESS VENTURES

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Optimization Projects

(U.S. Dollars in Millions)

LOCATION	SERVICE	TYPE	CONTRACT START DATE	CONTRACT END DATE	PROJECTED SAVINGS OVER CONTRACT PERIOD (NPV, \$M)
Ft. Jackson, SC (Retail)	USA	COCO	Jun 99	2019	-.8*
29 Palms, CA (Retail)	USMC	COCO	Jul 99	2019	8.2
Ft. Stewart, GA (Retail)	USA	COCO	Jun 01	2021	3.4
Moffett, CA (Bulk/Alongside Refueling)	ANG/ NASA	GOCO	May 03	2023	3.9
Simmons/Camp Mackall, NC (Bulk/Alongside Refueling) (2 Facilities)	USA	GOCOs	Sep 03	2023	4.6
Ft. Carson, CO (Retail)	USA	COCO	Mar 04	2024	8.9
Ft. Campbell, KY (Retail)	USA	COCO	Jul 05	2025	.3*
USAF Bulk Fuels CONUS & OCONUS	USAF	GOCO	Jun - Sep 08	2013	59.3
Camp Lejeune, NC	USMC	GOCO/ COCO	Pending	+20 years	4.3

TOTAL

92.1

NOTE: *Non-quantified environmental liability added to risk and justified optimization

Source: Bulk Petroleum, DESC

Energy Savings Performance Contract Awards

LOCATION	ENERGY CONSERVATION MEASURES	ENERGY SERVICE COMPANY (ESCO)	DATE	TOTAL AWARD AMOUNTS	CONTRACT TERM
Northeast Regional Office	15 ECMs	Pepco Gov't Services LLC	Jun 99	\$214.1M	18 years
Fort Jackson, SC	Lighting Upgrades, GSHP Retrofits, Chiller Plant Upgrades, Demand Limiting System	Ameresco Solutions	Sep 01	\$43.8M	21 years
Aberdeen Proving Ground, MD	GSHP	CES	Sep 01	\$14.6M	20 years
Fort Hamilton, NY	Lighting Retrofits, Energy Management Control System, Water Savings	Consolidated Edison Solutions, Inc.	Nov 01	\$7.3M	16 years
Carlisle Barracks, PA	Direct Digital Controls, HVAC	EPS	Jul 02	\$16.3M	17 years
Fort Hood, TX Delivery Order #1	UMCS Improvements, Vending Machine Controls, Cooling Tower VFDs, Lighting Retrofit	Johnson Controls	Sep 03	\$11.3M	23 years
Fort Monmouth, NJ	Lighting Upgrade, HVAC Renovation, UESC Implementation, GHP, Cogeneration System Site Preparation/Feasibility	Ameresco Solutions	Sep 03	\$51.4M	24 years
Fort Hood, TX Delivery Order #2	UMCS Improvements, Vending Machine Controls, Lighting Retrofit	Johnson Controls	May 06	\$38.5M	24 years

Source: Energy Enterprise, DESC

Utility Privatization Support

Contracts Awarded in FY 08

FY 2008 – (Total Value - \$706 Million)

Fort Polk, LA - Water/Wastewater
Fort Hood, TX - Water/Wastewater
Westover AFB, MA - Electric
Goodfellow AFB, TX - Electric

Contracts Awarded in FY 07

FY 2007 – (Total Value - \$5.0 Billion)

A.P. Hill, VA – Water/Wastewater
Fort Bragg, NC – Water/Wastewater
Fort Gordon, GA – Water/Wastewater
Fort Greely, AK – CHPP/Electric/Water/Wastewater
Fort Jackson, SC – Water/Wastewater
Fort Richardson, AK – Natural Gas/Electric/Water/Wastewater
Fort Wainwright, AK – CHPP/Electric/Water/Wastewater
Fairchild AFB, WA – Natural Gas
Grissom ARB, IN – Electric
Scott AFB, IL - Water

Previous Years Awards

FY 2006 – (Total Value - \$613.5M)

Charleston AFB, SC - Gas
Fort Belvoir, VA – Electric
Fort Bragg, NC – Water/Wastewater Plants
Fort Gordon, GA – Electric
Fort Myer/McNair, VA - Electric
Natick Soldier Systems Command, MA – Electric

FY 2005 – (Total Value - \$302.3M)

Andrews AFB, MD – Water/Wastewater
Fort Eustis, VA – Water/Wastewater
Fort Leavenworth, KS – Electric
Fort Lee, VA – Wastewater
Fort Monroe, VA – Water/Wastewater
Natick Soldier Systems Command, MA – Electric
Fort Story, VA – Water/Wastewater

FY 2004 – (Total Value - \$530.5M)

Dobbins ARB, GA – Electric
Bolling AFB, DC – Water/Wastewater
Fort Bliss, TX – Water/Wastewater
Fort Eustis, VA – Electric
Fort Lee, VA – Electric
Fort Monroe, VA – Electric
Fort Story, VA – Electric
Fort Knox, KY – Wastewater/Stormwater

FY 2003 – (Total Value - \$356.9M)

Picatinny Arsenal, NJ – Electric
Fort McNair, VA – Gas
Fort Bliss, TX – Gas
Fort Rucker, AL – Electric/Gas/Water/Wastewater
Fort Leavenworth, KS – Water/Wastewater
Randolph AFB, TX - Wastewater
Sunny Point, NC - Electric

FY 2002 – (Total Value - \$98.1M)

Fort Bliss, TX - Electric

FY 2001 – (Total Value - \$1.3M)

Fort Detrick, MD – Gas (GSA)
Bolling AFB, DC – Gas (GSA)
Minneapolis-St Paul - Gas (GSA)

Utility Privatization Awards

LOCATION	SYSTEM	CONTRACTOR	AWARD DATE	TOTAL AWARD AMOUNT (Award Year Dollars)	Government Should Cost Delta*
Fort Detrick, MD	Gas	Washington Gas and Light	Dec 00	\$0.70M (Construction Project)	N/A
Bolling AFB, DC	Gas	Washington Gas and Light	Jul 01	\$0.43M (Construction Project)	N/A
Minneapolis Saint Paul ARS, MN	Gas	Minnesota Gas	Sep 01	\$0.17M (Construction Project)	\$0.09M (For 50 Years)
Fort Bliss, TX	Electric	Rio Grande Electric Cooperative	Sep 02	\$98.1M (For 50 Years)	\$34.3M** (For 50 Years)
Picatinny Arsenal, NJ	Electric	Sussex Rural Electric Cooperative	Oct 02	\$42.2M (For 50 Years)	\$10.4M** (For 50 Years)
Fort McNair, VA	Gas	Washington Gas and Light	Feb 03	\$0.40M (Construction Project)	N/A
Fort Bliss, TX	Gas	Texas Gas Service	Mar 03	\$47.4M (For 50 Years)	\$2.5M** (For 50 Years)
Fort Rucker, AL	Gas	Southeast Alabama Gas District	Apr 03	\$8.6M (For 50 Years)	\$5.5M (For 50 Years)
Fort Rucker, AL	Electric	Alabama Power	May 03	\$94.6M (For 20 Years)	\$10.0M (For 50 Years)

*Difference between Government Should Cost Estimate used in economic analysis and NPV of Offerors proposal (Includes residual value except where noted).

**Excludes Residual Value

Utility Privatization Awards (Cont.)

LOCATION	SYSTEM	CONTRACTOR	AWARD DATE	TOTAL AWARD AMOUNT (Award Year Dollars)	Government Should Cost Delta*
Fort Leavenworth, KS	Water/ Wastewater	American Water Services	Sep 03	\$95.7M (For 50 Years)	\$17.5M** (For 50 Years)
Fort Rucker, AL	Water/ Wastewater	American Water Services	Sep 03	\$118.4M (For 50 Years)	\$45.0M (For 50 Years)
Randolph AFB, TX	Wastewater	San Antonio River Authority	Sep 03	\$26.9M (For 50 Years)	\$1.5M (For 50 Years)
Sunny Point Military Ocean Terminal, NC	Electric	Brunswick Electric Membership	Sep 03	\$17.4M (For 50 Years)	-\$0.2M (For 50 Years)
Dobbins ARB, GA	Electric	Georgia Power	Feb 04	\$13.0M (For 50 Years)	\$1.8M (For 50 Years)
Bolling AFB, DC	Water/ Wastewater	Washington Suburban Sanitary Commission	Mar 04	\$26.8M (For 50 Years)	\$6.0M (For 50 Years)
Fort Bliss, TX	Water/ Wastewater	American States Utility Services	Jun 04	\$197.6M (For 50 Years)	N/A
Fort Eustis, VA	Electric	Dominion Virginia Power	Jun 04	\$39.0M (For 50 Years)	\$21.9M** (For 50 Years)
Fort Lee, VA	Electric	Dominion Virginia Power	Jun 04	\$68.0M (For 50 Years)	\$4.8M** (For 50 Years)

*Difference between Government Should Cost Estimate used in economic analysis and NPV of Offerors proposal (Includes residual value except where noted).

**Excludes Residual Value

Utility Privatization Awards (Cont.)

LOCATION	SYSTEM	CONTRACTOR	AWARD DATE	TOTAL AWARD AMOUNT (Award Year Dollars)	Government Should Cost Delta*
Fort Monroe, VA	Electric	Dominion Virginia Power	Jun 04	\$23.8M (For 50 Years)	\$2.4M** (For 50 Years)
Fort Story, VA	Electric	Dominion Virginia Power	Jun 04	\$11.9M (For 50 Years)	\$4.9M** (For 50 Years)
Fort Knox, KY	Wastewater/ Stormwater	Hardin County Water District #1	Sep 04	\$150.4M (For 50 Years)	\$40.5M** (For 50 Years)
Andrews AFB, MD	Water/ Wastewater	American States Utility Services	Sep 05	\$114.3M (For 50 Years)	\$16.5M (For 50 Years)
Fort Eustis, VA	Water/ Wastewater	American States Utility Services	Sep 05	\$58.0M (For 50 Years)	\$3.0M (For 50 Years)
Fort Leavenworth, KY	Electric	Leavenworth Jefferson Electric Cooperative	Sep 05	\$65.5M (For 50 Years)	\$8.7M (For 50 Years)
Fort Lee, VA	Wastewater	American States Utility Services	Sep 05	\$23.5M (For 50 Years)	\$2.4M** (For 50 Years)
Fort Monroe, VA	Water/ Wastewater	American States Utility Services	Sep 05	\$19.4M (For 50 Years)	-\$0.7M (For 50 Years)
Fort Story, VA	Water/ Wastewater	American States Utility Services	Sep 05	\$21.5M (For 50 Years)	-\$0.8M (For 50 Years)

*Difference between Government Should Cost Estimate used in economic analysis and NPV of Offerors proposal (Includes residual value except where noted).

**Excludes Residual Value

Utility Privatization Awards (Cont.)

LOCATION	SYSTEM	CONTRACTOR	AWARD DATE	TOTAL AWARD AMOUNT (Award Year Dollars)	Government Should Cost Delta*
Charleston AFB, SC	Gas	South Carolina Electric & Gas	Sep 06	\$4.6M (For 50 Years)	\$0.2M (For 50 Years)
Fort Belvoir, VA	Electric	Dominion Virginia Power	Sep 06	\$214.1M (For 50 Years)	\$21.9M (For 50 Years)
Fort Bragg, NC	Water (Plant)	City of Fayetteville	Sep 06	\$135.4M (For 40 Years)	\$12.7M (For 40 Years)
Fort Bragg, NC	Wastewater (Plant)	County of Harnett	Sep 06	\$91.1M (For 40 Years)	\$25.9M (For 40 Years)
Fort Gordon, GA	Electric	Georgia Power	Sep 06	\$71.4M (For 50 Years)	\$7.8M (For 50 Years)
Fort Myer/McNair, VA	Electric	Dominion Virginia Power	Sep 06	\$73.3M (For 50 Years)	\$4.7M (For 50 Years)
Natick Soldier Systems Command, MA	Electric	NSTAR	Sep 06	\$23.6M (For 50 Years)	\$2.5M (For 50 Years)
Fort A.P. Hill, VA	Water/ Wastewater	American Water	Sep 07	\$98.1M (For 50 Years)	\$9.8M (For 50 Years)
Fort Bragg/Pope, NC	Water/ Wastewater	American States Utility Services	Sep 07	\$575.4M (For 50 Years)	\$60.0M (For 50 Years)
Fort Gordon, GA	Water/ Wastewater	Augusta Utility Department	Sep 07	\$202.5M (For 50 Years)	\$7.5M (For 50 Years)

*Difference between Government Should Cost Estimate used in economic analysis and NPV of Offerors proposal (Includes residual value except where noted).

Utility Privatization Awards (Cont.)

LOCATION	SYSTEM	CONTRACTOR	AWARD DATE	TOTAL AWARD AMOUNT (Award Year Dollars)	Government Should Cost Delta*
Fort Greely, AK	CHPP/Electric Water Wastewater	Doyon Utilities	Sep 07	\$553.3M (For 50 Years)	\$104.5M (For 50 Years)
Fort Jackson, GA	Water/ Wastewater	American States Utility Services	Sep 07	\$143.8M (For 50 Years)	\$13.3M (For 50 Years)
Fort Richardson, AK	Electric Natural Gas Water Wastewater	Doyon Utilities	Sep 07	\$939.6M (For 50 Years)	\$99.8M (For 50 Years)
Fort Wainwright, AK	CHPP/Electric Water Wastewater	Doyon Utilities	Sep 07	\$2,422.2M (For 50 Years)	\$636.1M (For 50 Years)
Fairchild AFB, WA	Natural Gas	Avista	Sep 07	\$1.9M (For 50 Years)	\$M (For 50 Years)
Grissom ARB, IN	Electric	Miami-Cass	Sep 07	\$5.1M (For 50 Years)	\$0.9M (For 50 Years)
Scott AFB, IL	Water	American Water	Sep 07	\$67.3M (For 50 Years)	\$6.3M (For 50 Years)
Westover AFB, MA	Electric	City of Chicopee	Apr 08	\$19.9M (For 50 Years)	\$1.2M (For 50 Years)

*Difference between Government Should Cost Estimate used in economic analysis and NPV of Offerors proposal (Includes residual value except where noted).

Utility Privatization Awards (Cont.)

LOCATION	SYSTEM	CONTRACTOR	AWARD DATE	TOTAL AWARD AMOUNT (Award Year Dollars)	Government Should Cost Delta*
Goodfellow AFB, TX	Electric	AEP Texas North Co.	Sep 08	\$8.2M (For 50 Years)	\$6.4M (For 50 Years)
Fort Hood, TX	Water Wastewater	American Water	Sep 08	\$329.7M (For 50 Years)	\$32.1M (For 50 Years)
Fort Polk, LA	Water Wastewater	American Water	Sep 08	\$348.6M (For 50 Years)	\$33.4M (For 50 Years)

*Difference between Government Should Cost Estimate used in economic analysis and NPV of Offerors proposal (Includes residual value except where noted).

Small Business Program Achievements

(In Thousands)

	FY06			FY07			FY08		
	Targets	Perfor.	Dollars	Targets	Perfor.	Dollars	Targets	Perfor.	Dollars
Small Business Preference Program									
Small Business Awards	23.00%	32.80%	\$2,532,594	22.9%	18.57%	\$1,506,339	24%	18.14%	\$1,209,868
Small Disadvantaged Business Awards	4%	3.20%	\$244,830	4.0%	0.02%	\$2,017	4.20%	0.2%	\$13,196
Section 8 (a)	0.10%	0.04%	\$3,695	0.10%	0.0%	\$63	0%	0%	\$0
Women-Owned Small Business Awards	1.10%	1.50%	\$119,044	1.10%	0.9%	\$71,230	1.9%	1.15%	\$76,524
Hubzone Small Business Awards	1.10%	.40%	\$30,103	1.10%	0.14%	\$11,158	1.5%	1.54%	\$102,554
Svc-Disabled Vet-Owned Small Business Awards	.50%	0.00%	\$2,790	.50%	0.02%	\$1,360	3%	0.0168%	\$11,086
Total Domestic Awards			\$3,174,191			\$1,592,167			\$1,413,228

Note: All percentages based on total domestic dollars awarded.

INTERNATIONAL AGREEMENTS

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FY08 Port, Depot Storage, Pipeline, Product, Service, & Fuel Exchange Agreements

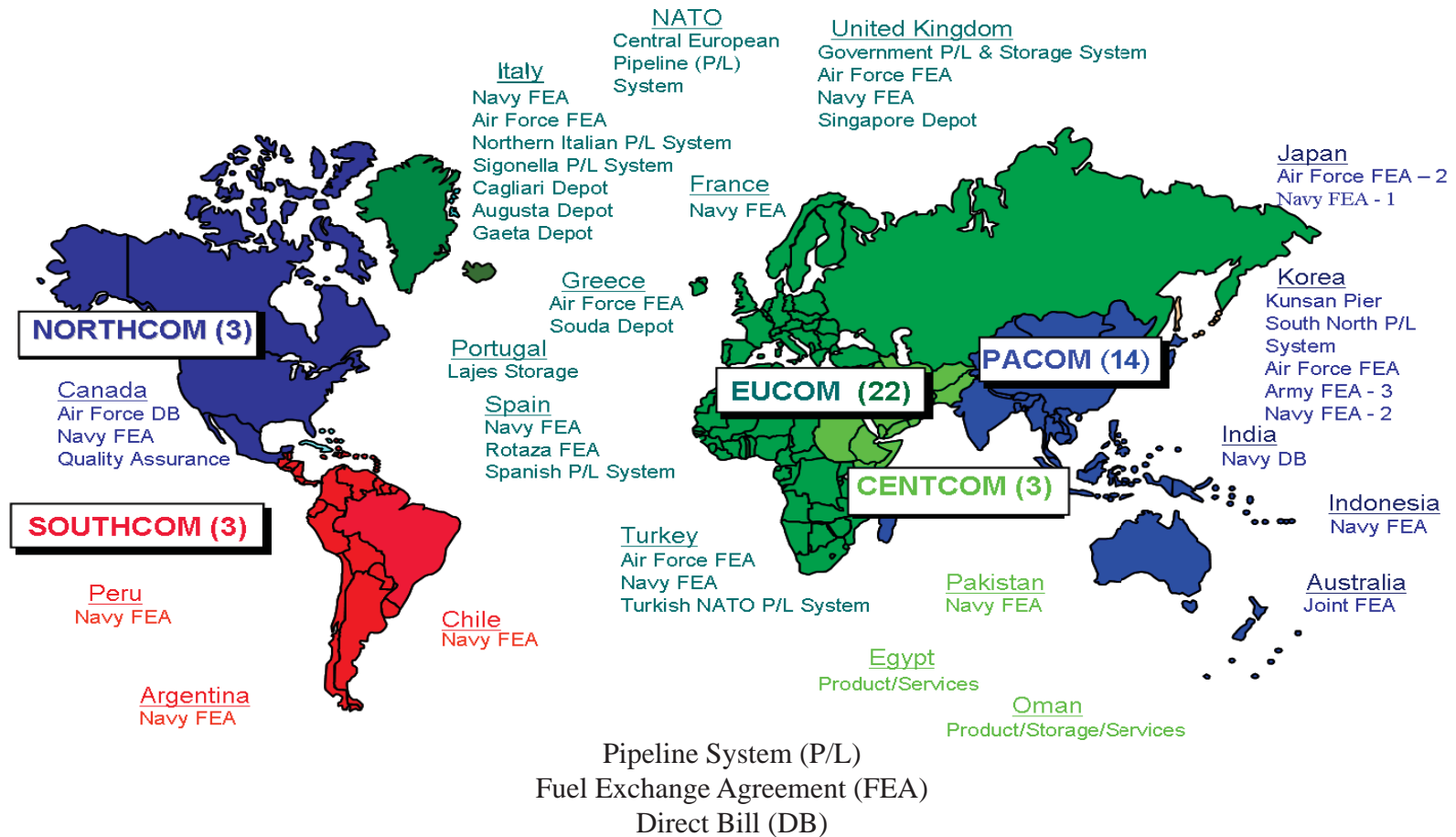
(U.S. Dollars in Millions)



<u><i>REGION</i></u>	<u><i>AGREEMENTS</i></u>	<u><i>FINANCIAL</i></u>
DESC EUROPE (Service Costs)	11	\$46.3
DESC MIDDLE EAST (Product/Service Costs)	2	\$2.7
DESC PACIFIC (Product/Service Costs)	3	\$227.4
FUEL EXCHANGE AGREEMENTS (Sales)	29	\$559.5

Agreement Snapshot

45 Agreements In Place!



DESC CONTRACT STATISTICS

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FY08 Petroleum Contract Introduction

NATURE OF DESC PETROLEUM PRODUCT CONTRACTS

- Contracts are indefinite delivery type contracts - requirements-type and quantity-type.
- 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.
- 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.



FY08 Contract Award Data

<u>COMMODITY BUSINESS UNIT (CBU)</u>	<u>AWARD DOLLARS</u>	<u>TOTAL CBU AWARD DOLLARS</u>	<u>CONTRACT ACTIONS</u>
<i>Bulk Fuel Division</i>		13.6 (B)	203
Domestic	6.2 (B)		
Overseas	5.6 (B)		
Lubes/Additives	39.3 (M)		
Synthetic Fuels	1.5 (M)		
Foreign Military Sales (FMS)	307.9 (M)		
Operations Iraqi Freedom/Enduring Freedom	1.5 (B)		
<i>Bulk Facilities & Distribution Management Division</i>		392.9 (M)	502
Storage	274.3 (M)		
Alongside Aircraft Refueling	53.3 (M)		
Environmental	13.5 (M)		
Testing/Services	50.8 (M)		
Miscellaneous	903.6 (T)		
<i>Ground Fuels Division</i>		2.1 (B)	1,140
Domestic	401.3 (M)		
Overseas	1.7 (B)		
<i>Mobility Fuels</i>		299.2 (M)	116
Into-Plane	190.8 (M)		
Bunkers	108.3 (M)		
<i>Installation Energy</i>		1.8 (B)	53
Natural Gas	1.1 (B)		
Electricity	638.3 (M)		
Coal	46.0 (M)		
<i>Energy Enterprise</i>		706.4 (M)	193
Utility Privatization	706.4 (M)		
Energy Savings Performance Contracts	-0-		
<i>Aerospace Energy</i>	52.3 (M)	52.3 (M)	1,687
TOTAL	19.0 (B)	19.0 (B)	3,894

Note: Dollars are shown in Billions (B), Millions (M), and Thousands (T).

Source: Procurement Process and Support Division (FPDS-NG) and input from the DESC CBUs

FY08 Top Ten Contributing Petroleum Suppliers

(U.S. Dollars in Millions)

CONTRACTOR



**AWARD
AMOUNT**

**PERCENT OF TOTAL
CONTRACT \$**

Shell	\$1,715.0	12.10%
BP	\$1,523.0	10.74%
Red Star Enterprises LTD	\$1,069.0	7.54%
Valero Marketing and Supply Company	\$1,044.0	7.36%
The Bahrain Petroleum Company	\$1,018.0	7.18%
Abu Dhabi National Oil Company	\$918.0	6.48%
Exxon Mobil Corporation	\$836.0	5.90%
Motor Oil (HELLAS) (MOH)	\$725.0	5.11%
International Oil Trading Company LTD	\$457.0	3.22%
SK Corporation	\$337.0	2.37%
<i>TOTAL</i>	\$9,642.0	68.00%

*FY08 Top Ten Contributing Installation Energy Suppliers** (U.S. Dollars in Millions)

<u><i>SUPPLIER</i></u>	<i>PERCENT OF TOTAL</i>	
	<u><i>CONTRACT \$</i></u>	<u><i>CONTRACT \$</i></u>
BP Energy Company	\$164.2	11%
Amerada Hess Corp.	\$161.6	11%
Usibelli Coal Mine	\$138.6	10%
Tiger Natural Gas, Inc.	\$91.4	6%
Seminole Energy Services, LLC	\$76.1	5%
Washington Gas Energy Services	\$70.0	4%
PEPCO Energy Services, Inc.	\$63.6	4%
Constellation New Energy	\$60.5	4%
Cascade Natural Gas Corp.	\$53.6	4%
Marathon	\$51.2	4%
<i>TOTAL</i>	<i>\$930.8</i>	<i>64%</i>

*Represents FY08 single and multi-year contracts

FY08 Environmental Contracts

LOCATION	SERVICE PROVIDED	CONTRACT PERIOD	APPROXIMATE ANNUAL VALUE TO DATE
Anchorage, AK	Assessment/Remediation	1 Mar 05 - 28 Feb 10	\$20,670.81
Casco Bay, ME	Assessment/Remediation	1 Nov 05 - 31 Oct 10	\$142,030.00
Charleston, SC	Assessment/Remediation	1 Apr 04 - 31 Mar 09	\$1,594,633.87
Eielson, AK	Assessment/Remediation	1 Mar 05 - 28 Feb 10	\$92,095.12
Fort Hood, TX	Assessment/Remediation	1 Jul 04 - 30 Jun 09	\$327,565.00
Grand Forks, ND	Assessment/Remediation	1 Jul 04 - 30 Jun 09	\$63,652.57
Hunter Army Airfield, GA	Assessment/Remediation	1 Apr 04 - 31 Mar 09	\$137,200.00
Indian, AK	Assessment/Remediation	1 Mar 05 - 28 Feb 10	\$12,569.33
Jacksonville, FL	Assessment/Remediation	1 Apr 04 - 31 Mar 09	\$126,308.75
Melville, RI	Assessment/Remediation	1 Dec 03 - 30 Nov 08	\$1,081,998.38
Newington, NH	Assessment/Remediation	1 Dec 03 - 30 Nov 08	\$126,330.76
Norfolk, VA	Assessment/Remediation	5 Dec 03 - 4 Dec 08	\$451,918.09
Norwalk, CA	Assessment/Remediation	1 Jul 08 - 30 Jun 13	\$1,815,000.00
Ozol, CA	Assessment/Remediation	1 Jul 08 - 30 Jun 13	\$2,434,000.00
Philadelphia, PA	Assessment/Remediation	1 Mar 00 - 28 Feb 09	\$4,003,939.00
San Diego, CA (Point Loma)	Assessment/Remediation	1 Jul 03 - 30 Jun 10	\$2,331,273.00
San Pedro, CA	Assessment/Remediation	1 Jul 08 - 30 Jun 13	\$1,415,000.00
Tampa, FL	Assessment/Remediation	1 Apr 04 - 31 Mar 09	\$258,360.67
Verona, NY	Assessment/Remediation	1 Dec 03 - 30 Nov 08	\$86,342.30
Whittier, AK	Assessment/Remediation	1 Mar 05 - 28 Feb 10	\$352,504.50
N/A	Environmental Document Updates	1 Oct 06 - 30 Sep 11	\$367,266.56
N/A	OPA-90 Training	1 Jan 07 - 31 Dec 11	\$269,746.50
N/A	Environment, Safety and Occupational Health (ESOH)	1 Aug 06 - 31 Jul 11	\$36,335.80

TOTAL NUMBER OF CONTRACTS:

23

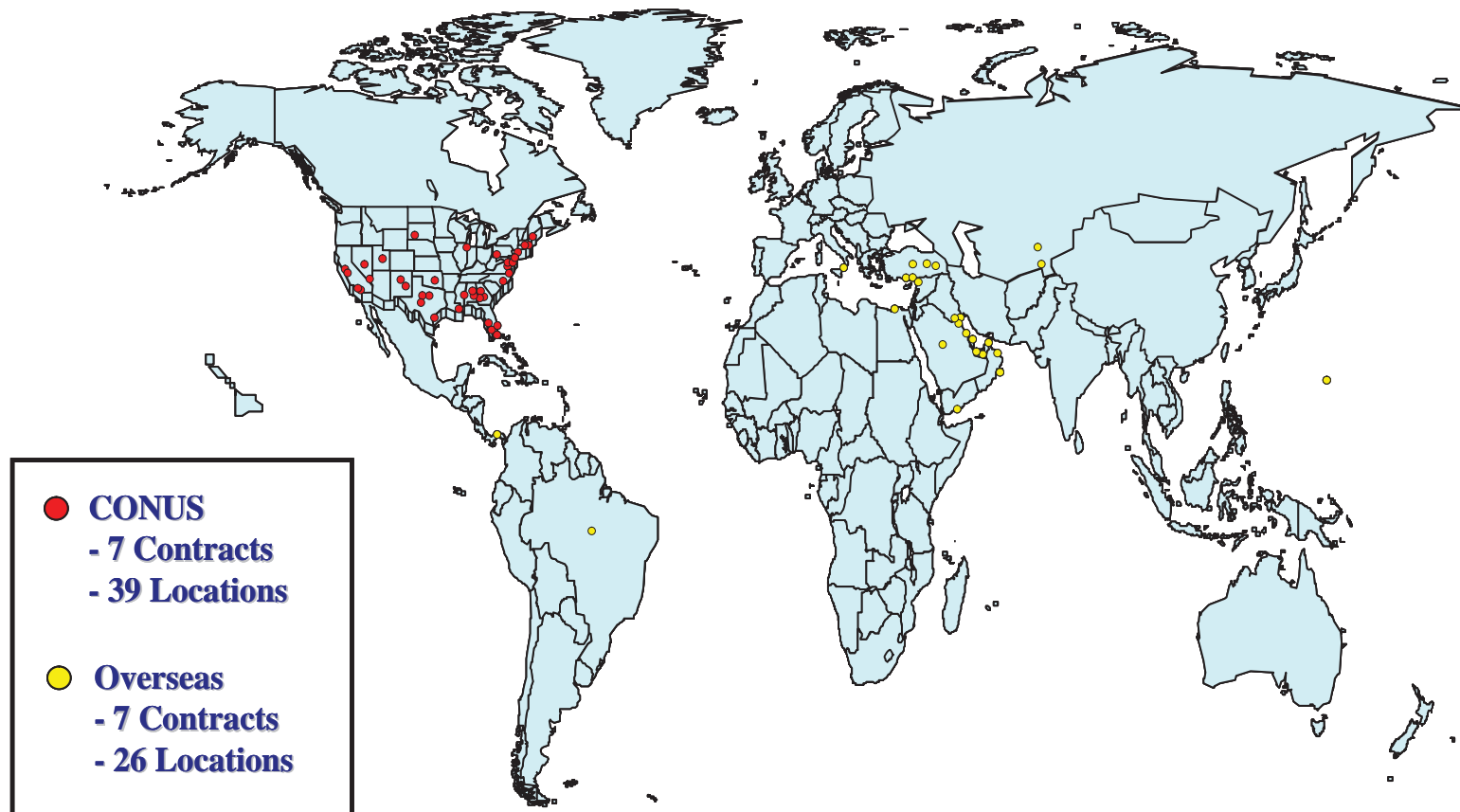
APPROXIMATE ANNUAL VALUE TO DATE:

\$17,546,741

Note: Annual figure derived by dividing task orders to date by the approximate period elapsed.

FY08 Testing Contracts

(For Petroleum Products)




Note: These are service contracts for testing petroleum products.

Source: Bulk Petroleum DESC



FUEL PROCUREMENT

Into-Plane Contracts.....	48
FY08 Ships Bunkers Contracts.....	49
Alongside Aircraft Refueling.....	50
Posts, Camps & Stations Contracts.....	51



FY08 Into-Plane Contracts

DOMESTIC

- 325 Locations Supported
- 322 Contracts
- \$996.5M Contract Value
- 9.7M Barrels



OVERSEAS

- 177 Locations Supported in 96 Countries
- 32 Contracts
- \$926.3M Contract Value
- 9.2M Barrels

Represents active multi-year contract data as of 30 Sep 08

FY08 Ships Bunkers Contracts

DOMESTIC

- 111 Ports Supported
- 40 Contracts
- \$456.9M Contract Value
- 5.8M Barrels



OVERSEAS

- 139 Ports Supported in 61 Countries
- 25 Contracts
- \$1.1B Contract Value
- 14.7M Barrels

Represents active multi-year contract data as of 30 Sep 08

FY08 Alongside Aircraft Refueling

LOCATION	PERFORMANCE PERIOD	AWARD AMOUNT	APPROXIMATE ANNUAL \$ VALUE
Brunswick, ME (Navy)	1 Jul 05 - 30 Jun 09	\$2,596,128	\$682,955
Camp Pendleton, CA (Marine Corps)	1 Oct 07 - 30 Sept 08	\$2,085,360	\$612,358
China Lake, CA (Navy)	1 Mar 03 - 31 Dec 08	\$3,487,728	\$871,932
Corpus Christi, TX (Navy)	1 Oct 07 - 30 Sep 08	\$5,575,632	\$1,549,626
Dallas/Fort Worth, TX (Navy)	1 Apr 07 - 31 Mar 11	\$4,176,000	\$1,044,000
El Centro, CA (Navy)	1 Jul 05 - 30 Jun 09	\$5,880,000	\$1,696,656
Fallon, NV (Navy)	1 Oct 06 - 30 Sep 11	\$11,071,637	\$2,040,000
Fort Hood, TX (Army)	1 Feb 07 - 31 Jan 12	\$7,786,080	\$796,728
Fort Lewis, WA (Army)	1 Sep 03 - 30 Sep 08	\$2,041,392	\$510,348
Hunter AAF, GA (Army)	1 Aug 05 - 31 Jul 10	\$7,427,901	\$1,591,713
Jacksonville, FL (Navy)	1 Dec 06 - 30 Nov 10	\$2,766,491	\$1,550,000
Key West, FL (Navy)	1 Oct 07 - 30 Sep 11	\$6,654,384	\$836,096
Kings Bay, GA (Navy)	1 Oct 04 - 30 Sep 08	\$815,771	\$238,920
Kingsville, TX (Navy)	1 Mar 04 - 29 Feb 08	\$4,150,159	\$957,012
Lakehurst, NJ (Navy)	1 Jun 05 - 31 May 09	\$788,880	\$202,220
Meridian, MS (Navy)	1 Apr 06 - 31 Mar 10	\$3,251,721	\$1,398,209
Moffett Field, CA (NASA)	1 Dec 03 - 30 Nov 08	\$4,021,636	\$1,980,612
North Island, CA (Navy)	1 Sep 04 - 31 Aug 08	\$9,944,130	\$2,227,954
Okinawa, Japan (Marine Corps)	1 Apr 08 - 31 Mar 12	\$1,410,516	\$542,520
Patuxent River, MD (Navy)	1 Dec 05 - 30 Nov 10	\$12,244,128	\$1,530,516
Pensacola, FL (Navy)	1 Mar 02 - 30 Nov 08	\$5,446,610	\$1,246,000
Souda Bay, Crete (Navy)	1 Jun 05 - 31 May 09	\$2,083,574	\$646,812
Ventura, CA (Navy)	1 Apr 04 - 30 Nov 08	\$5,190,960	\$1,467,867
Whidbey Island, WA (Navy)	1 Jul 02 - 31 Oct 08	\$4,839,216	\$1,757,434
Whiting Field, FL (Navy)	1 Jan 02 - 30 Nov 08	\$6,993,073	\$1,177,000
Yuma, AZ (Marine Corps)	1 Feb 04 - 31 Dec 08	\$3,572,736	\$988,188
TOTAL NUMBER OF CONTRACTS: 27	TOTAL	\$128,152,745	\$30,760,644

FY08 Posts, Camps & Stations Contracts



Represents active multi-year contract data as of 30 Sep 08

DOMESTIC (CONUS)

- 225 Contracts
- 1433 Activities Supported
- \$2.5B Contract Value
- 32.3 Million Barrels

OVERSEAS (OCONUS)

- 82 Contracts, 32 Countries
- 246 Activities Supported
- \$3.8 Billion Contract Value
- 36.2 Million Barrels

DESC INSTALLATION ENERGY PROGRAMS

Coal Program	52
Natural Gas Program.....	53
Electricity Program	55
Renewable Energy Program.....	56

Coal Program

**Customers: 11 DOD
1 Fed Civ**

BITUMINOUS COAL:

Capitol Power Plant, Washington, D.C.
 NAVFAC Washington, Indian Head, MD
 Marine Corps Base, Camp LeJeune, NC
 Marine Corps Air Station, Cherry Point, NC
 Joint Systems Manufacturing Center, Lima, OH
 Wright Patterson AFB, OH
 Rock Island Arsenal, IL
 Red River Army Depot, Texarkana, TX
 Malmstrom Air Force Base, MT

SUB-BITUMINOUS COAL:

Fort Wainwright, AK
 Eielson AFB, AK
 Clear Air Force Station, AK

FY08 Summary of Procurements

	Tons	Requirement Dollars
Army	283,500	\$22.2 Million
Air Force	325,700	\$26.3 Million
Navy	103,200	\$18.7 Million
Other	40,000	\$ 6.5 Million
Total	752,400 Tons	\$73.7 Million

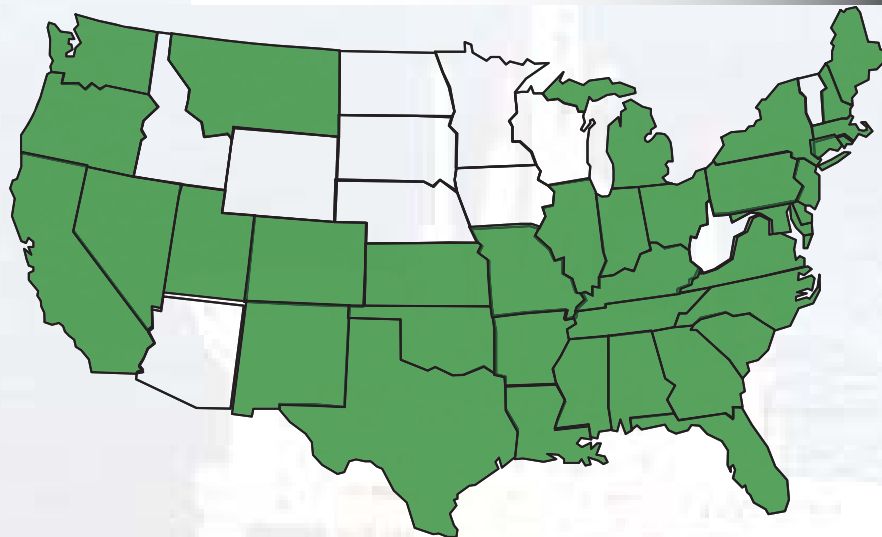
DOLLARS AND PERCENT OF TOTAL DOLLARS:


Large Business - \$1,767,960 / 2.5%
 Small Business - \$68,371,962 / 97.5%
 Total Dollars - \$73,722,822

Natural Gas Program

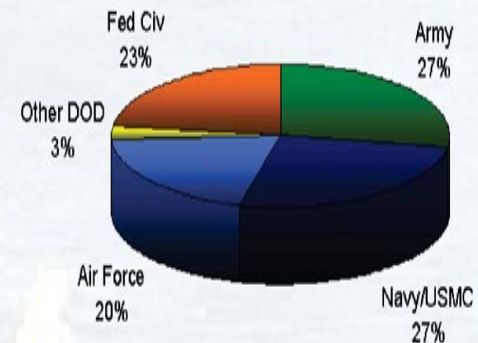


DESC is actively managing over 162M dekatherms of natural gas valued at over \$1.03B under multi-year contracts



 Contract Coverage in 38 States (including Alaska) plus District of Columbia

Customer Segmentation



Natural Gas Program Summary

- 200+ DOD & Fed Civ customers
- 50M+ Dekatherms delivered, annually
- \$30M+ Cost savings, annually



Natural Gas Program



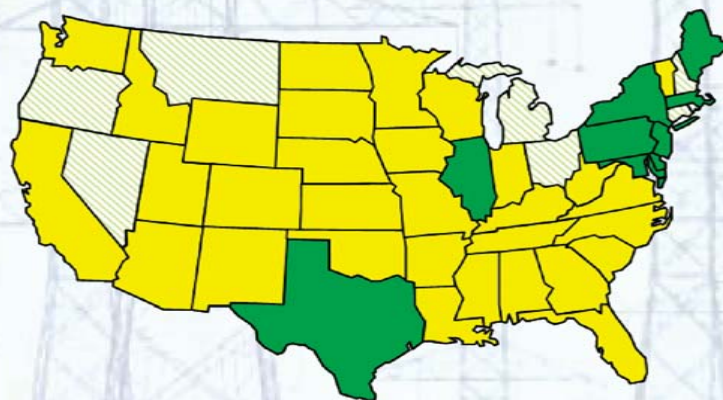
Component	Customers per Component	FY08 Dths Delivered (Million)	FY08 Expenditures* (Million)	FY08 Cost Avoidance** (Million)	FY91 - 08 Cost Avoidance (Million)
Army	50	18.5	\$168.0	\$13.4	\$181.1
Navy/MC	52	13.5	\$125.7	\$15.5	\$156.1
Air Force	36	9.9	\$78.1	\$6.9	\$109.2
Other DOD	15	1.6	\$15.8	\$2.5	\$23.4
Fed Civ	63	11.5	\$102.0	\$9.8	\$145.9
TOTAL	216	55.0	\$489.6	\$48.1	\$615.7




*Includes Commodity & Distribution Costs to the Burnertip

**Represents Cost Avoidance at DESC Indexed Contract Rates

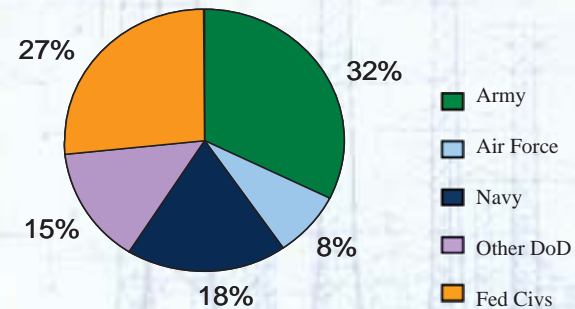
Electricity Program

DESC is actively managing over 7.8M megawatt hours of electricity valued at over \$640M under multi-year contracts



-  Retail Access Implemented, DESC awarded contracts
-  Retail Access Implemented, DESC solicited, no awards
-  Retail Access Pending, DESC monitoring market

Customer Segmentation

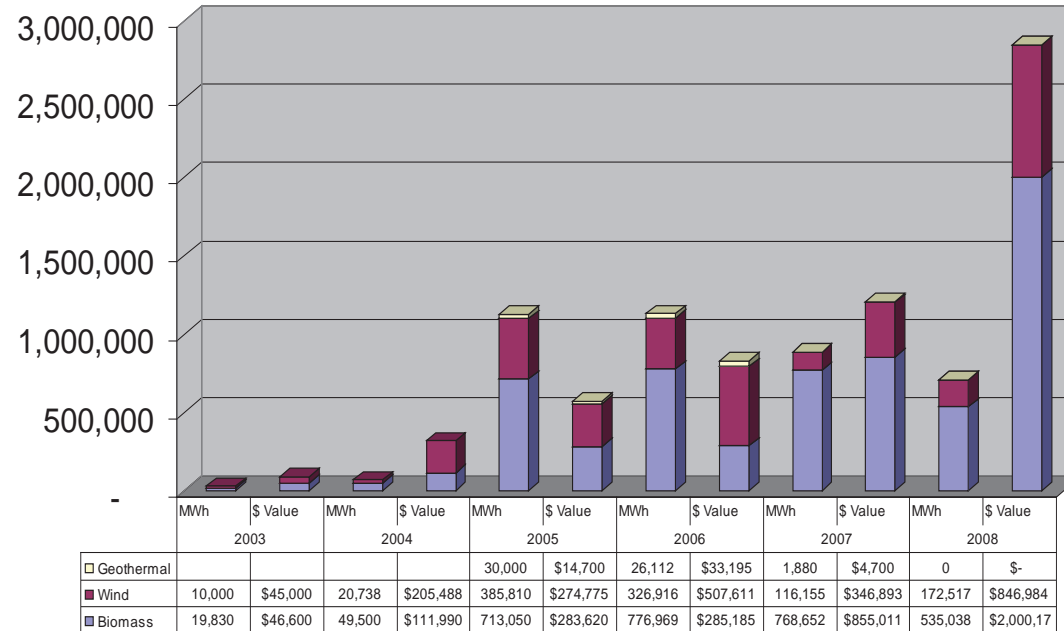


Renewable Energy Program

Renewable Power: Any source of energy that is continually available or that can be renewed or replaced

Renewable Energy Certificates (RECs): A derivative product, the market value of which represents the value placed on the environmental benefits of the generation of electricity from specific types of renewable resources.

Summary of Renewable Power Purchases (FY03 - FY08)



Energy Policy Act 2005 Renewable Energy Goals increase from 3% to 5% in FY10.

FUEL CARD PROGRAMS

U.S. Government AIR Card®	57
DOD Fleet Card	58
SEA Card®	59



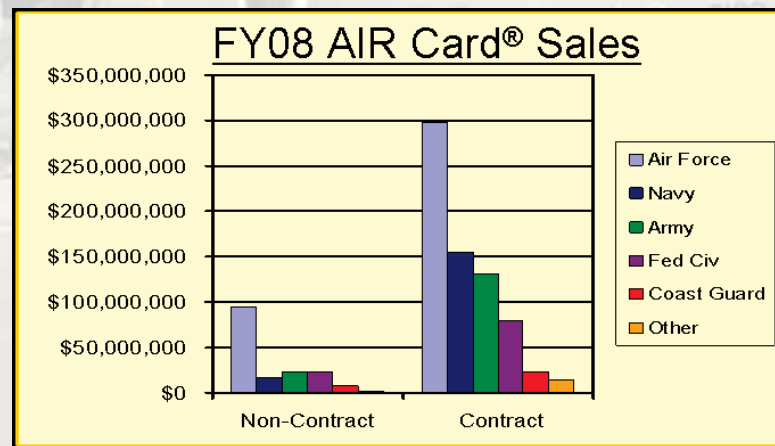
U.S. Government AIR Card®

- Warfighter Benefits
 - Supports DESC into-plane contract refueling at over 500 locations
 - Accepted at over 7000 non-contract locations worldwide in 190 countries

- Fiscal Stewardship
 - Non-contract discount: \$21 million in savings from posted airport price in FY08

- FY08 Sales Data
 - \$699.6 million contract fuel
 - 199.3 million gallons
 - 258,223 transactions

 - \$166.7 million non-contract fuel
 - 31.4 million gallons
 - 48,902 transactions



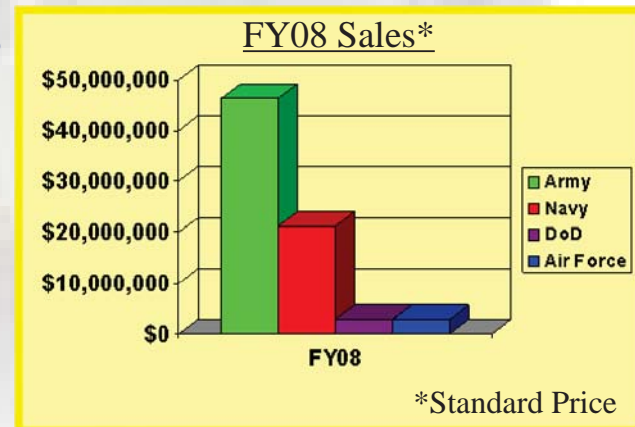
Note: U.S. Government Air Card® and AIR Card® are registered Trademarks of the DESC AIR Card® Program.



DOD Fleet Card

- Warfighter Benefits

- Supports over 700,000 vehicle fueling transactions annually
- Provides minor maintenance and roadside assistance support
- Accepted at over 200,000 commercial locations
- Not a credit card – enables standard unit pricing
- \$3.16 million direct tax rebates in FY08





DOD SEA Card[®]

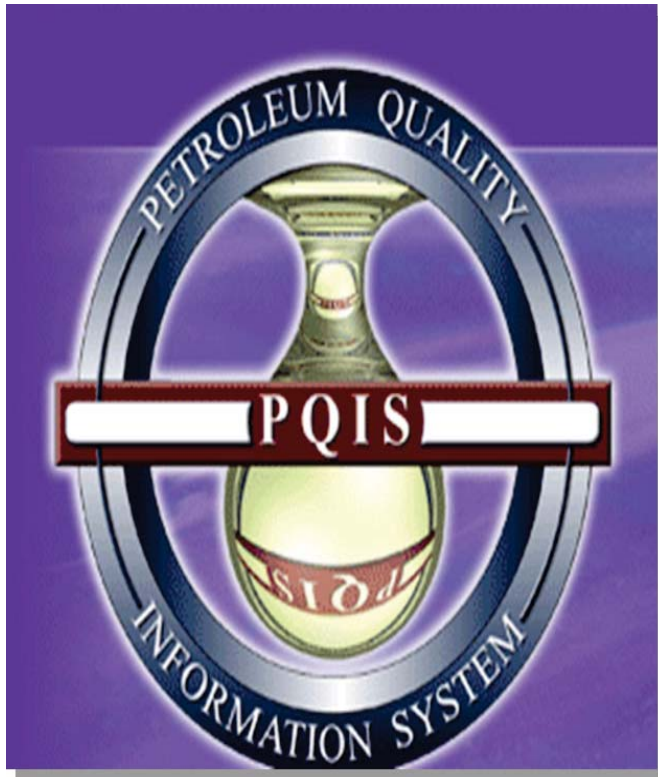
- Warfighter Benefits
 - Total online order management system supporting ships' bunker refueling
 - Electronically connects DESC bunkers merchant to vessel ordering officers
 - Eliminates inefficient manual paper process
- Global Support
 - 400+ DOD vessels registered
 - 24/7 fuel ordering/customer service support
 - Contract support at 260+ contract ports
 - Open Market support at 2000+ non-contract ports



QUALITY OPERATIONS SUPPORT

Petroleum Quality Information System	60
Research & Development Product Support	61
Alternative Energy Programs	62
Cataloging & Standardization Functions	63
Quality Assurance/Surveillance Program	64
DOD Standard Practice (MIL-STD-3004B)	65
Training & Certification Program (DESCR 4155.2)	66

Petroleum Quality Information System (PQIS)



- Purpose: OSD directive, 1989: To facilitate the collection and dissemination of standardized fuel quality data
- Allows for a proactive approach in identifying and monitoring product quality trends across a wide spectrum
- Largest publication of fuel quality information worldwide
- Used by customers and commercial industry (TWA 800, GE engine development, trends, etc.)
- Publication includes data from UK MOD Jet A-1 purchases

R&D Product Support

- Program Manager for DESC funded projects
- Establishes and implements long-term projects and studies to resolve petroleum-product and additive related issues
- Partner with Commercial Industry, Military Services & Federal Agencies
- Projects Include
 - JP-8 +100 additive study
 - Jet A conversion study
 - FAME contamination of jet fuel

Alternative Energy Programs

- Synthetic Fuels
 - Member of DOD Synthetic Fuels Task Force and DOE Coal Gasification IPT
 - Supporting the Air Force Fischer-Tropsch (FT) synthetic fuels certification program
- Biomass to Energy
 - Partnering with Army and Bell Bio Energy to test 7 mobile units to convert biomass (grass clippings, cardboard, wood, etc.) to fuel
- Algae Oil to Fuel
 - Partnering with the Navy to certify platforms on JP-5 and F-76 fuel derived from algae
- Hydrogen
 - Partnering with Army on hydrogen demonstration programs (Congressionally driven)
 - Developing database to track DOD hydrogen initiatives (similar to DOE)

Cataloging & Standardization

- Lead Standardization Activity (LSA) for Federal Supply Group for Fuels, Lubricants, Oils & Waxes
 - Coordinated new 2008 specifications and standards (MIL-DTL-83133F, MIL-STD-3004B, MIL-PRF-9000J, DEF STAN 91-91 Issue 6)
- LSA for Liquid Propellant Fuels
- Market research & specification analysis
- Work with DLA Standardization Executive Agency
- DESC's Quality & Technical Support Office manages and maintains the Reference List of Commodities, Specifications and Standards, DESCH 4120.1



Quality Assurance/Surveillance (QA/QS) Program

- Provides Direction and Control to Bulk, Direct Delivery, Aerospace Energy, Facility & Alternative Fuels CBU's QA/QS Programs
 - Evaluates & Recommends Acceptability of KTR Exceptions to Quality Requirements
 - Evaluates & Recommends Acceptability of KTR Deviations & Waivers to QA/QS Requirements
- Develops and Implements Quality Policy for DESC Headquarters & Regions
- Investigates and Resolves Customer/Depot Complaints (CDCs) and Product Quality Deficiency Reports (PQDRs)
- Provides Disposition instructions for off-specification fuel in concert with Defense Fuel Supply Point Management (DESC-N) & Financial Operations (DESC-R)
- Maintains Quality Metrics for DESC
- Manages the Commercial Laboratory Program

MIL-STD-3004B

- DESC's Quality & Technical Support Office develops and assures implementation of MIL-STD-3004B "DOD Standard Practice – Quality Assurance/Surveillance for Fuels, Lubricants and Related Products."
- The Standard provides DOD Policy, general instructions and minimum procedures to be used by the Military Services and Defense Logistics Agency in performing quality assurance/surveillance functions of U.S. Government owned fuels, lubricants and related products worldwide.
- This Standard includes policy and responsibilities derived from Executive Agency, Directive 5101.8, DOD Executive Agent (DOD EA) for Bulk Petroleum, Aug. 11, 2004, which designated the DLA Director as the DOD Executive Agent for Bulk Petroleum for the DOD with authority to re-delegate to DESC.
- The information is appropriate to quality assurance, where applicable (e.g. direct delivery to customers, destination acceptance, etc.).
- This Standard also contains intra-governmental receipt limits for U.S. government-owned fuels.

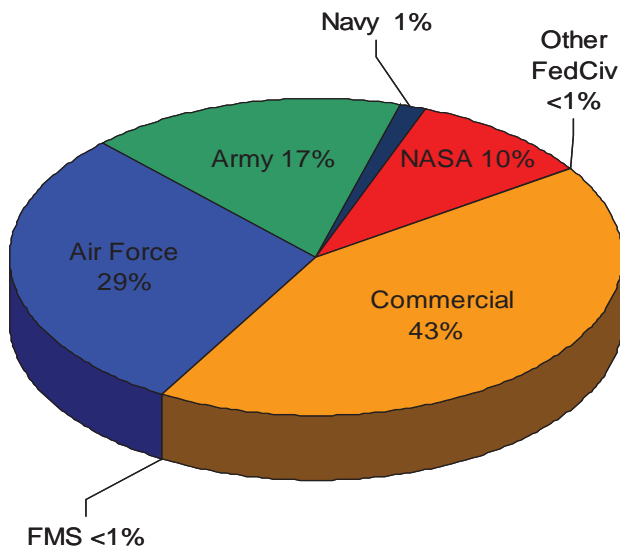
Quality Assurance Specialist and QAS Supervisor's Training & Certification Program

- DESC's Quality & Technical Support Office develops and implements the Quality Assurance Specialist (QAS) and QAS Supervisor's (SQAS) Training and Certification Program for DESC.
- This Regulation outlines the DESC QAS and QAS Supervisor's Training and Certification Program as required per DLAM 8220.4, DLAD/DLAI 4155.7 and DOD 5000.52-M. DESC is responsible for DESC Center Quality Assurance and oversight of the Quality Surveillance program.
- Program includes the development, implementation and teaching by DESC-QA staff of specific petroleum related commodity certification courses including:
 - J07: Quality Assurance of Into-Plane Servicing Contracts
 - J08: Quality Assurance of Coal
 - XX: Coal Sampler
 - J20: Petroleum In-Plant Quality Assurance

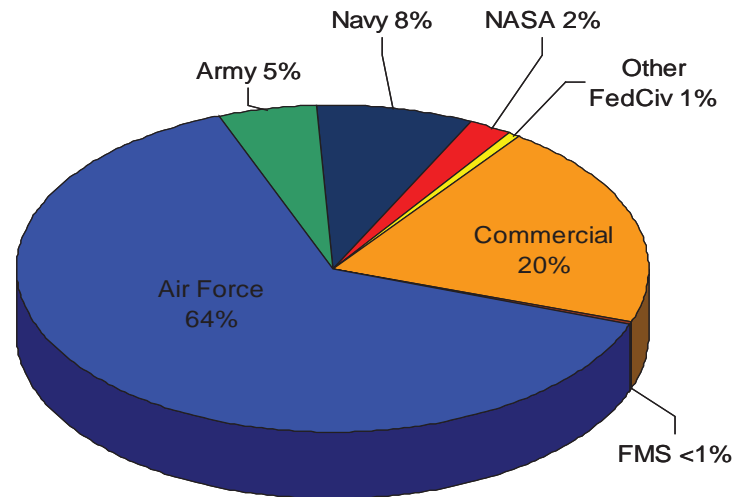
AEROSPACE ENERGY POSTURE

Aerospace Energy Customer Profile	67
Contracting Overview	68
Product Line Overview	69
Major Programs Supported	70
Hazardous Material Shipments	72
Solutions for Today's Energy Challenges	73

FY08 Aerospace Energy Customer Profile



By Total Sales
\$53,624,000



By Number of Customers
681

Contracting Overview

- 92 NSNs - 29 different products
 - 3 Product Classes - Liquid Propellants, Cryogenics and Compressed Gases
- 151 Active Contracts
 - 95% requirements-type contracts
 - Normally multi-year - 3 to 5 years
 - Both FOB Origin and Destination
- Cradle to Grave - Pre-award to contract closeout
- Every product supports a DOD major weapon system or DOD space application in some way

Source: Aerospace Energy, DESC

Graphic Source: NASA's Conceptual Design of ARES I Rocket (Shuttle Replacement)

Product Line Overview

Compressed Gases

Helium
Nitrogen
Argon
Hydrogen
Deuterium
Nitrogen Trifluoride
Fluorine
Xenon
Krypton
Neon



Propellants

Hypergolic

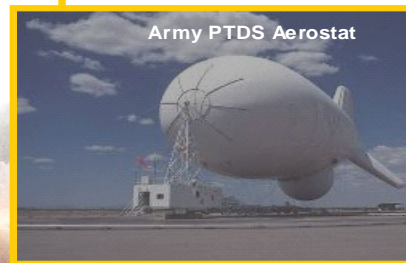
Hydrazine Fuels - 7 grades
Dinitrogen Tetroxide - 5 grades
Inhibited Red Fuming Nitric Acid

Non-Hypergolic

Rocket Propellant - Grades 1 and 2
Isopropyl Alcohol
Hydrogen Peroxide
JP-10
Priming Fluid
Methanol

Cryogenic

Liquid Oxygen
Liquid Hydrogen
Liquid Methane



Non-Propellant Cryogenics

Aviator's Breathing Oxygen
Liquid Nitrogen
Liquid Air
Liquid Argon
Liquid Helium
Liquid Carbon Dioxide



Major Programs Supported by the Aerospace Energy CBU

- USAF Delta and Atlas
- Commercial Evolved Expendable Launch Vehicle - Lockheed Martin Atlas V and Boeing Delta IV
- F-16 Emergency Power Unit
- F-15/F-16 Air Intercept Missile, Avenger, Sidewinder
- Cruise Missiles - Navy Tomahawk, Harpoon & USAF ALCM/ACM
- AIM-9 and Stinger Missiles
- R&D Programs

Source: Aerospace Energy, DESC



Major Programs Supported by the Aerospace Energy CBU - Cont'd

- Army THAAD (Terminal High Altitude Area Defense)
- DOD Aircraft Life Support & Maintenance
- USAF and Army Aerostat Programs
- Military and Commercial Satellites
- International Space Station
- DEA Drug Interdiction
- DOD Laser Programs
- NASA Space Shuttle

Hazardous Material Shipments

PRODUCT	CYLINDERS/DRUMS	BULK
Helium	1613	118
Argon	525	
Hydrazine	181	5
JP-10/PF-1	58	23
Dinitrogen Tetroxide (N ₂ O ₄)	111	7
RP-1	6	34
IRFNA	42	
Total	2536	187



**100% Delivery on time without incident
TRANSPORTATION SAFETY IS #1 PRIORITY**

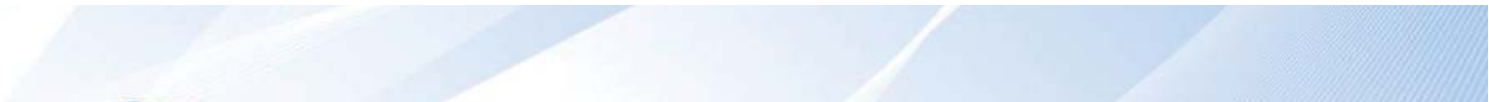
Aerospace Energy Solutions for Today's Energy Challenges

Customer	Challenge	DESC Solutions
US Army OIF/OEF Aerostat Program (bulk helium)	42% increase in helium usage in OIF/OEF during worldwide helium shortage. Maintenance/Repair of in theater trailers	Increased number of tube-bank of trailers and high pressure cylinder assemblies to beef up the supply chain. Worked closely with supplier to insure ability to meet the warfighter's demand for helium. Modified supplier contract to include minor repairs. Provided "hard to get" repair parts as government-furnished property (GFP) and shipped them from CONUS
All launch customers	Disruptions in the supply chain due to Hurricane Gustav and Ike. Suppliers located in hurricane ravaged areas and shipments transit through affected areas.	Closely monitored ongoing shipments and provided alternate routes or arranged for safe-haven of transport vehicles. Worked with contractors/customers to avoid mission delays.
Xenon/IPA Customers	Fluctuations in demand and supply for xenon and isopropyl alcohol resulting in extreme volatility in prices. Contractors unwilling to enter into long-term fixed price contracts	Established Blanket Purchase Agreements with all technically acceptable suppliers and receive multiple award quotes at time of purchase ensuring a reliable supply of these commodities.
Aviator's Breathing Oxygen (ABO) customers worldwide	Oversight of the ABO quality program.	Worked with Quality Assurance Representative and suppliers to insure periodic samples meet specification requirements and to make repairs to Air Separation Units as required.



Year in Review

FY08 Highlights/Accomplishments.....74



Defense Energy Support Center FY08 Highlights/Accomplishments

SUPPORT TO NORTHERN IRAQ CONTINUES UNABATED: During FY08, DESC Europe (DESC-EU) shipped over 19, 900 tank trucks loads of JP-8, Diesel and MOGAS to locations throughout Northern Iraq in support of Operation Iraqi Freedom (OIF). The 113 million gallons of fuel delivered were valued at over \$360 million and filled 94% of the total quantity ordered. This product was instrumental in supporting the U.S. Central Command (USCENTCOM) Commander's "surge" operations that directly reduced overall violence within Iraq and enabled the transition of authority from U.S. forces to their Iraqi counterparts in large sections of the country. The 94% FY08 order fill rate is an improvement of 12.2% over the FY07 order fill rate and is indicative of DESC-EU's continued commitment to supporting the warfighter.

OPERATION IRAQI FREEDOM: Last year, over 617 million gallons of product were provided from Kuwait and Jordan in support of OIF. During this period, our Quality Assurance Representatives (QARs) were instrumental in reducing the number of contractor vehicles turned away at border crossings, in both Kuwait and Jordan, by 63%. The QAR's achieved this by clarifying inspection procedures and by providing on-site training for both contractor and customer inspectors. DESC Middle East (DESC-ME) is confident in the contractors' ability to monitor their processes and inspection techniques that started in April 2008. The QARs continue to respond to U.S. Army Central Command's (ARCENT) inquiries in support of Iraq Trucking Network operations and maintain a close relationship with USCENTCOM.

OPERATION ENDURING FREEDOM (OEF): Last year, over 153 million gallons of products were provided in support of OEF. Russian grade aviation fuel (TS1) and ground fuels are supplied via

supplier facilities in Afghanistan, but originate in Northern Central Asia / Russia. QARs and contracted inspection company personnel provided quality assurance and support throughout Pakistan during the entire year. QARs provided support in Afghanistan during the year and our newly contracted inspection company provided total on-site inspection during September. There were 5 QAR contractor oversight visits conducted in Pakistan and 6 in Afghanistan. 4,831 tank truck inspections were conducted in Pakistan ensuring that the product received was on-specification and the proper procedures were being followed.

CONVOY DELIVERY ADJUSTMENT: DESC-ME, in concert with the Iraq Sub Area Petroleum Office (SAPO), the 3rd Expeditionary Sustainment Command (ESC) and 330th Transportation Battalion (Trans BN) arranged to adjust convoy routes and procedures for fuel moving from Jordan to Iraq. Remarkably, this effort resulted in reducing total convoy travel time to Al TaQqedum by more than 12 hours, thereby increasing effectiveness and efficiency. This effectively freed-up additional truck assets that allowed greater fuel pushes and flexibility for the warfighter.

RED STAR/JLC PIPELINE: The Red Star Fuel Facility delivers unadditized TS1 jet fuel via pipeline to Bagram Air Field every day. It became fully operational in March 2008 and has had an unprecedented impact on fuel operations and support within Afghanistan. On average, Bagram receives 250K USG per day via the pipeline, although Bagram has received as much as 300K USG in one day through the pipeline. One of the most important aspects of this new method of delivery is that it has allowed the base to reduce the amount of trucks that enter the base each day. Approximately 40 fuel trucks per day no longer have to wait in

line outside the entry control point to be swept by security and force protection teams. By reducing the congestion at the Entry Control Point, trucks carrying additional classes of supply are able to access the base quickly, thereby improving Bagram's ability to receive and process material for its various customers.

U.S. EMBASSY KABUL, AFGHANISTAN LIAISON OFFICER (LNO): DESC-ME worked extensively with the Afghan ministries to address the political/military engagements and to facilitate the importation of fuel into the country in support of OEF. This effort included establishing effective working relationships with the Afghan Ministries of Finance and Foreign Affairs and assisting officials with developing rigorous border management procedures to ensure minimal operational impact to DESC suppliers. The DESC LNO also worked with senior embassy staff and coalition forces to clarify existing bilateral agreements and mentor the government of Afghanistan to grant exemptions from taxation to U.S. and coalition activities, contracts and contractor personnel. With the support of this team, Red Star successfully negotiated the abolishment of a 2% importation fee on TS1 imposed by the government, saving U.S. taxpayers over \$4.7 million per year.

U.S. EMBASSY, ISLAMABAD, PAKISTAN LNO: The DESC-ME LNO in Pakistan worked with the supplier Supreme, the American Embassy's economic section head, and a director of the Federal Board of Revenue to modify the export regulation, SRO 943, which posed difficulty in exporting fuel from Pakistan to Afghanistan. The original regulation would not allow fuel tankers to cross the border if the variance was 0.5% an unrealistic standard considering the condition of the fuel tankers and the harsh driving conditions. By bringing together the right people, the LNO was able to synchronize the viewpoint of the American economics section, the supplier's concerns, and the objectives of the Federal Board of Revenue to ensure the unimpeded delivery of petroleum products to the U.S. military in Afghanistan. All stakeholders were satisfied with the revision to a 1% variance, a waiver of 30 days,

and a revised regulation implemented 30 days thereafter.

HELIUM SUPPORT TO THE WARFIGHTER IN OIF/OEF: Aerospace Energy (DESC-M) OCONUS Bulk Helium support for the Air Force and Army Aerostat Programs and Weather Squadrons increased by 42% or 66,410 cubic meters in FY08. In OIF alone, through management of a challenging supply chain consisting of 91 Tube Bank Trailers and 81 High Pressure Cylinder Assemblies (HPCAs) between United Arab Emirates (UAE) and Iraq, DESC-M provided 113,695 cubic meters of helium to the Warfighter. During FY08, DESC-M took on the challenging endeavor of supporting bulk helium to the Army throughout the treacherous terrain of Afghanistan. This successful mission was made possible through the close relationship with our customer contractor support facilitating the delivery of 42,907 cubic meters of helium. The team overcame multiple challenges, laying the ground work for a successful mission with the increased requirements for the next FY.

SPECIALIZED HELIUM CONTAINER SUPPORT FOR WARFIGHTER: The DESC-M helium team designed and constructed special HPCAs for helium delivery in support of OEF. These HPCAs became popular with the many Air Force and Army Weather Squadrons in OIF during FY08. The team initiated procurement of 35 additional HPCAs to supplement demand with container support in OEF and fulfill new customer requests in OIF. All 35 HPCAs were manufactured and delivered to the field via airlifts within nine months facilitating mission success for the Warfighter. The helium team also located an additional 19 Tube Bank Trailers in CONUS and aggressively contracted out for refurbishment for the timely plus-up of customer requirements. During FY08, 16 of the 19 trailers have successfully been refurbished and airlifted to OIF and OEF, increasing the number of trailers in the supply chain from 75 to 91. This plus-up allowed for mission success with the demand of helium increasing by 42%.

DESC PROVIDES FUEL SUPPORT TO GLOBAL WAR ON TERRORISM (GWOT) UNDER AFGHANISTAN PROGRAM:

The Direct Delivery Fuels (DDF) support to Bagram Air Base, Afghanistan, garners a high level of attention from DLA senior leaders and the Combatant Commanders. The acquisition itself is highly complex due to geopolitical issues, performance metrics, sole source negotiations and seasonal disruptions. The program directly supports the GWOT and warfighters conducting OEF. The complexity of the acquisition is further exacerbated as Afghanistan has been in a state of war and turmoil for numerous years resulting in limited logistical infrastructure necessary to supply fuel to areas engaged in heavy combat with insurgents.

Planning for this acquisition began early and continued to evolve through the pre-award phase. Engaging the warfighter and collaborating with a cadre of subject matter experts strengthened our strategy and resulted in a resilient supply chain to the tip of the spear. Stakeholders include the Joint Logistics Command, USCENTCOM, the DESC Middle East Commander, contracting officials, as well as the DESC Operations Commander. The team incorporated lessons learned from the previous acquisition, several performance-enhancing innovations, and a requirement for mitigating the warfighter's exposure to supply disruption.

As a result of the team's leadership, the five contracts awarded, valued at \$1,175,561,946, met the strategic goals of the warfighter and DLA leadership. In addition, contracts were awarded in support of the Afghan First initiative totaling \$54 million, performance metrics were established incentivizing strategic storage, a second ground line of communication (GLOC) for JP-8 was established, which built resiliency into the supply chain, and the volume of strategic storage was doubled in overall quantity and proximity to base.

DESC PROVIDES FUEL SUPPORT TO GWOT UNDER DJIBOUTI PROGRAM:

The DDF Djibouti Program provides gasoline, diesel and jet fuel for Camp Lemonier, Djibouti, Africa. Camp Lemonier is a U.S. Navy base, specifically a Forward

Operating Site, situated in Djibouti and is home to Combined Joint Task Force - Horn of Africa (CJTF-HOA) of the U.S. Africa Command (AFRICOM). It was established as the primary base in the region for the support of Operation Enduring Freedom - Horn of Africa (OEF-HOA). It is a former military barracks of the French Foreign Legion. The competitively awarded contract is for a period of three years delivering an estimated 11,629,311 U.S. gallons of jet fuel (JA-1) valued at \$28,114,045.41, 58,712 U.S. gallons of premium unleaded gasoline (MUP) valued at \$140,601.79, and 8,362,632 U.S. gallons of diesel fuel (DF2) valued at \$19,178,422.09.

DESC PROVIDES FUEL SUPPORT TO GWOT UNDER QATAR PROGRAM:

The DDF Qatar program valued at \$410,716,444.35 provides commercially available ground fuels to USCENTCOM and the U.S. Air Force in Qatar in support of the GWOT, OIF and OEF.

Qatar Fuel, a majority state-owned petroleum company, is the only source for the Midgrade Unleaded Gasoline (MUM) and Summer-grade Ultra Low Sulfur Diesel (DF2) products required by USCENTCOM to support base operations. Within our Fuel Sales Agreement, the estimated requirement for the three-year performance period is 9,000,000 U.S. gallons MUM valued at \$29,262,348.00, and 95,155,000 U.S. gallons of DF2 valued at \$376,426,519. This fuel is necessary for base operations to continue without interruption. New initiatives for FY09 will be to implement the concepts obtained in Lean Six Sigma (LSS) and leveraging ground PORTs to improve the invoicing process and clear out historically high accounts payable outstanding.

In addition, DESC is permitted by the Qatari government to import aviation gasoline (AVGAS) competitively under a separate contract because Qatar Fuel does not supply this product. The AVGAS is shipped from a refinery in France via Intermodal Shipping Containers (ISOs) to the port of Doha, Qatar, where it is then transported to the Al Udeid Airbase. This two-year contract provides an estimated 775,000 U.S. gallons of AVGAS valued

at \$5,314,841. This fuel supports numerous Unmanned Aerial Vehicle (UAV) operations throughout the USCENTCOM area of responsibility (AOR).

COBRA GOLD 2008 EXERCISE: Continuing its efforts to support the warfighter, the DESC directed its efforts toward supporting the Cobra Gold 2008 Exercise in Thailand. The 2008 exercise is a joint-training exercise and humanitarian effort involving the U.S., Thailand, Singapore, Japan and Indonesia, in addition to other invited allied countries. Cobra Gold 2008 included field training through combined air, land and sea operations, command post exercises, and civic action projects. Through its participation, the U.S. continues to show dedication to promoting peace, serenity and security among the participating countries. DESC awarded contracts for 371,152 gallons of jet aviation fuel, 45,137 gallons of diesel fuel #2, and 3,270 gallons of regular unleaded gasoline, which were needed to meet the requirements submitted to support the warfighters during the operations.

RIM OF THE PACIFIC (RIMPAC) 2008 EXERCISE: DESC Middle Pacific expertly facilitated and coordinated fuel support for the U.S. Navy and Allied Naval Forces during RIMPAC 2008 Exercise. The Middle Pacific office coordinated the delivery of over 2 million gallons of JP-8 and JP-5 from Pearl Harbor to Marine Corps Base Kaneohe, Hawaii, to support surveillance aircrafts from the U.S. and Allied countries during RIMPAC 2008 Exercise, which is the largest multi-national fleet exercise in the world. Participants included 40 ships, 120 aircrafts and 18,000 Sailors from 10 countries.

SUPPORT OF QUARTERMASTER LIQUID LOGISTICS EXERCISE 2008 (QLLEX) AND CONCURRENT EXERCISES: DESC Americas supported the QLLEX and two concurrent exercises (Golden Coyote, Camp Rapids, SD, and Pacific Warrior, Fort Hunter-Liggett, CA). QLLEX is a key exercise for the Army Reserve petroleum supply and transportation units during summer annual training. U.S. Army Reserve (USAR) units

operate across the U.S. moving capitalized products from Defense Fuel Support Points (DFSPs) to various customer locations. The training involved 182 Army tanker trucks, 7 DFSPs, with the 475th Quartermaster Group (QM GP), Farrell, PA, providing command and control (C2). Our DESC QARs inspected each Army tanker for suitability to carry DESC product, passing an impressive 99%. Over 2,400 soldiers received critical training on fueling and convoy techniques and transported over 2.8 million gallons of fuel during the exercises.

SUPPORT OF ULCHI FREEDOM GUARDIAN 2008 (UFG-08): In August 2008, DESC Americas augmented DESC Korea in support of UFG-08, a U.S. Pacific Command (PACOM) CPX. UFG-08 exercised the defense of the Republic of Korea (ROK) employing provisionally organized U.S. and ROK national headquarters, with the U.S. military in a supporting role to the ROK military. DESC Korea supported the Korean Petroleum Support Center (KPSC) providing integrated petroleum planning and management to support Combined Forces Command-Korea. DESC Americas Operations Officer served as the DESC LNO to KPSC for the exercise.

SUPPORT FOR PANAMA EXERCISE (PANAMAX) 2008: PANAMAX 2008 was one of the largest multinational training exercises in the world, involving more than 30 ships, a dozen aircraft and 7,000 personnel from 20 nations. The exercise was conducted in the Caribbean and Pacific approaches to the canal, while land forces participated at Comalapa Air Base in El Salvador and Soto Cano Air Base in Honduras. The U.S. Southern Command (SOUTHCOM)-sponsored exercise focused on ensuring the defense of the Panama Canal, one of the most strategically and economically crucial pieces of infrastructure in the world. PANAMAX 2008 exercised ground, sea and air responses to any request from the government of Panama to assist in protecting and guaranteeing safe passage through the canal and ensuring its neutrality. The DESC Americas East Commander traveled to Panama to observe PANAMAX 2008 and receive a

site/mission orientation for the SOUTHCOM AOR. This visit coincided with the arrival of the Marine Vessel 'Houston', which successfully discharged 11.6M BBLs of JP-5 into DFSP tankage. Additionally, the Commander DESC Americas East met with CTF 43 and Naval Forces South (NAVSOUTH), managing PANAMAX 2008 logistics requirements. The group discussed possible improvements to exercise and operational support requirements. Productive meetings and discussions were also held with Parque Industrial Maritimo De Panama SA (DFSP contractor), ITS Caleb-Brett (DESC Laboratory Services Contractor) and GP Resources (DESC Bunker Contractor).

TRADEWINDS 2008 EXERCISE: The Tradewinds Exercise, celebrating its 23rd year, is a collaborative effort of the regional Security System Caribbean made up of militaries from several Caribbean countries, the U.S. Army, U.S. Marine Corps Forces South, and U.S. Coast Guard. The Tradewinds Exercise was under the sponsorship of the SOUTHCOM. The mission of the 2008 Tradewinds exercise was to enhance the Dominican Republic Army with the ability to conduct offensive counter narcotics operations. DESC worked diligently to secure contractors capable of providing the 50,000 gallons of jet aviation fuel and 18,000 gallons of diesel fuel requested to ensure mission success.

BALIKATAN 2008 EXERCISE: Since 1981, the U.S. and Filipino militaries have met to learn from one another and to improve their interoperability. In Filipino, the word Balikatan means "shouldering the load together" and the Balikatan 2008 Exercise was not different from any of its predecessors. The U.S. and Filipino armed forces conducted humanitarian assistance projects, such as offering free medical, dental and veterinary care, and constructing and repairing schools and other infrastructure in communities in need. This exercise also focused on training both forces to provide relief and assistance in the event of natural disasters and other crisis that could endanger public health and safety. To ensure success of the exercise, DESC successfully awarded fuel contracts to deliver 23,289 gallons of Fuel Oil Diesel

#2, 1,378 gallons of premium unleaded gasoline, and 106 gallons of jet aviation fuel. In addition to the above requirements, more than 500 additional gallons of premium gasoline and jet fuel were needed on a day-to-day basis.

SUPPORT OF MILITARY TRAINING EXERCISES/ MISSIONS IN ROMANIA AND BULGARIA: During 2008, DESC supported several military training exercises/missions in Romania and Bulgaria. These exercises represented requirements that were not covered under DESC's traditional purchase programs. Working with DESC-EU/ U.S. European Command (EUCOM), the DDF team was able to obtain contract support to MK Airbase, Constanta, Romania (493,900 gallons of diesel fuel) and Graf Ignatievo Air Base, Bulgaria (277,500 gallons of jet fuel, A1). The self proclaimed independence of Kosovo during DDF's procurement process presented a challenge; however, the PIA team was successful in procuring fuel for all military exercises/operations within this area of the world. The DDF team was pleased to note that in the Bulgaria area abundant competition was received for a location that traditionally had limited competition. DDF's direct involvement with suppliers in that area of the world in conjunction with maintaining a healthy working relationship with DESC-EU, contributed to this competitive support under this acquisition/program.

EUCOM INITIATIVE SUPPORT: In support of EUCOM's focus on developing capacity among new NATO partners, DESC-EU provided fuel support to service components for over 10 different exercises and weapons training deployments in Romania and Bulgaria including operations at Joint Task Force East. DESC-EU also supported Exercise Austere Challenge 08 (AC08), which simulated high intensity combat operations comparable to initial operations in Iraq. DESC-EU planners participated in all phases of planning and also deployed two operations officers with service components during the execution phase. AC08 led to the certification of the 6th Fleet as a Joint Task Force, 3rd Air Force as a Joint Forces Air Component Command, and 7th Army as the

Combined Joint Forces Land Component Command. In response to Russia's invasion of Georgia, EUCOM established an air bridge to deliver relief supplies to the people of Georgia. DESC-EU provided planning advice to the Joint Petroleum Office and identified fuel sources in Eastern Europe and Georgia to sustain the air bridge, which ultimately delivered over 1052 tons of relief supplies including rations, cots, blankets, tents and medical supplies.

OPERATIONS AND EXERCISE SUPPORT TO EUCOM, AFRICOM, AND USCENTCOM: Developed, managed and maintained the EUCOM/AFRICOM Class IIIB Exercise & Event Summary, a tool depicting upcoming exercises and important events impacting bulk fuel support throughout the theater. This summary was adopted as the common operational picture that EUCOM/AFRICOM utilized to manage and communicate bulk fuel requirements. The summary provided senior leadership with a comprehensive picture of upcoming exercises and events and alerted senior leaders to potential issues. Astute evaluation of the stated requirements in relation to sortie rates and fuel loads resulted in cost avoidance of an estimated \$947,400 in three separate exercises in Romania and Bulgaria. Operations Division also monitored contract lift status on the 2007-2008 Atlantic-Europe-Mediterranean bulk fuel contracts and ensured 100% of contract lift minimums were achieved. Over 566 million gallons, valued at \$1.08 billion, were lifted in support of EUCOM, AFRICOM and USCENTCOM activities. Operations Division also right-sized the DESC-EU leased rail tank car (RTC) fleet from 65 RTCs to 48, which resulted in savings of more than \$285,000 annually. The RTC fleet reduction was the result of a study that discerned the fleet was 60% idle at peak usage over the course of the last 3 years.

QUALITY PRODUCT SUPPORT TO EUCOM, AFRICOM, AND USCENTCOM: DESC-EU Quality administered quality assurance on over \$1.2 billion worth of contracts, including oversight on all fuel delivered via the Northern Ground Line of Communications into Northern Iraq in support of OIF. DESC-EU

Quality also conducted into-plane contract audits at 87 locations in 45 countries throughout EUCOM and AFRICOM. DESC-EU Quality operates a full service laboratory capable of testing gasoline, diesel and aviation fuels, which was recently recognized by the Institute for Inter-laboratory Studies for its "excellence" for the third straight rating period.

PRESIDENT OF THE UNITED STATES (POTUS) SUPPORT PROVIDED: DESC-EU supported four separate POTUS visits throughout EUCOM during 2008. The first and most challenging visit was President Bush's five country tour of Africa, including the countries of Benin, Tanzania, Rwanda, Ghana and Liberia, which resulted in the stand-up of Joint Task Force Nomad Fire to manage the massive operational and logistical effort. The entire DESC-EU team ensured bulk petroleum support in a resource-constrained environment and facilitated 129 strategic airlift missions in the delivery of over 1,664 short tons of cargo, 1,245 personnel to seven locations in six countries. The team was also directly responsible for ensuring on-specification fuel for Air Force One and the delivery of 2.3 million gallons of fuel at 15 locations in 14 countries. The Joint Task Force Nomad Fire Commander described DESC-EU operational, quality and contracting support as "magnificent." DESC-EU also supported Operation Noble Endeavor, for the POTUS visit to the NATO summit in Bucharest, Romania and a meeting with Russian President, Vladimir Putin, in Sochi, Russia. For this visit, DESC-EU and DESC DDF built fuel support plans for four locations in less than 3 weeks and ensured a projected 3.5 million U.S. gallons were delivered on time, responsively and on-specification to the customer. Quality Management also supported POTUS visits to both Israel and the European Union summit in Slovenia to round out a spectacular year for DESC-EU in direct support of the Commander in Chief. Our QARs overcame numerous scheduling and travel impediments and still provided timely service ensuring the fuel for Air Force One met the standards required for the safe movement of the President.

DESC PROVIDES FUEL SUPPORT UNDER ALASKA PROGRAM:

The DDF program in Alaska, valued at \$188,354,828, is a culmination of challenges due to the extreme nature of the Alaskan environment, the weather and diversity of the requirements themselves. Despite the complexity and challenges, DDF engaged the warfighter and collaborated with the various stakeholders to provide excellent service.

DDF Alaska contracts provided support for over 80,000,000 USG of ground fuel to numerous DOD activities and federal civilian locations (ie. FAA, National Park Service). This is done with 12 different contractors throughout Alaska. The success of the mission in Alaska depends on the hard work and dedication of the DDF team, along with insight from DESC Alaska (DESC-AK), the activities and our supplier base.

Through persistence, dedication and collaboration, this team developed a proven solution for ground fuel support in Alaska. The basis for success was founded by establishing a strong line a communication between the customer and DESC. This communication helped DESC to better understand the requirements and help the activities establish better requirements for themselves. Communication was also the cornerstone to success with the Alaskan vendors. The vendors are a source of knowledge that DESC uses on a constant basis to understand the conditions and situations that exist within the Alaskan area of operation.

SUPPORT TO ALASKA: During FY08, DESC-AK provided over 83 million gallons of product in support of operations in Alaska via tank truck, barge and pipeline to over 116 customer locations. Over 17 million gallons were supplied to Post, Camps and Stations (PC&S), which are spread across Alaska in remote locations that are subject to extreme weather conditions. DESC-AK provided fuel support to the 18 remote North American Aerospace Defense Command (NORAD) radar sites that are a critical piece of America's missile defense system. DESC-AK actively participated in Red Flag-Alaska, a series of Pacific Air

Forces command-directed field training exercises for U.S. forces, which provides joint offensive counter-air, interdiction, close air support and large force employment training in a simulated combat environment. DESC-AK also participated in the largest military training exercise in Alaska, Northern Edge 2008. This exercise involved more than 120 Air Force, Army, Navy, Marine, and Air National Guard aircraft. In FY08, arctic teammate Petro Star, Inc., accepted the challenge from DESC to establish JP-4 refining capability at Petro Star's North Pole, Alaska, refinery after the previous supplier opted out of JP-4 refining. From day-one, Petro Star demonstrated the highest level of customer service and commitment in providing this critical fuel to the arctic warfighter and has delivered the highest quality product, always on-specification and on-time to geographically separated customers located in interior Alaska. DESC-AK also provided JP-4 to Arnold AFB, TN, and Eglin AFB, FL, in support of aircraft engine research and development and testing. DESC-AK expertly provided laboratory testing for 49 customers including secure fuel operations for Air Force One. Furthermore, the DESC-AK laboratory saved an estimated 2 million dollars in reclaimed fuel in FY08. Keeping the arctic mission going, DESC-AK continued to support Clear AFS, Eielson AFB and Fort Wainwright power plants with over 480 tons of coal. The Air Force Contract Owned Government Operated (GOGO) bulk aviation and bulk ground fuel storage sites at Elmendorf AFB and Eielson AFB were transformed into DESC managed Contract Owned Contract Operated (GOCO) facilities. DESC became responsible for the operation and performance of maintenance at these bulk storage facilities, which accounted for over 58 million gallons of Defense Working Capital Fund-owned (DWCF) petroleum products. The DESC-AK Operations non-commissioned officer in charge (NCOIC) deployed to the CENTCOM AOR in support of OIF and OEF providing outstanding support to the DESC Bulk Fuel and Bulk Helium Support Mission. Finally, FY08 saw an end to "Cool Barge" operations supporting 611th Air Support Group's forward

operating location at Galena Airport, Alaska. This critical mission dates back to the early days of World War II. In accordance with the 2005 Base Realignment and Closure Commission, 611th turned over the keys to the town of Galena. Thanks to the hard work of the DESC-AK team, Galena's closure was truly a win-win situation for the Air Force, the Galena community, and the state of Alaska. The installation was transformed into the Galena Interior Learning Academy, which now houses over 250 students in energy efficient dormitories and a larger dining facility capable of feeding all of the students and faculty at one time.

SUPPORT TO JAPAN: With a staff of 10 professionals, DESC Japan managed the throughput of 422 million gallons of petroleum and cryogenic products worth \$1.8 billion to 15 DFSPs, supporting 518 customers and 107,000 DOD employees across Japan. Challenged with typhoons, earthquakes and roadblocks, the DESC Japan team ensured their customers received the right product, in the right place, at the right time. They also helped re-establish critical into-plane refueling services at Haneda Airport, Tokyo's second largest International Airport. They reconciled fuel product transactions under the Acquisition and Cross-Servicing Agreement, Foreign Military Sales Program and International Fuel Exchange Agreement, recouping \$17.3 million replacement-in-kind (RIK) transaction replacing 267,963 gallons of JP-8 to the host nation of Japan. Their quality assurance team supported U.S. Presidential visits to Japan in support of the G-8 Summit and China during the 2008 Olympic Games. Their petroleum distribution team assisted with the awards of three new PC&S contracts, which proved critical in meeting 99.6% of customer identified requirements and ensured activities were able to meet strict sulfur emission laws. The contracts also shifted a heavy fuel distribution workload off of the U.S. Army. DFSP Okinawa installed a \$4 million ocean tanker single point mooring buoy system, which provides critical strategic JP-8 product distribution to the island region. The U.S. Air Force received much needed relief when DESC launched two Bulk Storage Operations and

Maintenance contracts at Kadena and Misawa Air Bases. Finally, Japan bid fond farewell to the USS Kitty Hawk and welcomed the nuclear powered USS George Washington, the only permanently forward deployed aircraft carrier in the American naval fleet.

SUPPORTING OPERATIONS IN KOREA: DESC Korea provided continuous monitoring and oversight of over 113 million gallons of DESC inventory, maintained at 32 locations valued in excess of \$281 million. DESC Korea supported U.S. Forces Korea (USFK) by directing movement of over 85 million gallons of bulk fuel by rail, tank truck and over 23 million gallons of JP-8 were moved via pipeline. The team was responsible for providing wholesale fuel and energy solutions to 35,000 military, DOD and other Federal Agency employees. DESC Korea also managed the PC&S contract, valued at almost \$72.5 million, the Ulsan SK JP-8 contract, worth an estimated \$335 million, and the Daesan Hyundai barge contract, worth \$35 million. Additionally, DESC Korea directed a network of 32 accounts with a volume of more than 200,000 fuel transactions annually, valued at \$370 million while consistently achieving average account reconciliations above 94%. DESC Korea was also accountable for the planning, directing and execution of bulk fuel activities for 2 Operational Plans (OPLANS) that support PACOM, United Nations Command, U.S. and ROK Combined Forces Command and USFK. Prior to 2008, DESC Korea's existing contracts did not contain contingency clauses. Contingency clauses have been developed and approved, which will be included in current and future contracts. Republic of Korea Ministry of National Defense (ROK MND) confirmed it will review submissions and fill requirements to continue supporting our armistice contractual needs under a state of emergency or contingency. ROK MND may assign the same contractor and their subcontractors to fulfill our contractual requirements in a contingency, or they may assign different commercial assets to fulfill our contingency needs, depending on the supportability of the clause by the contractor. Several facilities projects came to fruition during FY08 to include a \$721,000 transfer pipeline

replacement from Pyongtaek DFSP to the hot refuel point at Camp Humphreys. Due to this upgrade, fuel is transported via pipeline rather than trucks, saving the DOD both manpower and an annual cost of \$150,000. Another completed project transpired at Camp Casey. This project consisted of installation of receipt and issue filtration separators, a water removal/product recovery system, pantograph bottom loading arms on 4 fill stands and off-loading arms on 5 JP-8 rail car off-loading headers. This new capability allows the U.S. Army to distribute aviation grade fuel throughout the northern ROK region. The final project accomplishment by the DES, DESC team was a \$2.2 million hydrant refueling system repair at Kunsan AB. This involved replacing flow controls to include modified piping, valves, product recovery tank, back pressure control valve, programmable Logic controls and pantographs. The DESC Korea team assured the quantity and quality of 14 pipeline shipments with over 23.2 million gallons JP-8, worth over \$79 million and 4.1 million gallons DPK worth 13.5 million. In addition, we assured the bulk fuel tanker and barge loading of over \$598,000,000 of quality bulk fuel and improved South-North pipeline shipment procedures resulting in zero out of tolerance gains or losses in FY08.

PROPELLANT SUPPORT FOR LAUNCHES: DESC-M supported 23 government and U.S. commercial launches, and many of their payloads with propellant and pressurants during FY08. Launches included four shuttles, seven Delta II rockets, four Atlas V rockets, one Delta IV rocket, two Falcon I rockets and five Sea Launch Zenit rockets. DESC-M supports launches with propellants such as aerazine 50 hydrazine, dinitrogen tetroxide and RP-1 rocket propellant. Pressurants provided by DESC-M include gaseous helium, gaseous and liquid nitrogen. Some launch vehicles are also supported with ground support propellant equipment. NASA vehicles and satellites lofted by these vehicles included the Gamma-ray Large Area Space Telescope observatory, the Kibo science laboratory module and robotic arm system for the International Space Station, the Japanese experiment logistics

module, the Jason 2 spacecraft to measure sea surface height, and the European Space Agency's Columbus science laboratory module. DOD payloads included classified payloads for National Reconnaissance Office and military payloads for NAVSTAR Global Positioning System Block 2R military navigation satellites, the final Defense Support Program missile-warning satellite and the first Wideband Global SATCOM communications spacecraft. Commercial launches supported the Galaxy 18 & 19 communications satellites for Intelsat, the GeoEye 1 Earth-imaging spacecraft, the EchoStar 11 direct-to-home television broadcast satellite, the ICO G1 mobile communications satellite, the DirecTV 11 direct-to-home television broadcast satellite, the Thuraya 3 mobile communications satellite, and the Italian COSMA-SkyMed radar Earth-imaging satellite.

INTERNATIONAL AGREEMENTS SUPPORT: DESC-EU hosted two fuel exchange agreement summits that included NATO foreign government marine and aviation fuel customers. Participation included current agreement partners (United Kingdom, Turkey, Italy, Greece, France, Spain and Canada) as well as military petroleum representatives from Germany, Poland, Romania and Slovenia. The focus of these summits was on standardizing mutual fuel support across NATO and other non-NATO countries. This team effort included DESC-EU, DESC International Agreements (DESC-BGI) and DESC Retail Management (DESC-RR). The member countries seek to standardize strategic business relationships between the parties. The efforts were instrumental in recouping over \$150 million into the DESC Defense Working Capital Fund.

DESC FEMA CONTINGENCY TEAM SUPPORTS 2008 ATLANTIC HURRICANE SEASON: The 2008 Atlantic hurricane season was a busy one with 16 named storms and 8 hurricanes with 5 of them being major Category 3 or above storms. DESC was engaged, before and throughout the season, with FEMA to ensure effective FEMA contingency support. The DESC FEMA Contingency Team includes a mix of headquarters and regional

support members. A FEMA contingency contract was set up to support FEMA response during a hurricane or other natural or man-made disasters. Foster Fuels was under contract with DESC in FY08 to provide contingency contract support to FEMA in the event of natural or man-made disasters in FEMA Region VI (TX and LA) and FEMA Region IV (MS, AL, FL, GA, SC and NC) with the primary regional threat of hurricanes. A contingency contract was established well in advance of any contingency. It proved to be beneficial for all stakeholders as it allowed DESC and FEMA to focus on operations rather than how to administratively support such a contingency. Leveraging DESC's ground fuels PORTS system to place orders effectively standardized the ordering process and further enhanced responsiveness and execution. In addition, the team conducted a proof-of-concept drill at Meridian NAS, so if a real life contingency happened they would be prepared and able to ensure all objectives and requirements were fully met. The drill allowed intra-governmental cooperation and the incorporation of lessons learned, which ultimately paved the way for successful execution when our country needed us most. DESC successfully supported back-to-back contingencies (Hurricanes Gustav and Ike) in 2008 through a developed and proven solution for ground fuel support and strong command and control. Hurricanes Gustav and Ike affected the Gulf Coast (TX and LA) by shutting down 13 refineries, totaling 2.5 million barrels per day of capacity and reducing operations levels at 10 additional refineries. Ultimately Gustav and Ike produced no adverse impacts to DESC Americas DFSPs, QARs or operations. DESC Americas supported the hurricane requirements by deploying to the Continuity of Operations Plan (COOP) site in San Antonio, dispatching DESC LNO to NORTHCOM headquarters and pre-positioning QARs as FEMA LNOs to continually monitor contract performance on site and resolve communication barriers. DESC monitored the contract's performance 24/7, ensured adequate funding and seamlessly placed orders to support growing requirements that emerged as a result of back-to-back presidentially declared disasters. DDF's

contingency contract provided support for 123,393 USG of ground fuel to 9 National Logistics Staging Areas (NLSAs) to provide essential resources needed for evacuation, search and rescue and forward positioning of critical supplies. Support was continuous for 47 days.

DESC ACTIVATES AND VALIDATES COOP: DESC Americas validated the ability to operate from the COOP location twice during the 2008 Atlantic hurricane season, deploying to the COOP in response of two storms that threatened the Gulf Coast. DESC Americas' COOP site is located at DESC Aerospace Energy, San Antonio, TX. DESC Americas first operated from the site in support of Hurricane Gustav, which made landfall in September 2008, 35 miles southwest of New Orleans, LA. The second time DESC Americas operated from the site was under the worst-case scenario of a major storm strike to Houston and Galveston (Hurricane Ike) in September 2008. Both COOP activations allowed DESC Americas to provide support to FEMA and national response efforts in the Gulf Coast region. On both COOP iterations redeployment from the COOP site back to Houston was completed without incident.

DESC AMERICAS FLAGSHIP TERMINAL (DFSP HOUSTON) DAMAGED BY HURRICANE IKE: DFSP Houston, the DESC Americas flagship hub terminal, located along the Houston Ship Channel, was knocked out of service by eight feet of flood waters from Hurricane Ike. DFSP Houston, a COCO terminal owned and operated by Magellan Midstream Partners Inc., reported the truck rack was damaged along with Tank 361 (JP-5, 51 MBBLs), and Tank 363 (F-76, 51 MBBLs), and were floating from their foundations as a result of heavy flooding to the terminal. The terminal also lost power due to the storm. As a result, the DESC Americas East Distribution Team, in concert with DESC Bulk Fuel and Tanker Branch, developed a contingency plan to sustain the mission. After several weeks and around-the-clock recovery operations, DFSP Houston finally returned to operational status and with a 25M-BBL Colonial Pipeline batch, headed on a

21-day journey to the Norfolk Naval Base, VA.

DESC SUPPORTS CALIFORNIA WILDFIRE RELIEF: As was widely seen throughout the nation, the state of California was the scene of one of the largest wildfire on record October, 2007. It was reported in the press that at least 1,500 homes were destroyed and over 500,000 acres of land burned across southern California, creating a need for rapid relief efforts. DDF was called to assist with emergency fuel requirements identified at Camp Pendleton Marine Corps Base, as all electrical power had been lost at the base due to the uncontrolled wildfires that ravaged the area.

The DDF fuels team for California started making calls to the vendors to identify those willing to support Camp Pendleton and make arrangements for fuel to be delivered to Camp Pendleton's power generators for area 43. Fuel deliveries to Camp Pendleton continued uninterrupted until the San Diego Gas & Electric restored power to the base.

AFRICOM JOINT PETROLEUM OFFICE OPERATIONAL: AFRICOM was declared a unified command in October 2008. DESC-ME and DESC-EU inventory managers, QARs, contract technical representatives, and operations officers' counterparts worked together to achieve a smooth transfer of responsibilities from DESC-ME to DESC-EU as the HOA shifted from USCENTCOM to AFRICOM. AFRICOM has administrative responsibility for U.S. military support to U.S. government policy in Africa, to include military-to-military relationships with 53 African nations. Through the DESC LNO to EUCOM, DESC-EU helped establish a JPO within the AFRICOM logistics division. A dedicated DESC LNO to AFRICOM is assigned to the AFRICOM JPO, which augments its U.S. Navy JPO chief and U.S. civilian logistics planner. AFRICOM JPO has already played a significant role in improving support to Camp Lemonier, Djibouti and in supporting the U.S. Navy African Partnership Station activities in the Gulf of Guinea.

AFRICOM STANDS UP: As AFRICOM stood up, it became

increasingly important to gain additional insights into the petroleum market in the Africa region. DESC's Bunkers Branch (DESC-PHB) led the efforts to gain this perspective to aid in addressing the many challenges facing fuel procurement in the area such as fuel specifications, security, infrastructure, business practices and competition. An extensive market research effort commenced November 2007 with a requirements briefing to Navy 6th Fleet in Naples, Italy, and the release of a Request for Information. Results were analyzed and used to solidify final requirements, which were briefed during the EUCOM Petroleum Logistics Conference in March 2008. Subsequently, a competitive solicitation was issued to pursue coverage through the AOR for over 90 line items within 15 countries. Additionally, in partnership with key customers, fellow DESC counterparts, and industry, DESC-PHB was able to plan and execute two success pre-proposal conferences, one at the Worldwide Energy Conference and one in Cape Town, South Africa. Thus far, during the process of rigorous fact-finding and negotiations, potentially more than 50 line items have already been targeted to utilize the new open market functionality under the SEA Card® OM Program, with a DESC-PHB contracting officer awarding and administering a lion's share of the orders. Although additional activities are still ongoing, it is anticipated that AFRICOM will be able to operate its mission with the confidence that mechanisms to obtain fuel are ready.

CAPITALIZATION ENHANCEMENT: At the request of Multi-National Forces Iraq (MNF-I), a team from DESC-ME visited eight bases during the period of 29 Jan - 28 Feb 08 to ascertain the readiness of those sites for capitalization. Immediate solutions were provided and out briefs were conducted with each command to provide follow-on guidance to prepare to meet DESC capitalization requirements. Three bulk sites (Al Asad, TaQudamam and Speicher) were capitalized in June 2008, and seven retail sites were brought under the umbrella of existing capitalized bulk sites. The upfront efforts of the DESC-ME team greatly contributed to the successful transition from Service accounting responsibilities

to DESC accounting responsibilities.

HISTORIC AVIATION SYNTHETIC FUEL PROCUREMENT: DESC-EU performed quality assurance on the first-ever procurement of Fischer-Tropsch ISO-Paraffinic Kerosene (FT-IPK) from SASOL Oil Ltd, in Johannesburg, South Africa. This Fischer-Tropsch processed synthetic aviation fuel (synfuel) supports the U.S. Air Force synthetic fuel initiative and its program to test, evaluate and certify aircraft using a 50:50 synthetic fuel blend. In late July 2008, a DESC-Europe QAR witnessed the sampling, testing and loading of 12 intermodal containers (60,000 USG) of the FT-IPK at the SASOL Oil Secunda, South Africa refinery. The product met the specification requirements and the QAR accepted the product on behalf of DESC.

DESC HELPS INCREASE SOUTHCOM MARITIME LOITER TIMES: In 2008, the SOUTHCOM Commander established a bilateral Memorandum of Understanding (MOU) for the Chilean Navy to provide at-sea replenishment support to SOUTHCOM maritime operations. DESC Americas and DESC headquarters worked with SOUTHCOM to increase the number of bunker locations a Chilean Navy oiler could use to perform resupply missions in the SOUTHCOM area of focus. DESC teamed to coordinate Marine Gas Oil (MGO) fuel requirements from DESC Bunker locations and then reconcile transactions. The MOU was for 90-days and ran from 1 Feb – 30 Apr 08. The Chilean Oiler, Araucano, increased the operational and maritime loiter time for U.S. counter-narcotic maritime forces.

DESC'S UTILITY PRIVATIZATION PROGRAM: FY08 was another banner year for DESC's Utility Privatization Program. During the FY, DESC's dedicated team of contracting and engineering professionals privatized 4 utility systems for the U.S. Army and 2 for U.S. Air Force. The total contract value for utility services to be provided is over \$706 million. Working with DESC as its appointed contracting agent, the teams were able to meet the Army's and Air Force requirements.

DLA PARTNERS WITH THE U.S. AIR FORCE FOR UTILITIES PRIVATIZATION: On Sept. 17, 2008, the DESC Director met with the Deputy Air Force Civil Engineer to sign a Memorandum of Agreement (MOA). This MOA establishes the partnership between the U.S. Air Force and DLA under which DESC will provide Utilities Privatization contracting support services through FY17. This agreement expands DLA's support mission from a pre-award focus, to include the administration of awarded Utilities Privatization contract services and covers approximately 172 utility distribution and collection systems in the Air Force Utility Privatization Program. This is a yet another step toward developing future partnerships between the Services and DESC for utility energy services, renewable energy, alternative fuels and Energy conservation measures.

NATURAL GAS: During the previous FY, DESC's Natural Gas team completed a comprehensive solicitation process review, which resulted in several improvements to its already successful practices. Of particular importance, this review helped the team identify opportunities to streamline its solicitation with more efficient and effective processes that were focused on commercially accepted standards. With contract performance set to expire September 2008, DESC's Natural Gas team implemented these new process improvements and issued its largest natural gas solicitation to date. These events promoted the successful award of over 112 million dekatherms of natural gas at an estimated \$1.1 billion. Additionally, the team experienced a 23% increase in competition from the previous procurement, including a 17% increase from small businesses.

INVENTORY ACCOUNTABILITY MISSION: DESC Americas began planning to organize for success early in 2008 relative the taking on new responsibilities associated with the impending decentralization of the Inventory Accountability (IA) mission. IA implementation and associated personnel actions included the transfer of responsibility from DESC DFSP Management (DESC-N) to DESC Americas for end-of-

month (EOM) reconciliations for 169 sites in July, November and December. DESC Americas East assumed reconciliation responsibilities for the last 125 sites in January 2009. At the conclusion of all transfers, DESC Americas East will be responsible for reconciliation of 294 locations and 1,082 accounts. Also in FY09, DESC Americas West will begin transfer of the Kinder Morgan distribution systems and Direct Deliver and West Coast Barge/Pipeline. The new IA teams aggressively work ledgers in order to head off any difficulties with timely EOM reconciliation, out-of-tolerance gains or losses, and/or excessive variances for all movements. Hiring actions and an office expansion were necessary as the total DESC Americas end-strength will grow by 13 to accomplish the new IA mission.

INITIATION OF INSTALLATION LEVEL REVIEW (ILR) IN SUPPORT OF THE SUSTAINMENT, RESTORATION AND MODERNIZATION (SRM) PROGRAM: The ILR is a five-year cycle of visiting all DOD installations holding DESC fuel in government owned real property and assessing the condition of fuels infrastructure. The overall goal of the ILR is to assist DESC in programming funding to bring Service owned fuel systems storing and distributing DESC capitalized fuel into compliance with appropriate operating standards. In February 2008, DESC awarded a contract to a contractor team of BAH, DRS-TSI, RK&K, and Encore for the performance of the ILR at POL facilities on military service installations. ILR data is entered into the SRM database called SRM-E. There are 489 installations scheduled for visits with the goal of completing the assessments by mid 2011. By the end of FY08, 90 sites had been visited.

U.S. AIR FORCE GOVERNMENT OWNED CONTRACTOR OPERATED BULK STORAGE: DESC awarded 21 contracts valued at \$90,255,676 for contractor provided bulk aviation and ground fuel storage operations and maintenance at 46 Air Force bases worldwide. This is a significant change in responsibilities for both the Air Force and DESC. The program supports DESC's expanding role to provide total supply chain management. This

program also facilitates Air Force compliance with Program Budget Decision (PBD 720) manpower reduction requirements by shifting personnel from support capabilities to war fighting capabilities. The effort is projected to save the DOD \$135 million.

RESOLVING CHALLENGES IN JAPAN PROGRAM: Historically, the DESC-PLB has been faced with numerous challenges in supporting both ultra low sulfur diesel and motor gasoline requirements in Okinawa, Japan. Lack of vendor availability, stricter environmental regulations calling for the reduction of sulfur in diesel fuel, and the pending sale of the only refinery on Okinawa, made it imperative that the contracting team make fuel support in Okinawa a high priority. In the end, DESC was able to negotiate a contract to support the MUM requirements on Okinawa for a 12-month period. This provided a short-term solution, which would allow the contracting team to regroup and reassess support capabilities on the island. To effectively deal with the issues, the team met with several vendors. Additionally, the team received word the new owners of the refinery in Okinawa were very interested in doing business with DESC. Since then, DESC-PLB has awarded over 20 million gallons of MUM and 8 million gallons of FJ-1 to three vendors.

NEW DINITROGEN TETROXIDE (N2O4) CARRIER CONTRACT: A new contract to haul Dinitrogen Tetroxide (N2O4) in bulk trailers was awarded to Superior Carriers, Inc. Superior, which has a carrier terminal in Sulphur, LA, showed transportation cost savings because their terminal is in close proximity to DESC-M's N2O4 supplier in Yazoo City, MS. Superior has hauled N2O4 for DESC for many years and proved again that their line haul service cost is a best value to the government.

DESC SUPPORTS THE ECONOMIC CORE: In accordance with the Small Business Act, it is the policy of the government to provide maximum practicable opportunities in its acquisitions to small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small

disadvantaged business and women-owned small business concerns. Such small businesses must also have the maximum practicable opportunity to participate as subcontractors in the contracts awarded by any executive agency, consistent with efficient contract performance. The government recognized early on that the small business was at the very core of the U.S. economic stability. In order to facilitate the participation of small businesses in federal contracting, the Small Business Specialist (SBS) was created. The SBS's primary function is to be the bridge that connects the small business community to the federal contracting community. The SBS utilizes several means of outreach (counseling, conferences, focus events and roundtable discussions) to engage, educate and empower the small business community. Counseling and roundtable discussions are designed to provide the small business with technical advice regarding the federal contracting process, information on the agency, and a platform to be heard. DESC has held over 21 counseling and roundtable discussions for every category of small businesses. Many of these included contracting representatives from the different Commodity Business Units (CBUs) within DESC and focused on alternative energy (biodiesel B20), GOCOs and environmental remediation service type contracts. These efforts have assisted tremendously in increasing the industrial base to support DESC's mission. Additionally, it provided the small business community with the necessary resources to compete for opportunities with DESC.

DESC'S SUBCONTRACTING PROGRAM: The mission of the Small Business Office's Subcontracting Program is to ensure that domestic small businesses receive a fair and equitable opportunity to participate in requirements awarded by DESC, including subcontracts resulting from award of prime contracts. A major role of the Subcontracting Post Award Team is conducting reviews of DESC Prime Contractors small business and subcontracting programs. The Small Business Program Review can have a significant impact on the way a large contractor administers its

small business program. Reviews by DESC, the Small Business Administration or Defense Contract Management Agency are often the only formal evaluation of a contractor's compliance with its subcontracting plans. Areas addressed during the reviews are; sourcing, the SBS may be able to help a contractor to identify resources to locate small business concerns for its current or future contracts; validation of the Subcontracting Reports for Individual Contracts/Summary Subcontract Reports (ISR/SSR); trend analysis, the contractor's performance for the past five years (or for as many years available); and overall evaluation of the contractor's subcontracting program good faith efforts in providing Small Businesses an opportunity to compete. The use of the DoD Mentor Protégé programs is being stressed for credits against subcontracting goals during program reviews. DESC's Small Business Office (DESC-DU) conducted 27 Program Reviews during 2008. The Post Award Team also conducts Subcontracting Orientation and Assistance Reviews (SOARs). A SOAR is a less formal process/visit to a contractor facility to provide assistance to the contractor in elevating its small business program. In most cases, a SOAR will be a site visit conducted on an as needed basis to encompass a variety of purposes, such as discussing a problem with the ISR/SSR detected during a Performance Review, discussing the required capabilities of small business sources for an upcoming or current project, training or informing the contractor on new small business program issues such as a new goal category or new legislation, and getting further acquainted with a new company such as touring the plant or meeting with their buyers and the company's small business liaison officer. DESC-DU conducted 11 SOARs during FY08.

In preparation for the Electronic Subcontracting Reporting System (eSRS) to be implemented in October 2008, members of the Post Award Team attended training sessions both in-house and offsite to enhance knowledge of the system and processes. eSRS is an internet-based tool created to streamline the process of reporting on subcontracting plans and provide agencies with

access to analytical data on subcontracting performance. eSRS is the mandatory postaward system for all DOD. Initial training to DESC's acquisition workforce was held in July 2008. The training was presented by representatives from the Office of the Secretary of Defense and the Business Transformation Agency. 82 DESC employees attended this initial training where contracting officers and contract specialists were trained on specific actions required by their assigned role as either a Contracting Official (CO) or Designated Government User (DGU). Online training was conducted by the Small Business Office for members of the DESC Acquisition Workforce who were unable to attend the presentation. All contracting officers and contract specialists are required to complete training prior to registering for system access. Additional training was facilitated by the Subcontracting Program Manager for non-DESC employees assigned to other DLA agencies who were also preparing for eSRS implementation. Over 150 employees and 20 vendors were successfully trained on the registration and use of the system. Training is ongoing for DESC employees who have not had an opportunity to attend any of the prior sessions. Assistance is also being provided to vendor personnel with system difficulties or misunderstanding of their reporting requirements in eSRS.

DESC SMALL BUSINESS CONFERENCES: DESC hosted two Small Business Networking and Training Conferences in Baton Rouge, LA, in December 2007 and Naperville, IL, in June 2008. DESC's primary objective for these conferences were to enhance small business services in the areas of: petroleum refineries/terminals in the production of aviation fuels, aviation gasoline, Naval Fuel Distillate (F76), gasohol, gasoline, diesel fuels, heating oils, and alternative fuels (biodiesel "B20", ethanol "E85"); suppliers of natural gas; producers of aerospace fuels to include liquid propellants, non-propellant cryogenics and compressed gases; suppliers of electricity including wind, biomass and geothermal renewable energy; suppliers of coal; managers of GOCO/COCO storage terminals; and utility privatization

services. Breakout sessions were held by representatives from DESC CBU's, the Small Business Administration, Procurement Technical Assistance Centers, DLA and DESC Small Business Offices to provide training and opportunities for vendors to ask questions, develop partnerships and to network with other vendors and government officials.

INDIAN HEALTH SERVICE SYMPOSIUM: In an ongoing effort to enhance customer relationships and acquire new customers, DESC-PLB sent a representative to the 2008 Indian Health Services Procurement Symposium in Rapid City, SD. This symposium was an opportunity to further strengthen DESC's relationship with this key non-DOD partner. The Indian Health Service Symposium was attended by 50 Indian Health Service and Bureau of Indian Affairs representatives from throughout the Customer Organized Group 6 region. Currently, DESC provides fuel support to a host of Indian Health Service and Bureau of Indian Affairs locations in North and South Dakota, Minnesota, Nebraska, and New Mexico. Many of the requirements DESC supports were as a result of the last procurement symposium held, and DESC's support has continued to steadily increase.

EXECUTIVE AGENT PROGRAM: The DESC Executive Agent Office (DESC-X) and the bulk petroleum community represented by the Component Steering Group (CSG) continued to move forward on important issues.

The Terminal Operations Service (TOS) effort to develop a standard performance work statement for DFSP service contracts produced a basic module ready for coordination.

Resupply of Petroleum, Oils and Lubricants (REPOL) reporting via a SIPRNET web-based construct, begun under the old Information Management Integrated Process Team, was finally brought to fruition by DESC's Contingency Plans and Operations Division (DESC-DL). The Joint Staff informed the CSG that the COCOMs would begin using the new REPOL in early FY09.

In support of the DLA Fusion Center, DESC-X coordinated and

set in motion the Bulk Petroleum Common Operating Picture (BP-COP) initiative. The contracted effort provides the basis for a functional requirements definition. The information contained in the study serves as a starting point for future development efforts in support of DESC and DLA efforts through the Information Technology Capability Request (ITCR) process.

The Bulk Petroleum Automatic Identification Technology (AIT) initiative began with a Concept of Operations (CONOPS) study to identify appropriate AIT baselines within the community. The purpose of the effort is to further enhance bulk petroleum operations and safety, increase data capture accuracy and potentially reduce manpower. Further study is planned to achieve the objective of applying AIT media where it is effective and prudent to improve bulk petroleum supply chain management.

The First Article Test (FAT) was completed on the initial collapsible fuel storage tank (bladder) built to the new collaborative joint specification. DESC-X provided Executive Agent (EA) funding for the testing of two out of the four U.S. Army TACOM contracts awarded for such bladders. In FY08, FATs were the beginning steps toward standardizing tactical fuel storage.

In an effort to further enhance bladder performance, DESC-X awarded a Congressionally-mandated Research and Development effort in the amount of \$1 million. The project will continue for 12 months and produce technical report documenting viable improvements to bladder fabrication techniques and tank design.

TEMP & API COMPENSATING METER PROJECT: In 2008, DESC-X initiated a DESC Americas proposal to install Temperature and API Compensating Meters (TACMs) at six locations in the DESC Americas. The \$600,000 TACM program is managed by DESC-X and will collect 6 months of data at each location. DESC Americas West took the lead and established the test bed that included one Navy, one Marine Corps, one Army, two Air force and one DFSP location. The data collected at each site is being examined for inventory accuracy and transaction timeliness. The data on Camp Pendleton, CA, and DFSP San Pedro, CA,

has been collected and DESC representatives, along with DLA Office of Operations Research and Resource Analysis (DORRA) representatives met at DFSP San Pedro, CA, to discuss the TACM program managed by DESC-X. The group examined several scenarios and analyzed meter technology to determine best value. Tank truck loading and unloading procedures were monitored at DFSP San Pedro and Camp Pendleton, CA, and the data is under reviewed for loss/gain determination.

The TACM program is expected to show that TACMs are significantly better than the status quo Automatic Tank Gauge or hand gauging after receipts for quantity determination. The remaining locations will be examined in 2009.

ENVIRONMENTALLY PREFERABLE F-76: In FY08, the maximum sulfur content of NATO Code F-76 ship's propulsion fuel was reduced from 1.0% to 0.5%. The 1.0% maximum limit had been in effect for 50 years prior to 2008, however, in step with worldwide reduction of sulfur content in distillate fuel grades, DESC implemented lower sulfur F-76 across the spectrum of worldwide bulk fuel contracts. DESC'S Quality & Technical Support Office kept the customer (Navy) apprised of the progress of this conversion and briefed Allied Navies regarding this important transition. The Navy's move to lower sulfur F-76, as documented in specification MIL-DTL-16884L, contributes to reduced levels of acid rain and supports the goals of the 1999 Gothenburg Protocol.

BIOMASS TO ENERGY PROGRAM: DESC, the U.S. Army and Bell Bio Energy are partnering to demonstrate the capability of Bell BioEnergy's biomass to energy platforms at six Army installations and one DLA location (DFSP San Pedro). The Army installations are Fort Bragg, Fort Lewis, Fort Stewart, Fort A.P. Hill, Fort Benning and Fort Drum. If the technology is proven to be successful, the supply chain can be reduced by taking biomass in the area of operation and converting it to fuel at forward operation

bases.

DINITROGEN TETROXIDE (N2O4) AND HYDRAZINE CONTAINER MEETING: DESC-M invited all N2O4 and Hydrazine customers, suppliers and manufacturers to attend and participate in the annual N2O4 and Hydrazine container meeting held at DESC-M, in San Antonio, TX, October 2007. The meeting was an excellent opportunity for all users to openly discuss container issues and get a chance to meet and network with DESC-M and industry counterparts. Container issues such as cylinder loading and unloading procedures, cylinder handling procedures, leak testing, standard prices, plant, property and equipment accountability, Department of Transportation (DOT) dockets, special permits and approvals and future endeavors were discussed.

PERSONNEL DEPLOYED IN SUPPORT OF OIF/OEF: In 2008, DESC Americas had three personnel in theater supporting OIF and OEF. The DESC Americas Operations Officer returned to the Houston office in February 2008 after 6 months as the DESC LNO to MNF-I, DLA Contingency Support Team-Iraq (DCST-Iraq). In July 2008, DESC Americas mobilized one of their USAR officers for a 1-year tour as the Executive Officer in DESC-ME. Finally, in October 2008, DESC Americas deployed their U.S. Air Force QAR for a 6-month tour in support of the DLA Support Team-Iraq (DST-Iraq) mission in Baghdad.

PERSONNEL PROVIDED FOR DLA INITIAL RESPONSE TEAM (IRT): DESC Americas identified four personnel as Class III Specialists, each to be a part of a 5-member multi-discipline DLA Initial Response Team (IRT) . DLA IRTs are comprised of a select group of experts from across the agency that must be prepared to deploy within 24 hours of notification and establish the initial communication lines between the Combatant Commander, Joint Task Force, or federal agency, and the DLA Director. These select volunteers serve 1-year tours and form an enthusiastic team that provides continuity and an immediate source of information

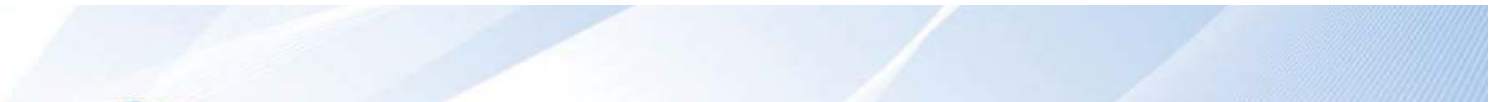
on DLA products and services. IRTs provide the initial DLA support in a joint operations area. Each IRT members was provided specialized training and equipment that readied them to perform this mission. In May 2008, DESC Americas deployed one of the Class III Specialists to Fort Lewis, WA, as part of the DLA IRT to support Ardent Sentry 2008. The DLA IRT provided excellent support to the Theater Sustainment Command and the JTF.

DESC SHIFTS HALF OF WORKFORCE TO THE NATIONAL SECURITY PERSONNEL SYSTEM (NSPS): NSPS is a human resources management system established under 5 U.S.C. 9902(a) that compensates and rewards employees based on performance and contribution to the mission. In February 2008, DESC transitioned 470 personnel, over half of its workforce, from the General Schedule to NSPS. From May through November 2008, the newly-transitioned workforce learned about NSPS through training sessions and workshops provided to DESC employees worldwide. In spring of 2008, an NSPS Mock Pay Pool exercise was held. The exercise was educational and provided NSPS employees with valuable lessons on the new pay system. In mid-August 2008, 353 DESC employees attended NSPS Self-Assessment workshops held at five separate sites worldwide. The workshops focused on tips and techniques for writing NSPS Self-Assessments. DESC-H and NSPS trainers were prepared and the training was professionally executed and informative. DESC Pay Pool Panel deliberations took place from October until December 2008. All NSPS rating and pay actions were completed and posted by early January 2009.



Acronyms

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Acronyms

ABO	Aviator's Breathing Oxygen
AC	Austere Challenge
ACM	Air Cruise Missile
AEP	American Electric Power
AFRICOM	Africa Command
AIM	Air-to-Air Missile (Sidewinder)
AIR	Aviation Into-plane Reimbursement
AIT	Automatic Identification Technology
ALCM	Air-Launched Cruise Missile
ANG	Air National Guard
AOR	Area of Responsibility
ARCENT	Army Central Command
AVGAS	Aviation Gasoline
BAH	Booz Allen Hamilton
BBL	Barrel
BP	Beyond Petroleum
BP-COP	Bulk Petroleum Common Operating Picture
BSC	Balanced Scorecard
BSM-E	Business Systems Modernization-Energy
C2	Command and Control
CBU	Commodity Business Unit
CDC	Customer/Depot Complaint
CENTCOM	Central Command
CES	Constellation Energy Source
CHPP	Central Heat and Power Plant
CJTP	Combined Joint Task Force
CO	Contracting Official

Acronyms

COCO	Contractor-Owned Contractor-Operated
COCOM	Combatant Command
CONOPS	Concept of Operations
CONUS	Continental United States
COOP	Continuity of Operations Plans
CPI	Continuous Process Improvement
CPX	Command Post Exercise
CRM	Customer Relationship Management
CSG	Component Steering Group
CSM	Customer Support Management
CTF	Combined Task Force
DB	Direct Bill
DCST	DLA Contingency Support Team
DDF	Direct Delivery Fuels
DEA	Drug Enforcement Administration
DES	DLA Enterprise Support
DESC	Defense Energy Support Center
DF	Diesel Fuel
DFSP	Defense Fuel Support Point
DFSC	Defense Fuel Supply Center
DGU	Designated Government User
DLA	Defense Logistics Agency
DOD	Department of Defense
DOD-SCOMS	DOD-SEA Card Order Management System
DOE	Department of Energy
DORRA	DLA Office of Operations Research and Resource Analysis
DOT	Department of Transportation

Acronyms

DPK	Dual Purpose Kerosene
DSCR	Defense Supply Center Richmond
DST	DLA Support Team
DTHS	Dekatherms
DWCF	Defense Working Capital Fund
EA	Executive Agent
EBS	Enterprise Business Systems
ECM	Energy Conservation Measure
EOM	End-of-Month
EPS	Energy Performance Services
ESC	Expeditionary Sustainment Command
ESCO	Energy Service Company
ESOH	Environment, Safety and Occupational Health
eSRS	Electronic Subcontracting Reporting System
EUCOM	European Command
FAA	Federal Aviation Administration
FAME	Fatty Acid Methyl Ester
FAT	First Article Test
FEA	Fuel Exchange Agreement
FEB	Federal Executive Board
FEMA	Federal Emergency Management Agency
FG	Foreign Government
FMS	Foreign Military Sales
FOB	Free on Board
FOC	Full Operational Capability
FPDS-NG	Federal Procurement Data System-Next Generation
FT	Fischer-Tropsch

Acronyms

FT-IPK	Fischer-Tropsch ISO-Paraffinic Kerosene
FY	Fiscal Year
GE	General Electric
GFP	Government-Furnished Property
GHP	Geothermal Heat Pump
GLOC	Ground Line of Communication
GOCO	Government-Owned Contractor-Operated
GOGO	Government-Owned Government-Operated
GSA	General Services Administration
GSHP	Ground Source Heat Pump
GWOT	Global War on Terrorism
HOA	Horn of Africa
HPCA	High Pressure Cylinder Assembly
HQ	Headquarters
HVAC	Heating, Ventilating and Air Conditioning
IA	Inventory Accountability
IMM	Integrated Material Manager
ILR	Installation Level Review
IPA	Isopropyl Alcohol
IPT	Integrated Process Team
IRFNA	Inhibited Red Fuming Nitric Acid
IRT	Initial Response Team
ISO	Intermodal Shipping Container
ISR/SSR	Individual Contracts/Summary Subcontract Report
ITCR	Information Technology Capability Request
JP	Jet Petroleum (JP4, JP5, JP8, JP10, Jet A1, Jet B, etc.)
JPO	Joint Petroleum Office

Acronyms

JPTS	Jet Propellant Thermally Stable
JTF	Joint Task Force
KPSC	Korean Petroleum Support Center
KTR	Contractor
LNO	Liaison Officer
LSA	Lead Standardization Activity
LSS	Lean Six Sigma
MBBLs	Thousands of Barrels
MCO	Minor Construction Operating
MGO	Marine Gas Oil
MOA	Memorandum of Agreement
MOGAS	Motor Gasoline
MOH	Motor Oil (Hellas)
MOU	Memorandum of Understanding
MSC	Military Sealift Command
MUM	Midgrade Unleaded Gasoline
MUP	Premium Unleaded Gasoline
MWR	Morale, Welfare and Recreation
NAS	Naval Air Station
NASA	National Aeronautics and Space Administration
NATO	North Atlantic Treaty Organization
NAVEUR	Naval Command Europe
NAVPAC	Navy Facilities Engineering Command
NAVSOUTH	Naval Forces South
NCOIC	Non-Commissioned Officer In Charge
NLSA	National Logistics Staging Area
NORAD	North American Aerospace Defense Command

Acronyms

NORTHCOM	Northern Command
NPV	Net Present Value
NSN	National Stock Number
NSPS	National Security Personnel System
OCONUS	Outside Continental United States
OEF	Operation Enduring Freedom
OIF	Operation Iraqi Freedom
OM	Open Market
OPA-90	Oil Pollution Act of 1990
OPDS	Offshore Petroleum Discharge System
OPLANS	Operational Plans
OSD	Office of the Secretary of Defense
PACOM	Pacific Command
PANAMAX	Panama Exercise
PBD	Program Budget Decision
PC&S	Posts, Camps and Stations Contract
PF-1	Priming Fluid
P/L	Pipeline
POL	Petroleum, Oil and Lubricants
PORTS	Paperless Ordering and Receipt Transaction Screens
POTUS	President of the United States
PP&E	Plant, Property and Equipment
PQDR	Product Quality Deficiency Report
PQIS	Petroleum Quality Information System
QA	Quality Assurance
QAR	Quality Assurance Representative
QAS	Quality Assurance Specialist

Acronyms

QLLEX	Quartermaster Liquid Logistics Exercise
QS	Quality Surveillance
R&D	Research and Development
REC	Renewable Energy Certificate
REPOL	Resupply of Petroleum, Oils and Lubricants
RIE	Rapid Improvement Event
RK&K	Rummel, Kepper and Kahl
RIK	Replacement-In-Kind
RIMPAC	Rim of the Pacific
ROK	Republic of Korea
ROK MND	Republic of Korea Ministry of National Defense
RP-1, -2	Rocket Propellant
RTC	Retail Tank Car
SAP	System Analysis and Program Development
SAPO	Sub Area Petroleum Office
SBS	Small Business Specialist
SEA	Ships' Bunkers' Easy Acquisition
SIPRNET	Secure Internet Protocol Router Network
SK	South Korean
SOAR	Subcontracting Orientation and Assistant Review
SOUTHCOM	Southern Command
SPAWAR	Space and Naval Warfare Systems Command
SRM	Sustainment, Restoration and Modernization
SRM-E	Sustainment, Restoration and Modernization-Energy
Synfuel	Synthetic Aviation Fuel
TACM	Temporature and API Correcting Meter
TACOM	Tank-Automotive and Armaments Command

Acronyms

THAAD	Terminal High Altitude Area Defense
TOS	Terminal Operations Service
TS1	Russian Grade Aviation Fuel
Trans BN	Transportation Battalion
UAE	United Arab Emirates
UAV	Unmanned Aerial Vehicle
UESC	Utility Energy Service Contracts
UFG	Ulchi Freedom Guardian
UK MOD	United Kingdom Ministry of Defence
UMCS	Utility Management and Control System
US	United States
USA	United States Army
USAF	United States Air Force
USAFE	United States Air Force Europe
USAR	United States Army Reserve
USAREUR	United States Army Europe
USCENTCOM	United States Central Command
USFK	United States Forces Korea
USMC	United States Marine Corps
VFD	Variable Frequency Drives
VPP	Voluntary Protection Program



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