



DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY



Bulk Fuels Business Model and Procurement Process

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Bulk Fuels Business Model

- Procure Petroleum Products in Very Large Volumes
- Award Annual Indefinite Delivery/Indefinite Quantity (IDIQ) Contracts
- Socio-economic considerations – Small Business Set-Asides
- Estimated Quantity with a high minimum lift guarantee
- Price tied to market price indicator with fixed margin
- Contracts for both Free On Board (FOB) Origin and Destination delivery
 - FOB origin typically at point of manufacture (refinery)
 - FOB Destination typically for delivery to end user but may be to intermediate storage facilities known as Defense Fuel Support Points (DFSP)
- Moved through commercial distribution system to DFSPs for storage and redistribution or directly to end use customer

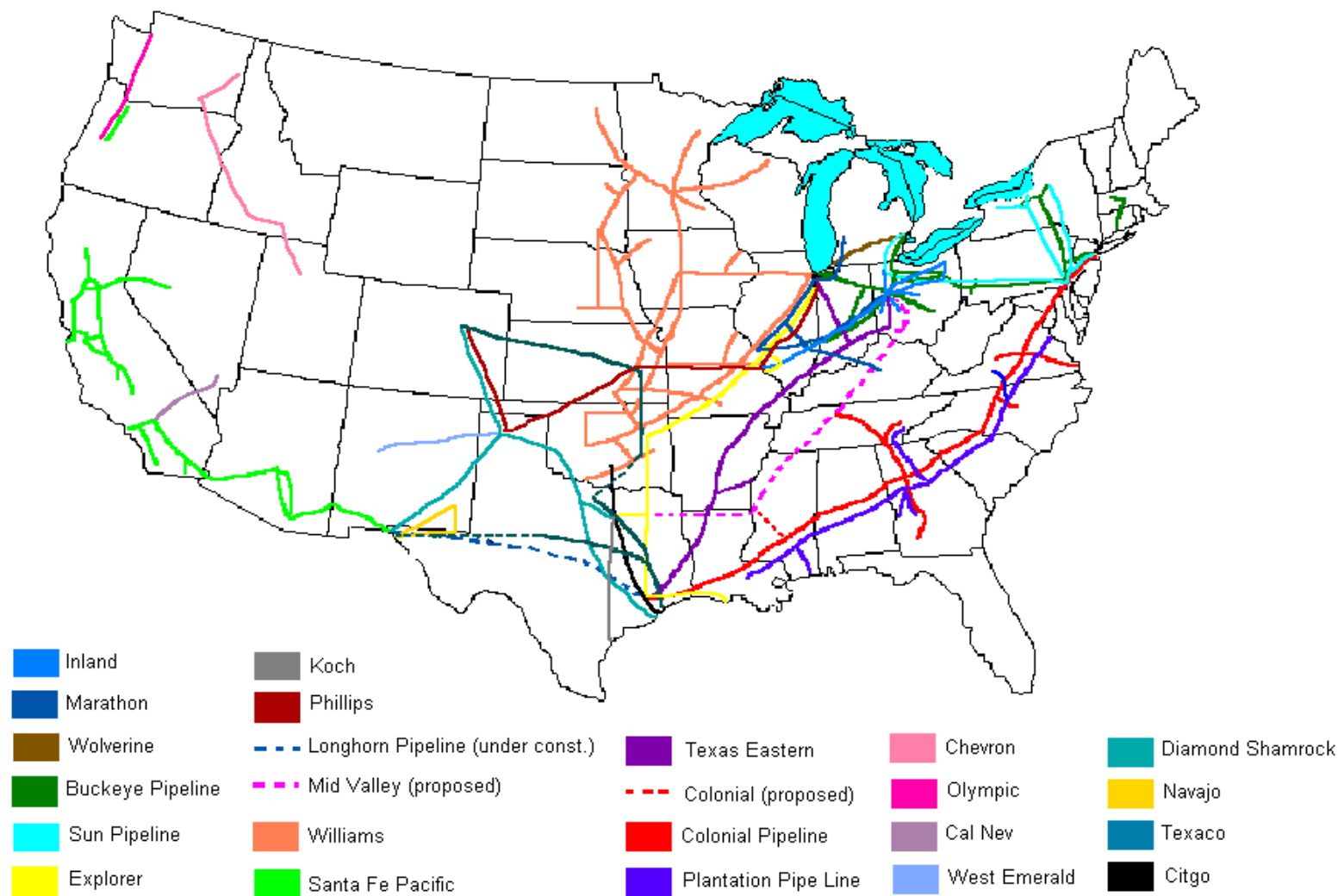


Bulk Fuels Business Model

- Supply and shipping batch sizes tend to be large:
 - Refinery 'batch' sizes typically are 10,000 barrels (BBL) and up
 - Commercial Pipelines typically have large minimum batch sizes
 - Barge and Tanker full loads between 50,000 and 350,000 BBL
- Customer demand often less than 175 BBL per delivery (1 truck).
- Extensive lead times for transit require use of intermediate storage and distribution system
- Global distribution system uses commercial transportation assets
 - Pipelines
 - Ground Transportation (Rail and Truck)
- Military Sealift Command provides ocean tanker and barge support
 - Tanker fleet on annual per diem
 - Barge and extra tankers on contract basis



U.S. Pipeline System

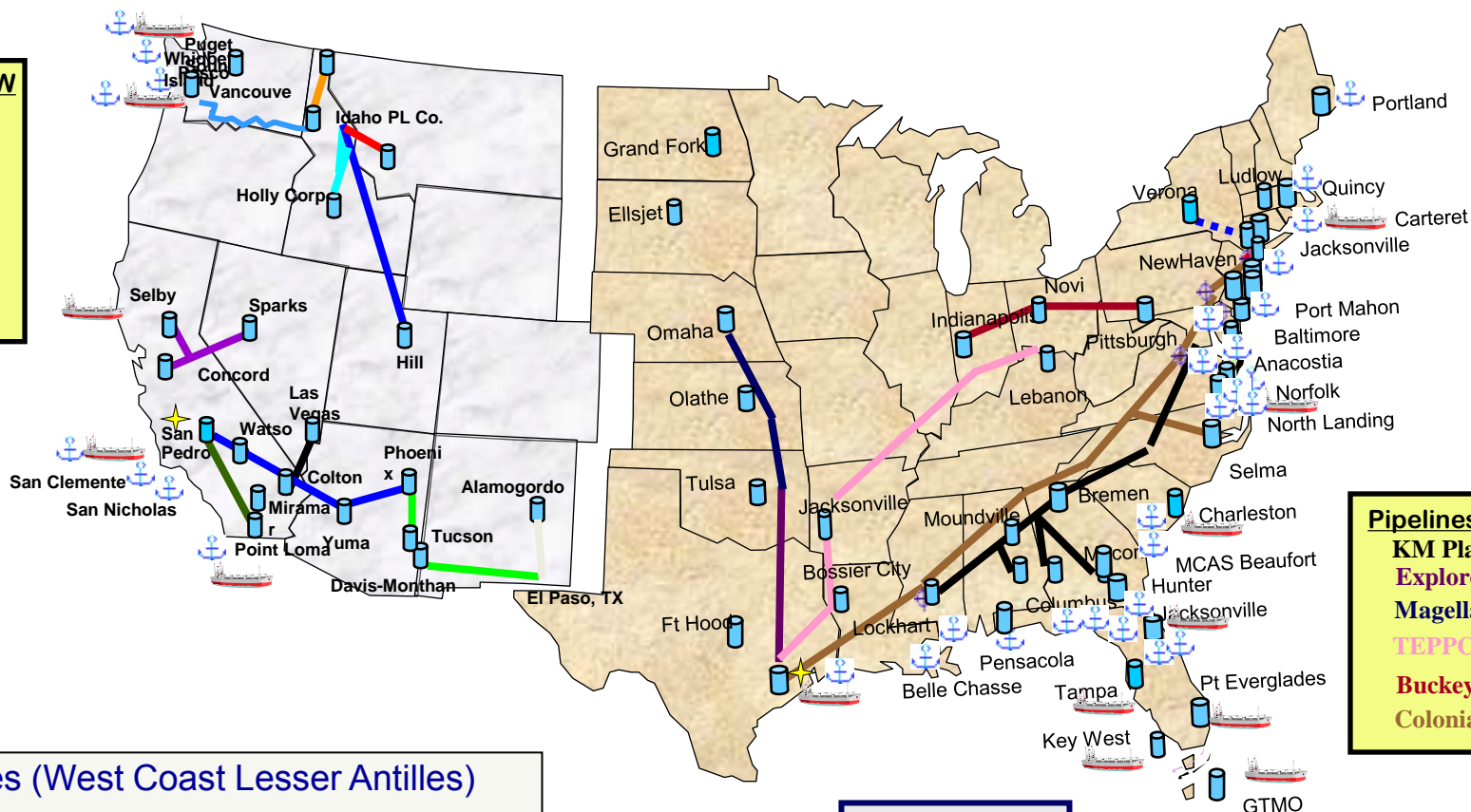




DLA Energy Americas

Pipelines – AMW

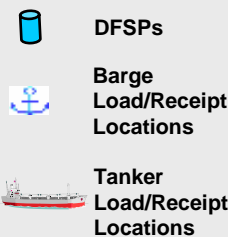
Chevron 1
Chevron 2
Idaho
Holly Corp
KM - North
KM - West
KM - East
CalNev



Pipelines – AME

KM Plantation
Explorer
Magellan
TEPPCO
Buckeye
Colonial

- 5 Time Zones (West Coast Lesser Antilles)
- 392 DFSPs
- 14 Major Pipeline Distribution Systems



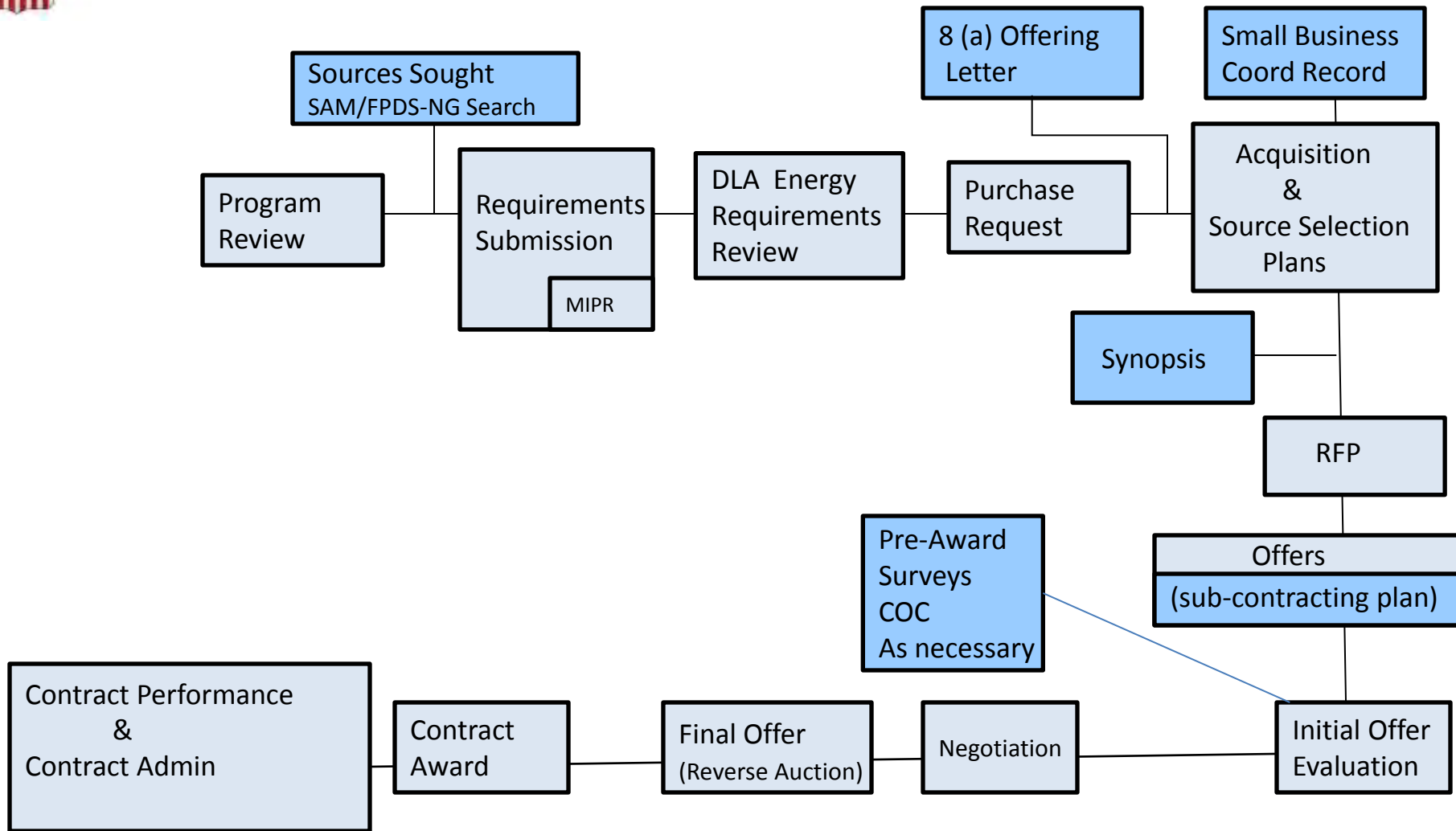


Steps in Acquisition Process

- Receiving and verifying a purchase requirement
- Planning the acquisition
- Soliciting offers
 - Solicitation posted on FedBizOpps website (WWW.FBO.GOV)
- Reviewing offers/evaluating
- Negotiating and finalizing offers
- Conducting final offer evaluations (BEM)
- Award Contracts
- Post-Contract Administration



Bulk Product Acquisition Process





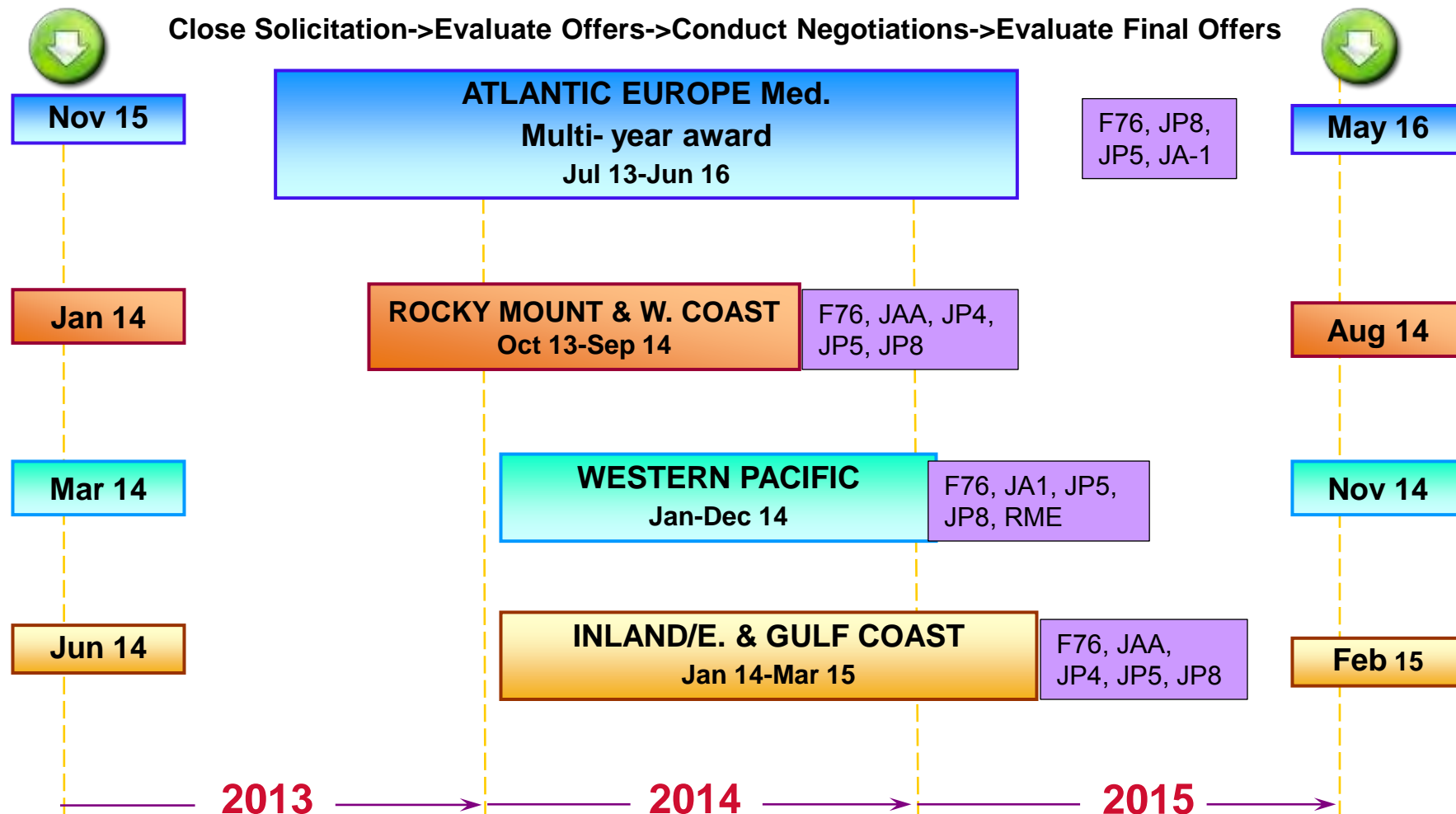
Bulk Fuels Purchase Programs

Always in the Market

Issue
Solicitation

Award
Contract

Close Solicitation->Evaluate Offers->Conduct Negotiations->Evaluate Final Offers





Projected Procurement Timeline

- Estimates for 2015 East Coast Procurement
 - Receive requirements from planning (Purchase Request) - April 2014
 - Issue Solicitation – June 2014
 - Receipt of Initial Offers – August 2014
 - Open negotiation – October 2014
 - Close negotiations – December 2014
 - All pre-award surveys complete
 - Vendor must have confirmed source of supply
 - Award contracts – Feb 2015
 - Performance Period – 1 April 2015 – 31 March 2016



Bid Evaluation Model (BEM)

- Awards made based on lowest overall cost to DoD taking into account offer pricing, transportation to point of sale and other cost factors
- Model calculates costs of all possible ways to connect an offer to a requirement
 - All offer lines considered individually
 - All possible transportation modes considered
 - Applicable node/arc combinations up to four iterations to connect offerors and requirements
 - All offer options (such as “either/or” options for JP5 or JP8) and considerations (offer maximums/minimums) and additive possibilities
- Each “leg” of a route is monetized and added to the offer (up to 4)
- Includes intermediate throughput costs and evaluation factors
- Lowest overall cost across all requirements is awarded



Components of Laid Down Price

- Laid Down Price includes many components
 - The offered product price
 - All transportation costs
 - All additive costs
 - All intermediate DFSP distribution costs (fixed and variable costs)
 - Excess throughput charges
 - Unique costs for specific receipt modes
 - Offer specific evaluation factors



Considering Transportation: Effect

Offers

A: 6,000,000 USG by TT @ \$2.95/gallon
B: 6,000,000 USG by PL @ \$3.00/gallon
C: 1,000,000 USG by PL @ \$2.99/gallon

Intermediate Depot Support Available

Into X by PL, out by TT to all Requirements
Into Y by PL, out by TT to all Requirements

Evaluated on Offered Price Only:

Requ 1 – Offeror A (total cost \$3.23/gal)
Requ 2 – Offeror A (total cost \$.315/gal)
Requ 3 – Offeror C (total cost \$3.18/gal)
Total cost: \$22,320,000

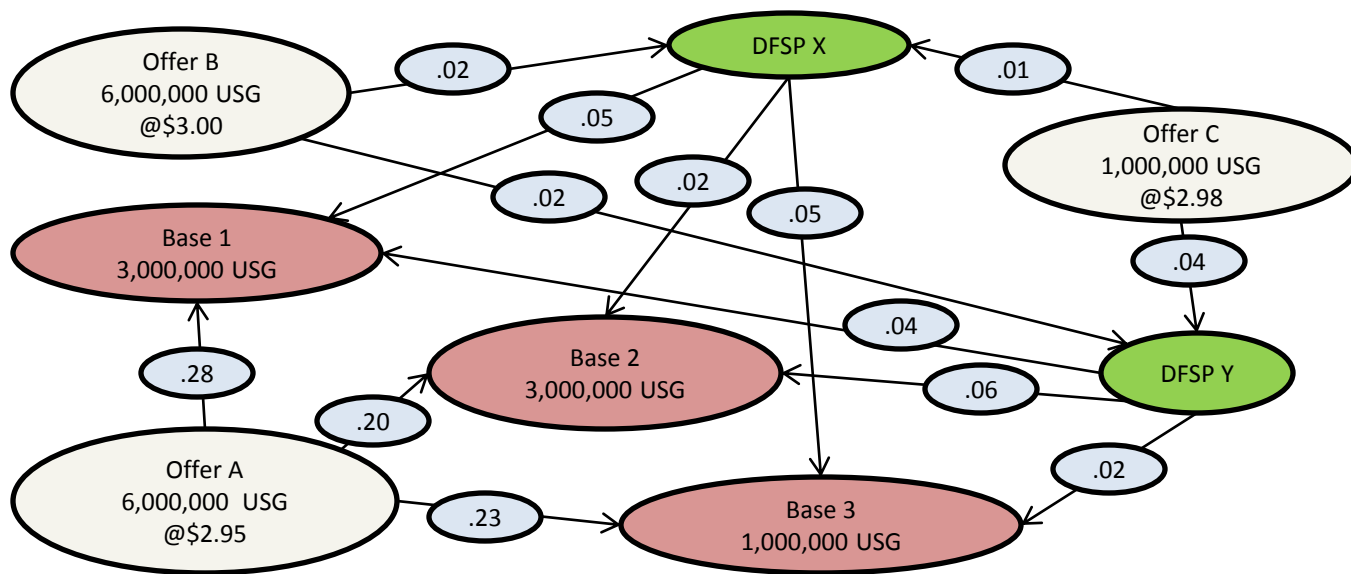
Evaluated on Laid-Down Cost:

Requ 1 – Offeror B (total cost \$3.06/gal)
Requ 2 – Offeror C (total cost \$3.01/gal)
Requ 2 – Offeror B (total cost \$3.04/gal)
Requ 3 – Offeror B (total cost \$3.04/gal)

Total cost: \$21,310,000

\$1,010K Savings

Distribution Plan Generated



PL = Pipeline; TT = Tank Truck

Transportation Rates

A to 1 (TT): .28/gallon
A to 2 (TT): .20/gallon
A to 3 (TT): .23/gallon
B to X (PL): .02/gallon
B to Y (PL): .02/gallon
C to X (PL): .01/gallon
C to Y (PL): .04/gallon
X to 1 (TT): .05/gallon
X to 2 (TT): .02/gallon
X to 3 (TT): .05/gallon
Y to 1 (TT): .04/gallon
Y to 2 (TT): .06/gallon
Y to 3 (TT): .02/gallon

Requirements

Base 1: 3,000,000 gallons received by TT
Base 2: 3,000,000 gallons received by TT
Base 3: 1,000,000 gallons received by TT



Ordering

- Only DLA Energy orders off Bulk contracts
 - Regions place all orders except for ocean tanker movements
 - DFSP Management Ocean Tanker Scheduling Branch places orders requiring tanker movements
 - Under EBS, Region or Tanker Division create nomination in SRM which results in order being sent to DLA Internet Bid Board System (DIBBS)
 - DIBBS sends notification to vendor that order has been placed
- Order lead time
 - Tank truck/tank wagon: 48 hours
 - Pipeline: 15 days
 - Tanker/Ocean-going barge: 20 days



QUESTIONS?

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