



# DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY



## DWCF Optimization

DLA Energy-LFA  
WWEC 2017



# How Did We Get Here?

## Plan for Integrated Management of Bulk Petroleum, Phase II, Jul 92;

- “established an organization to study all storage and distribution systems under the cognizance control of DFSC. This organization will be charged with ensuring that all systems are operating at the most economic and efficient manner, while providing quality customer support. An analysis will be conducted on each system to ensure that DFSC optimizes each system while considering how to minimize total system costs to DoD”



## DoDI 4140.25, DoD Management Policy for Energy Commodities and Related Services:

- “Government-owned energy commodity infrastructure is minimized through use of commercial capabilities and privatization, except when such infrastructure is needed for unique security reasons or when privatization is uneconomical or impractical”

## DoD 4140.25M, DoD Management of Bulk Petroleum Products, Natural Gas, and Coal, Volume II, Chapter 8:

- Energy will consider conversion of a Service-operated GOGO/service funded GOCO DFSP to a DWCF GOCO/COCO DFSP if economic benefit to DoD can be demonstrated



# Optimization Program BLUF

**BLUF:** DLA Energy performs studies that identify optimal storage, operational and infrastructure solutions at the base level. These studies often reduce government owned infrastructure by incorporating best commercial practices while minimizing a Service component's investment in Class III (B) supply chain management

## **FACTS:**

- Provides “state of the art” infrastructure
- Privatization construction costs are 40% less through use of best commercial practices
- 97% of approved optimization projects result in a savings for the DoD
- Optimization “right sizes” infrastructure and equipment required for Class IIIB mission



Ft. Gordon before (GOGO) and after (COCO) photos<sup>1</sup>



# Key Definitions

## Optimization

The process of conducting facility assessments in partnership with the Services to develop best fit solutions which will help to efficiently operate and maintain petroleum storage and distribution systems for which DLA has SR/M responsibility

Optimization **≠** Capitalization

## Capitalization

The process whereby the Defense Working Capital Fund (DWCF) assumes management responsibility and ownership (title) for inventories financed from other DoD appropriations. Fuel that is capitalized is owned by the DWCF while in storage tanks, servicing vehicles, and ships until the point of sale. These fuel facilities receive DWCF funding for SR/M



# Optimization Candidates

## What makes a good candidate?

- Consolidation of facilities to reduce infrastructure footprint
- Unfunded MILCON requests or facilities in need of multiple major repairs
- Increasing environmental liability to operate facility
- Primarily focused towards small/medium sized bulk/retail fuel operations

## Optimization is not:

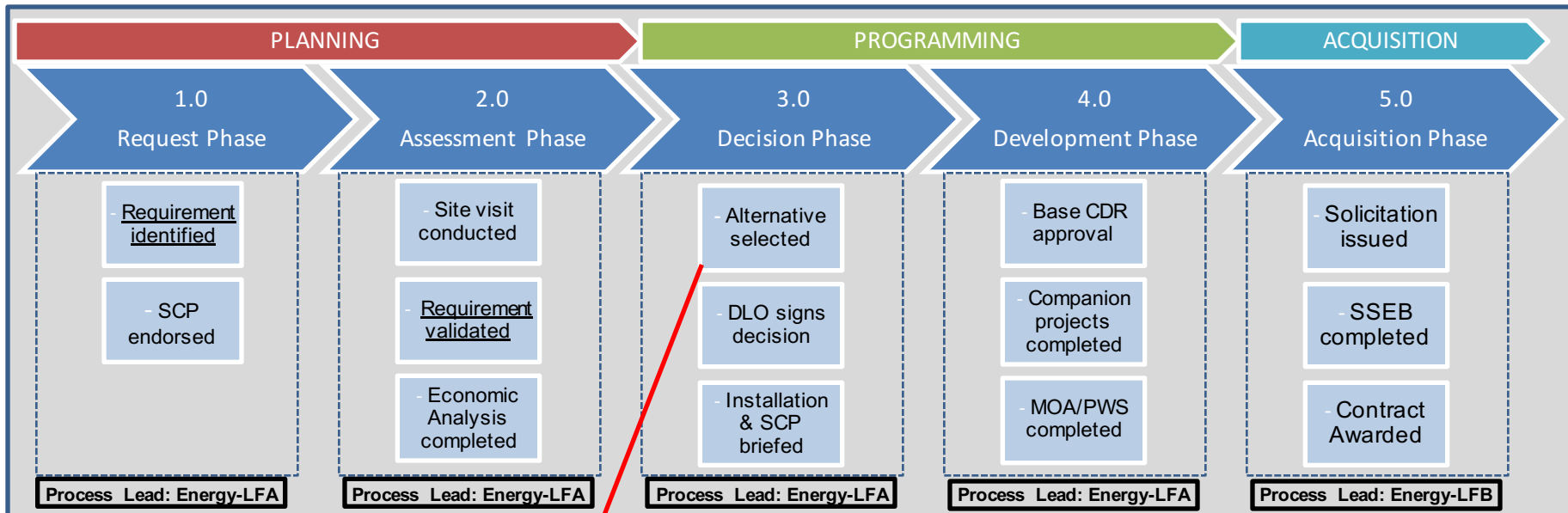
- Intended to replace Service funding responsibilities with DWCF dollars



Ft. Campbell before (GOGO) and after (COCO) photos <sup>2</sup>



# Overview/Process



- Current OPS
- MILCON
- GOCO
- COCO
- GOCO/COCO



Cape Canaveral COCO 3



### Service Control Point Roles

- Honest Broker
- Technical Expert
- Liaison between DLA/Requestor
- Facilitate unresolved issues



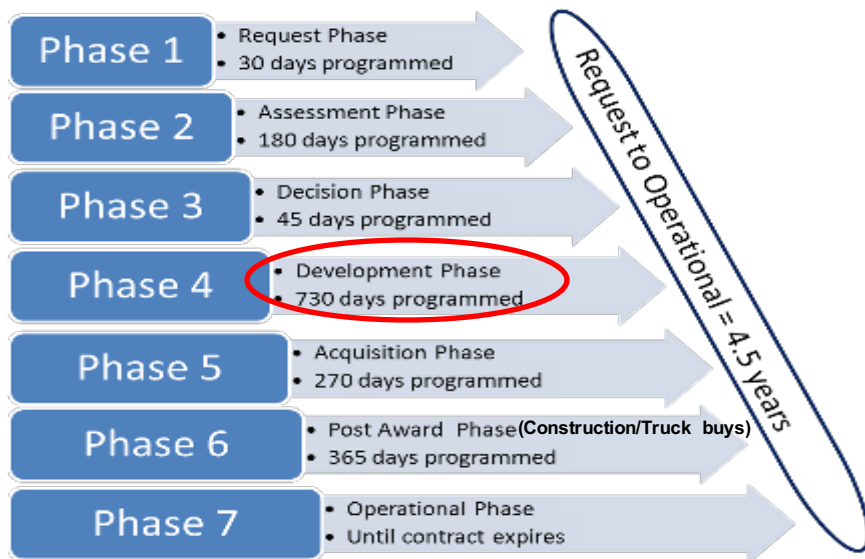
# Optimization Alternatives

- Current OPS
  - Defined as the requesting installation continues to operate the Class III (B) infrastructure and mission in the same manner as when they requested optimization
- MILCON
  - Defined as requesting installation submitting a DD1391 to DLA IPRB for appropriate infrastructure to conduct Class III (B) mission
- GOCO (Outsourced)
  - Defined as fuels infrastructure that is owned by the government but operated by a DWCF contractor
- COCO (Privatized)
  - Defined as fuels infrastructure that is owned and operated by a DWCF contractor
- GOCO/COCO (Hybrid)
  - Defined as a combination of government owned and contractor owned infrastructure operated by a DWCF contractor

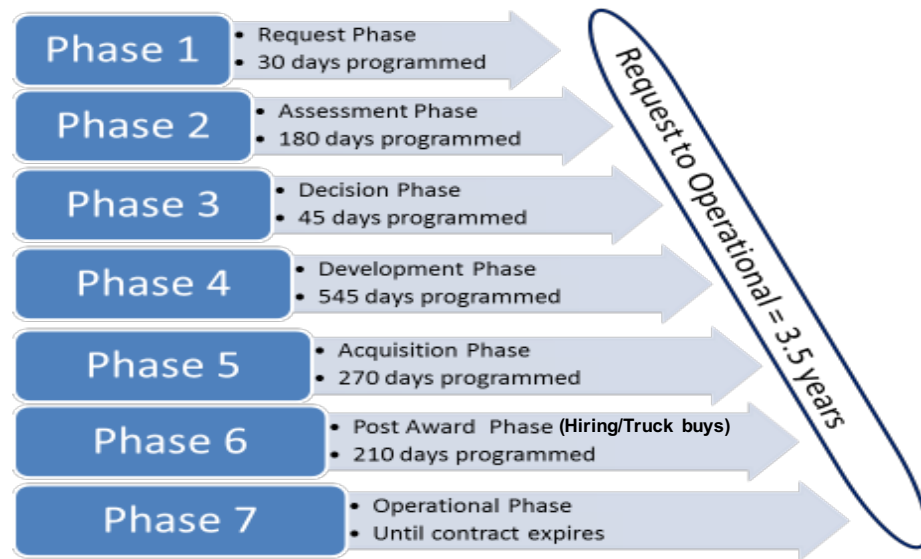


# Timelines

## COCO Timeline



## GOCO Timeline



COCO development phase most problematic due to **installation** driven responsibilities to:

- Extend Utilities to proposed COCO 5' line (funding)
- MOA (or PBA) coordination and approval by all parties
- NEPA (Environmental Assessment/Environmental Condition of Property)





# Initiatives to Improve Program

## EXTERNAL:

- DoD 4140.25M Policy to define procedures for all stakeholders
  - Draft Policy in development
  - Some initiatives have been integrated into standardized process
- Performance Based Agreements (PBA) to replace MOA
- Standard Lease Language with USACE/NAVFAC/AFCEC

## INTERNAL:

- Desk Guide for PMs to define Economic Analysis process
  - Develops standardization, expertise, incorporates lessons learned



# Initiative to Maximize DoD Savings

## **Situation:**

- Current 10 U.S.C. 2922 limits contract award periods to 20 years
- Average COCO fuel facility life cycle is approximately 30 years based on warranty information and engineering assessments

## **Objective:**

- Lengthen the maximum contract period for current and future fuel services contracts from 20 to 30 years
- The NDAA 2017 Section 809 Advisory Panel has agreed to sponsor statute modification recommendation to Congress with DLA assistance
- Energy response will be coordinated through DLA J-7 to the Panel

## **Benefits:**

- 33% savings to all future logistics/acquisition costs (\$25-30 million over the next 20 years)



# Oh Yea, the “High” Hurdle.....A-76

- Most current (April 2016) update to OMB Circular A-76:

“An optimization project can not serve to convert any work currently performed (or designated for performance) by civilian personnel to contract performance until the OMB A-76 moratorium for outsourcing government labor is lifted. This prohibition applies to functions and work assigned to civilians, regardless of whether or not a position, or billet, is established for that work, and whether or not that position, or billet, is encumbered. This would include workload associated with any positions that are vacant as a result of sequester related hiring freezes or workload lost due to civilian furlough”

- Additionally, IAW 10 USC 2463, if contract performance of a function designated for performance by military personnel is requested, a completed cost analysis IAW DoDI 7041.04 must be complied with

*Note: DLA Energy requires the requesting base level Commander and/or Legal Officer to state this in writing prior to initiation of a site survey*



# Working Optimizations

| Programmed FY | Study                               | Alternative | Remarks                  |
|---------------|-------------------------------------|-------------|--------------------------|
| 17            | REDSTONE ARSENAL                    | COCO        | Pending Award            |
| 17            | WHITE SANDS MISSILE RANGE           | COCO        | RFP out Jan 17           |
| 18            | TYNDALL AFB OPT (retail)            | COCO        | Awaiting SEC/AF Approval |
| 18            | ALTUS AFB, OK (retail)              | COCO        | Awaiting SEC/AF Approval |
| 18            | LUKE AFB, AZ (retail)               | COCO        | Awaiting SEC/AF Approval |
| 18            | FT SAM HOUSTON/CAMP BULLIS (retail) | COCO        | Awaiting SEC/AF Approval |
| 18            | LAUGHLIN AFB (Retail)               | COCO        | Awaiting SEC/AF Approval |
| 18            | POPE AF                             | GOCO        | Adding to Pope Bulk GOCO |
| 18            | FT LEONARD WOOD                     | GOCO/COCO   | Awaiting base decision   |
| 18            | FT SILL                             | GOCO        | Awaiting base decision   |
| 19            | ABERDEEN PG                         | GOCO/COCO   | MOA Coordination         |
| 19            | NCBC GULFPORT                       | COCO        | Companion Projects       |
| 19            | FT RUCKER (2)                       | COCO/TBD    | MOA Coordination         |
| 19            | MCB QUANTICO                        | COCO        | Companion Projects       |
| 19            | PINION CANYON                       | COCO        | Companion Projects       |
| 19            | FT RILEY                            | GOCO/COCO   | Companion Projects       |
| 19            | FORT BENNING                        | TBD         | DLO Review               |
| 19            | POAKULOA TRAINING AREA              | TBD         | Coordinating Site Visit  |
| 19            | FT AP HILL                          | COCO        | MOA Coordination         |
| 20            | ANDROS ISLAND                       | TBD         | Study On-going           |
| 20            | FT WAINWRIGHT                       | TBD         | Request in Coordination  |
| 20            | FT HUACHUCA                         | TBD         | Study On-going           |



# Long-Term Programming

| LFA Optimization Forecast Tracker - Updated: 1 Jan 2017 |                          |        |                          |                              |
|---|--------------------------|--------|--------------------------|------------------------------|
| Programmed FY   | Location                 | SCP    | Request Letter Submitted | Remarks                      |
| 20  | Fort Wainwright          | APC    | N                        | Request memo in coordination |
| 20  | MCAS Futenma Aviation    | NAVSUP | N                        | Request memo in coordination |
| 20  | FLC Sigonella Aviation   | NAVSUP | N                        | Request memo in coordination |
| 21  | MCBC Albany              | NAVSUP | Y                        |                              |
| 21  | MCAS Beaufort            | NAVSUP | N                        |                              |
| 21  | Fort McCoy               | APC    | N                        |                              |
| 21  | MCAS Cherry Point        | NAVSUP | N                        |                              |
| 22  | MCAS Iwakuni             | NAVSUP | N                        |                              |
| 22  | Marine Corps Base Hawaii | NAVSUP | N                        |                              |
| 22  | Dugway Proving Ground    | APC    | N                        |                              |
| 22  | Blount Island            | NAVSUP | N                        |                              |
| 22  | West Point NY            | APC    | N                        |                              |
| 23  | NDW Retail Consolidation | NAVSUP | N                        |                              |
| 23  | JB Anacostia             | AFPA   | N                        |                              |
| 23  | MCRD Parris Island       | NAVSUP | N                        |                              |

## Optimized Facilities (98-Present)

| Service | COCO | GOCO | GOCO/COCO |
|---------|------|------|-----------|
| USA     | 10   | 37   | 3         |
| USAF    | 1    | 46   | 0         |
| USN     | 4    | 0    | 0         |



# Optimization Study Requirements

- Optimization Study Request Memorandum
  - Signed by Base Level Commander or higher Command
  - Provides OMB Circular A-76 compliance
    - ✓ IAW 10 USC 2461, memorandum shall state that the optimization of requesting organization will not serve to convert any work currently performed (or designated for performance) by civilian personnel to contract performance \*\*
    - ✓ IAW 10 USC 2463, memorandum shall state that if contract performance of a function designated for performance by military personnel is requested, a completed cost analysis IAW DoDI 7041.04 was complied with \*\*
- Completed Facility Data Worksheets
  - Provided by the requesting command through the Service Control Point (SCP) for all infrastructure and operations to be assessed
- SCP Endorsement
  - Memorandum signed by the SCP Commander/Director endorsing the Service request for an optimization study

*\*\* if applicable*



# Key Takeaways

- Commercial outsourcing and privatization of installation Class III (B) mission is an DoD success story
- Funding for installation responsibilities still a key challenge for project completion in a timely manner
- Continued partnering between the Services and DLA Energy provides opportunities to maximize cost savings

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# Questions/Information



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1: Courtesy of the USAPC

2: Courtesy of the USAPC

3: Courtesy of DLA Energy-LFB